

UNCLASSIFIED

INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

AGENCY FOR INTERNATIONAL DEVELOPMENT

WASHINGTON, D.C. 20523

PROJECT PAPER

EGYPT: Cairo Water Supply I
(263-0038)

UNCLASSIFIED

PROJECT DATA SHEET

1. TRANSACTION CODE

A = Add
 C = Change
 D = Delete

Amendment Number
3

DOCUMENT CODE
3

2. COUNTRY/ENTITY

EGYPT

3. PROJECT NUMBER

263-0038

4. BUREAU/OFFICE

ASIA AND NEAR EAST

ANE

5. PROJECT TITLE (maximum 40 characters)

CAIRO WATER SUPPLY I

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY
09 28 87

7. ESTIMATED DATE OF OBLIGATION
 (Under 'B.' below, enter 1, 2, 3, or 4)

A. Initial FY 86 B. Quarter 4 C. Final FY 87

8. COSTS (\$000 OR EQUIVALENT \$1 =)

A. FUNDING SOURCE	FIRST FY <u>77</u>			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AD Appropriated Total				97,400		97,400
(Grant)	()	(-)	()	(67,400)	()	(67,400)
(Loan)	(30,000)	()	()	(30,000)	()	(30,000)
Other U.S.	1.					
	2.					
Host Country						
Other Donor(s)					48,465	49,765
TOTALS						147,565

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECIL 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	729			61,400	30,000	6,000	-	67,400	30,000
(2)									
(3)									
(4)									
TOTALS									

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

11. SECONDARY PURPOSE CODE
826

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

A. Code BU
 B. Amount 97,400

13. PROJECT PURPOSE (maximum 480 characters)

To rehabilitate and expand the Rod El Farag Water Treatment Plant to its maximum treatment and pumping capacity in order to alleviate a shortage of potable water in the Central District of Cairo.

14. SCHEDULED EVALUATIONS

Interim MM YY MM YY Final 05 88

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000 941 Local Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment.)

The project amendment provides for additional funding to cover a 1 year extension of existing contracts, and to ensure completion of construction, associated construction supervision, plant operation and maintenance assistance, and management assistance to the Cairo Water Authority.

I concur in the methods of implementation and financing described in this amendment.

17. APPROVED BY

Signature Frank B. Kentel
 Title Mission Director

W. Miller, Controller

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

Date Signed MM DD YY

MM DD YY

UNCLASSIFIED

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON DC 20535

PROJECT PAPER AMENDMENT No. 3

PROJECT NO. 263-0038

AUGUST 1986

EGYPT: CAIRO WATER SUPPLY SYSTEM I

UNCLASSIFIED

PROJECT PAPER AMENDMENT NO. 3

EGYPT: CAIRO WATER SYSTEM

SUMMARY AND RECOMMENDATION

1. Grantee: : Government of the Arab Republic of Egypt
2. Implementing Agency : Ministry of Housing and Public Utilities
General Organization for Greater Cairo Water Supply
3. Amount : Amendment to add US \$6.0 Million
4. Total Project Cost : The total foreign exchange component of the project is \$91.4 million. The increase will raise USAID's obligation to \$97.4 million. The GOE's local currency obligation is (dollar equivalent) 48.5 million. The increase will raise the GOE obligation to 49.8 million.
5. Terms : Entire amount as a grant.
6. Purpose : To increase the quantity and quality of potable water for the central district of Cairo. The expansion of the Rod El Farag Water Treatment Plant will increase the treatment capacity by 450,000 cum/d.
7. Project Description :
 - A. Rehabilitation and expansion of the Rod El Farag Water Treatment Plant to increase treatment capacity by 450,000 cu m/d while ensuring continuation of current treatment capacity of about 200,000 cu m/d;
 - B. Laying of six km of transmission line; and
 - C. Training of GOGOWS personnel.

The additional funds will cover unforeseen construction engineering services, operation and maintenance assistance, hands-on training of plant personnel, and continued management assistance for GOGOWS departmental executives.

8. Grant Application : The GOE has requested an additional \$6 million to finance the foreign exchange costs of the proposed activities. Funds will be allocated as follows:
- | | |
|---|---------------|
| 1. Construction Contractor
Increased work | \$2.5 million |
| 2. Extension of Engineering
Construction Supervision
Services | 0.8 million |
| 3. Extension of Management
Assistance Service | 0.8 million |
| 4. Plant Operations and
Maintenance Assistance | 1.7 million |
| 5. Audit and Evaluation | 0.2 million |
9. Source of U.S. Funds: Economic Support Fund
10. Mission Views : The Mission fully endorses the Amendment. In accordance with Section 611 (e), FAA, the Mission Director has certified GOE capabilities to effectively maintain and support this project.
11. Project Analysis : Technical, financial, economic, social and environmental issues have been addressed in previous amendments. Updates are provided where necessary.
12. Project Activity Completion Date : The PACD of the Project Agreement is extended to September 28, 1987. New LOP is 10 years.
13. Recommendation : Authorize a \$6.0 million grant to the GOE to close out phase I of the project on terms and conditions set forth in the draft Second Amendment of the Project Grant Agreement and Authorization (Annex A).

Table of Contents

CAIRO WATER SUPPLY SYSTEM - AMENDMENT NO. 3

	PAGE NO.
SUMMARY AND RECOMMENDATION	i
I. BACKGROUND	1
A. Introduction	1
B. History of Finance Commitment	2
II. PROJECT DESCRIPTION AND STATUS	2
A. Project Description	2
B. Supporting Elements	3
1. Engineering Services	3
2. Management Consulting Services	3
3. Spare Parts	3
C. Project Status	4
D. Work Items To Be Funded By This Amendment	5
1. Additional Construction Costs	5
2. Extension of Consulting Services	6
3. Extension of Management Assistant Services	6
4. Plant Operation and Maintenance	7
5. Audit and Evaluation	8
III. PROJECT ANALYSIS	8
A. Financial Plan and Analysis	8
1. Cost Estimates	8
2. Cost Recovery Through Tariff Increases	9
B. Technical Analysis	10
C. Economic Analysis	11
D. Environmental Analysis	11
E. Social Analysis	12
IV. PROJECT IMPLEMENTATION	12
A. Contract Extensions	12
B. Extension of PACD	12
C. Monitoring	12
D. Method of Financing	13
V. RECOMMENDATION CONDITIONS, COVENANTS AND WAIVERS	13
A. Recommendation	13
B. Conditions Precedent to Disbursement of Funds	13
C. Covenants	13
D. Waivers	14

ANNEXES

- A. Second Amendment to Project Grant Agreement and Project Authorization
- B. Grant Application
 - 1. Letter of Request from GOGOWS
 - 2. Letter of Concurrence from MPIC
- C. Statutory Checklist
- D. Schedule of Cost Increases
- E. 611(E) Certification

TABLES

- | | |
|---|---|
| 1. July 1982 Project Cost Estimates (From Table 4, PP Amend No.2) | 3 |
| 2. Types of Contracts and Completion Dates | 4 |
| 3. Cost Estimate This Amendment | 8 |
| 4. Authorized Expenditure Levels and Proposed Addition of Funds | 9 |

USAID Project Review Committee:

OD/UAD, Fred A. Zobrist, Project Direction
DOD/UAD, Frank Miller, Project Direction
DR/UAD, Roy L. Robieson, Project Management
DR/UAD, Bert Schacknies, Project Development
DR/UAD, Nabil Saba, FSN Project Coordination
DR/UAD, John C. Starnes, Environmental Coordination
DR/UAD, Joy Pollock, Training Coordination
DR/UAD, Tarek Selim, Institutional Coordination
DPPE/PAAD, Charles Richter, Economic Review
DPPE/PO, John Ryan, Program Review
LEG, Michael Williams, Legal Review
FM/FA, Thomas Johnstone, Financial Review

USAID Executive Committee:

DIR, Frank B. Kimball
DDIR, Arthur Handly
AD/DR, Reginald van Raalte
AD/DPPE, George Laudato
AD/EM, Terrance McMahon
AD/IS, Donald Pressley
AD/HRDC, Bernard Wilder
AD/AG, William Janssen
AD/MGT, James Donnelly
LEG, Kevin O'Donnell

I. Background

A. Introduction

USAID's extensive commitment to the water and wastewater sector of Egypt was launched with the initial support for Cairo's Greater Water Supply needs in 1977. The initial commitment to Cairo has been expanded geographically to meet the potable water and wastewater collection and treatment needs of other cities and towns. USAID capital and technical assistance currently is provided to Alexandria, Cairo, Port Said, Ismailia and Suez, Fayoum, Beni Suef and Minia. Included in the comprehensive assistance program is the managerial support to national and municipal agencies responsible for provision of services, including the operation and maintenance of the facilities constructed with US financial resources and expertise.

The effort in Cairo was initiated with a USAID financed study by the joint venture of Engineering Science, Inc. and Ralph M. Parsons Corporation (ES-PARSONS) under a contract with the Ministry of Housing and Reconstruction (MCHR) which was the responsible Host Country agency. The Ministry currently responsible for providing overall guidance to the sector is the Ministry of Housing and Public Utilities, while the implementing agency is the General Organization for Greater Cairo Water Supply (GOGCWS), a semi independent authority under the jurisdiction of the Cairo Governor, acting on behalf of the three governorates which constitute the Greater Cairo Water District, i.e. Cairo, Giza and Calyubeya.

The ES-PARSONS study had two objectives: to develop an immediate program to satisfy Cairo's water demands through the year 1982 and to outline a staged development program of waterworks to satisfy the projected potable and nonpotable water needs from 1982 through the year 2000. The study was completed in 1978 and recommended a series of short and long range system improvements. Following review of the study recommendation, the GOE formally requested USAID assistance in financing the foreign exchange (FX) cost of 1) the rehabilitation and expansion of one section of the Rod El Farag Water Treatment Plant and 2) the construction of lateral distribution and house connections for approximately 40,000 households in the central district (Cairo) which were not served by piped water and had to rely on public stand pipes.

The proposed household connection program, although included in the original project authorization (at \$10 million) was subsequently eliminated primarily because overall funding limitations and the increased cost of treatment plant rehabilitation forced a shifting of priorities and the consequent reallocation of funds. The recommendation to concentrate available financial resources on the Rod El Farag treatment plant was based on the critical position of the plant within the total water supply system. Although Cairo derives its potable water from 16 sources, i.e., eight Nile surface water treatment plants, four plants with surface water and well fields and four well fields, the Rod El Farag plant is by far the most important facility. Rod El Farag is the oldest plant in the system. Its location in the heart of the metropolitan area and its function as the central distribution point for the system at large made it essential to maintain and enhance the original investment. From a technical point of view, there was no feasible alternative for supplying water to the central district of Cairo without a prohibitive investment in a new plant.

B. History of Finance Commitments

The original cost estimates suggested an FX expenditure of \$20 million for upgrading the water treatment plant and \$10 million for the house connection program. The GOE local currency contribution was placed at LE 15 million. The estimates of need were revised upwards and the first project amendment in August of 1981 fixed the FX component at \$61 million. With the elimination of the house connection program the additional resource requirements were estimated at \$31 million. The GOE's local currency contribution was also increased to LE 38 million.

The additional \$31 million were approved on August 17, 1981, three months prior to the receipt of bids from the contractors on November 15, 1981. Bids were received from two consortia of US contractors representing five of the eight prequalified firms. One bid was for the dollar equivalent of \$114.7 million and the other was for \$148 million. Both bids were significantly above the consultant's original estimate of \$49.6 million and LE 34.7 million.

Extensive negotiations over a period of eight months, involving USAID Cairo, AID/W, several host country agencies and the contractor resulted in a significantly scaled down project and a redistributed cost burden. Accordingly, the cost for the construction of the plant was pegged at \$75 million and LE 34.1 million. Including other associated cost elements, such as construction engineering and management studies, the second project amendment increased the life-of-project cost for AID to \$91.4 million with a GOE contribution of LE 48.4 million.

It is noted that the original Project Agreement called for the GOE to provide all additional resources needed to complete the project beyond the AID contribution of (then) \$31 million. However, the GOE's contribution of LE 48.4 million is already substantial and it would be unrealistic, especially with the GOE now in a very adverse foreign exchange position as a result of falling oil prices, to expect a still greater FX contribution.

II. PROJECT DESCRIPTION AND STATUS

A. Project Description

The project finances the rehabilitation and expansion of the South portion of the Rod El Farag Water Treatment Plant and installation of approximately six kilometers of new water transmission lines. This project will increase the capacity of the facility from a current 200,000 cu m/d to a rated capacity of 650,000 cu m/d. The following new facilities will be provided: raw water intake and pump station, chemical feeding and handling systems, clarifiers, filtering units, filtered water pumping station, backwash pump station, administration building, 3.2 km of 1000 mm and 2.8 km of 1400 mm diameter ductile iron transmission lines with the necessary valves, fittings, and appurtenances, and a training element aimed at strengthening the administrative and management capabilities of GOGOWS.

B. Supporting Elements

1. Engineering Services (construction supervision): The consulting joint venture, ES-PARSONS, was engaged by GOGCWS to perform the engineering supervision of construction. The ES-PARSONS contract expired April 30, 1986.
2. Management Consulting Services: GOGCWS engaged the consulting firm J.M. Montgomery to perform management services and studies vital to improvement of GOGCWS' operating procedures. The J.M. Montgomery contract expired April 30, 1986.
3. Spare Parts: To assure that the new treatment plant will continue to function as designed USAID made \$1.5 million available in the Commodity Import Program for purchase of spare parts.

Table 1

July 1982 Project Cost Estimate
(From Table 4, PP Amendment No. 2)

ITEM	\$	LE (Equiv \$)
-Transmission Mains	4,602,000	1,300,000
-Pumping & Treatment Facilities & FX Costs of Equip. for Admin Bldg.	75,000,000	41,127,000
-Administration Bldg. Local Construction	-	1,000,000
-Engineering Services Design & Supervision	6,481,000	2,893,000
-U.S. Management Consultant Services	2,500,000	1,500,000
-Treatment Plant Spare Parts	1,500,000	-
- Other*	1,317,000	645,000
TOTAL	91,400,000	48,465,000

* \$1.3 million & 535,000 LE disbursed for engineering design services for the metered house connections element.

C. Project Status

The project was subdivided into five separate procurements and/or construction contracts. The type of contracts and completion dates are listed below.

Table 2

Type of Contracts and Completion Dates
(LE Shown in \$ Equiv)

Contract (Firm)	Expected Completion Date	Actual Contract Value	
		US \$	LE
Procurement of Transmission Pipes, Valves and Appurtenances (US Pipe and Foundry Co.) (American Cast Iron Pipe Co.)	4-15-84 (100% as of 3/86)	137,766 4,393,637	- -
Installation of Transmission Pipelines (General Egyptian Co. for Building)	6-15-86 (100% as of 3/86)		967,507
Construction of Administration Building (Hussein Megahed Company of Cairo)	6-15-86 (65% as of 3/86)		1,072,289
Construction of the Treatment Plant (Howard Harbert Jones)	10-15-86 (85% as of 3/86)	75,000,000	39,319,698
GOGCWS Management Support Services (James M. Montgomery, Inc.)	4-30-86 (95% as of 3/86)	2,398,998	522,686
Construction Management Services (ES-PARSONS)	3-15-87	7,700,083	3,593,257
Other (House Connections inc. design)		1,769,516	2,989,563
TOTAL CONTRACT VALUE:		<u>91,400,000</u>	<u>48,465,000</u>
Procurement of Spare Parts (ANE/SER/COM for HHJ)	12-15-86 (0% as of 3/86)	1,500,000	-

The procurement and installation of transmission pipes, valves and appurtenances is essentially complete, except for the testing of the facilities.

Construction of the GOE funded Administration Building is proceeding at a very slow rate, which in turn is causing a delay in the installation by HHJ of electrical plant monitoring and fire alarm equipment procured under the USAID funded contract. Rate of completion of the administration building will not directly affect the plant's capacity.

Construction of the treatment plant and its various components started in January of 1983. Stage I of the facilities, i.e., provision of new treatment capacity to meet demand while the old plant is being rebuilt, was completed in October 1984. The total project is now approximately 85 percent complete and the rehabilitated treatment plant is expected to be placed in operation in November of 1986. The contract also includes a limited amount of classroom and on-the-job training of plant employees.

Procurement of spare parts is funded under a supplemental financing arrangement (CIP). The necessary change order to HHJ's contract has been processed and the procurement is expected to be finalized by September 30, 1986.

Construction engineering services will continue throughout the extended period of construction. The contract completion date for the engineering services was April 30, 1986.

Unrelated to facility construction contracts at Rod El Farag, USAID has funded the provision of management advisory services to the chairman and executives of GOGCWS. The organizational support effort was completed April 30, 1986. There is need for additional support to install organizational reform and institute administrative efficiencies.

D. Work Items To Be Funded By This Amendment

This amendment will provide funding for the following project elements:

1. Additional Construction Costs

Reduction of bid prices, shifting of project elements from dollar denominated to local currency funding (provided by GOE) and, significantly, elimination of a contingency resulted from negotiations prior to execution of the construction contract. Consequently, project implementation flexibility was severely constrained. As construction work progressed, unforeseen and/or changed site conditions required extra work. Examples:

- 1) Piling nearly twice the design lengths were required to obtain the design bearing capacity. Apparently, the bearing capacity of the underlying strata in the test area was greater than that of the major portion of the construction site.
- 2) Unknown underground pipes, both water and sewer, were encountered and had to be moved.
- 3) Extensive modifications to the electrical connections and substation designs were required.
- 4) Modifications to the existing "Patterson" filters were ordered to make them serviceable, thereby increasing the total plant capacity. Modifying the existing filters was less costly than building additional new filters.

2. Extension of Consulting Services for Construction Supervision

Extra time will be required for the construction contractor to accomplish the extra and unforeseen work noted above. It is estimated that all contract work will be completed by November 30, 1986. The construction supervision services contract with ES-PARSONS will have to be extended accordingly. Performance of tasks such as preparation of final payment certificates, settlement of claims, preparation of final change orders and turn-over of government owned equipment will require that the construction supervision contract be extended, on a reduced scale, for a period of three months beyond the conclusion of the construction work, i.e. to Feb 28, 1987.

ES-PARSONS' intimate knowledge of the plant design and construction operations combined with its superior field supervision performance to date provides justification to extend their contract (Justification for waiver of competition is included in Section V-D).

3. Extension of Management Assistance Services

On March 15, 1983, GOGOWS engaged the firm of James M. Montgomery, Inc. in a two year contract to assist in developing detailed plans to satisfy several covenants in Section 6.5 of the Amended Loan Agreement and in Section 5.5 of the Grant Agreement. The covenants required development of:

- a) A training program for management, etc.
- b) A detailed plan to upgrade the water transmission lines
- c) A detailed plan to reduce water wastage
- d) A financial plan to generate income through user charges
- e) A meter installation plan

In addition to the activities required under the project covenants, the contract scope of work also reflects USAID's concern for organizational improvements and policy change detailed in the Memorandum of Understanding (MOU) signed by USAID and GOE representatives in January 1984. The policy objectives of the MOU provided a further framework for the consultant's analytical activities. The MOU objectives call for the enhancement of:

- organizational effectiveness,
- financial viability,
- trained manpower availability, and
- service delivery capability.

The consultant has completed its contract work and has presented his findings and conclusions in several reports. The response to the management assistance program has been consistently positive and the GOGOWS has asked that the services of the consultant be extended to include execution of several recommended organizational improvements. The Mission would like to support these organizational improvements by the GOGOWS. It is rare that we see such a strong demand for change in a GOE public utility. The GOGOWS holds the consultant in high esteem and trusts its judgment. (Justification for waiver of competitive procurement is attached in Annex V-D.)

Under the proposed amendment, James Montgomery would perform the following tasks:

- a) Preparation of the Terms of Reference for high priority project elements for early implementation under the Cairo Water II Project. These elements include;
 - automated financial accounting system,
 - training program,
 - central inventory management and control system.
- b) Establishment of an improved cost accounting system and data series to assist GOGOWS in analyzing its options with regard to increasing cost recovery through revenue increases or internal efficiency measures.
- c) Development of an organizational structure and staffing pattern for the Rod El Farag water treatment plant, which is consistent with the proposed organization-wide management model developed by the consultant. The consultant will assist in establishing the framework within which the operation and maintenance tasks and hands-on training of GOGOWS employees will be conducted at the Rod El Farag Plant by an O & M contractor.
- d) Continuation of data collection and analysis of the pilot metering program to obtain seasonal data of water consumption patterns of representative consumer groups. The consultant will evaluate the feasibility of metering of principal user groups.
- e) Continuation of assistance in designing and implementing a model storage facility as part of the proposed inventory management and control system. The consultant will demonstrate the principles of efficient inventory management at a preselected facility.

4. Plant Operation and Maintenance:

The obligation of the construction contractor is limited to very basic training in the use of various items of equipment. This task will be completed prior to expiry of the warranty. The contractor's warranty obligation is limited to workmanship and materials, and there is no warranty provision in the contract against misuse or lack of maintenance. An O&M contract between the construction contractor and the GOGOWS would provide continuity between the construction phase, the warranty period and the actual O&M by the owner, and would ensure that the plant personnel assume full responsibility gradually as their knowledge and skills develop through on-the-job training. A 14 month O&M contract should be sufficient to provide hands-on instruction in the

O&M of the plant and its various subsystems. The construction contractor is in the best position to provide these services since he built the plant and will be involved in the initial start-up and basic training on plant operation. The long-term training needs of plant personnel and continued O & M program, if required, will be addressed in the manpower development program being proposed in the Cairo Water II project.

5. Audit and Evaluation

Funds for audit and evaluation were not provided in previous authorizations. To assure that the required audit and evaluation can be performed, funding is included in this amendment.

III. PROJECT ANALYSIS

A. Financial Plan and Analysis

1. Cost Estimates

Table 3 below shows the proposed additional expenditures in summary form. Table 4 shows the prior authorized funding schedules and additional funding proposed by this Amendment.

Table 3

Task	<u>Cost Estimate This Amendment</u> (Millions Dollar Equivalent)	
	USAID	GOE
1. Construction Contractor		
Increased work	2.5	0.5
2. Extension of Engineering Construction		
Supervision Services	0.8	0.4
3. Extension of Management Assistance Service	0.8	0.2
4. Plant Operations and Maintenance Assistance	1.7	0.2
5. Audit and Evaluation	0.2	
	<hr/>	
TOTALS	6.0	1.3
	<hr/>	

Table 4

Authorized Expenditure Levels and Proposed Addition of Funds
(In Dollars and Dollar Equiv. L.E.)

Item	(Authorized) PP Amendment No. 2 As amended by IL No 21		(Proposed) PP Amendment No. 3 April 1986		(Total)	
	\$	LE	\$	LE	\$	LE
1. Engineering Svcs	8,084,567	3,593,257	800,000	400,000	8,884,567	3,993,257
2. Equipment	4,545,400	967,507	-	-	4,545,400	967,507
3. Construction	75,143,291	39,319,698	2,500,000	500,000	77,643,291	39,819,698
4. Management	3,626,742	522,686	800,000	200,000	4,426,742	722,686
5. Administration Bldg	-	1,072,289	-	-	-	1,072,289
6. O&M Assistance	-	-	1,700,000	200,000	1,700,000	200,000
7. Audit and Evaluation	-	-	200,000	-	200,000	-
8. Other	-	2,989,563	-	-	-	2,989,563
TOTAL	91,400,000	48,465,000	6,000,000	1,300,000	97,400,000	49,765,000

*. See Table 1.

The financial analysis of the project as a whole was presented in the original project paper and in the two subsequent PP amendments. The activities proposed in this amendment should lead to organizational changes that will improve the efficiency and financial viability of GOGOWS.

2. Cost Recovery Through Tariff Increases

The original project paper envisioned GOGOWS to achieve financial self-sufficiency over a period of time through regular increases in tariffs and appropriate efficiency measures, such as a reduction in the waste of potable water, automation of billing and revenue collection, improved management of fixed assets and inventory control, etc. The central issues were analyzed in a study, undertaken by Black and Veatch International and A.T. Kearney with Sabbour Associates in 1979. The financial aspects of the study were updated in 1983 by the same firm with a specific focus on GOGOWS current and future revenue requirements and the rate structure necessary to cover the cost of delivering water to the population in the metropolitan service area. The study was conducted to meet one of the covenants of the 1982 PP amendment requiring such a plan.

GOGOWS actions to date have been supportive of the objective of achieving a degree of financial viability. A ministerial committee recommended a sector-wide policy for tariff increases in 1985 which called for incremental

increases over a five year period to achieve the goal of 100% O & M cost recovery by 1990. The O & M coverage ratio for the base year of 1985 was set at 35%. GOGOWS was also mandated to collect a surcharge for wastewater collection and treatment, which was to cover at least 10% of C/GOSD O & M costs. Recent water bills reflect a 10% surcharge.

The management consultant has reviewed the accounts of the organization and has concluded that the current tariff structure has indeed met the target O & M coverage ratio of 35% in 1985. The consultant will continue to monitor the financial affairs of GOGOWS and assist the establishment of a flexible rate structure and annual adjustment process.

Though the GOE had earlier stated its intention of implementing incremental tariff increases to achieve 100% O & M cost recovery by 1990, it has recently stated that there will be no tariff increase by the Greater Cairo Governorates in 1986. USAID will encourage the GOE to make large enough tariff increases in 1987 to maintain planned progress on its cost-recovery goal.

B. Technical Analysis

The technical analysis summarized in the August 1981 Amendment to the project authorization remains essentially unchanged except for the revised project cost estimates, as stated in the previous section. The August 1981 Amendment described the source and quality of raw water, the number and condition of production facilities serving Greater Cairo, the characteristics of treatment plants and well fields and the size and capacity of the storage transmission and distribution system. The PP summarized ES-PARSONS engineering decisions concerning the location selection, the size of plant and treatment process, and it detailed the various critical elements of the plant design, i.e. chemical feeding, clarification, filtration, disinfection, pumping of treated water, electrical facilities, controls and instrumentation. Finally, the technical analysis chapter presented the various implementation alternatives regarding the staged construction and rehabilitation of facilities.

The project is based on sound engineering judgment of an experienced US consulting firm. USAID has reviewed the plans and found them reasonable and accurate and has concluded that the requirements of Section 611 (a) of the Foreign Assistance Act of 1961, as amended, have been met. Also, in accordance with Section 611 (e) of the FAA, the capability of the borrower/grantee to install, maintain and utilize the facilities effectively has been reviewed and confirmed. The appropriate certification was provided by the USAID Director at this time. The validity of the 1981 certifications are reconfirmed in this amendment. In order to safeguard the facilities and to ensure proper operation and maintenance practices, USAID will finance an O & M assistance program, including hands-on training.

There are no technical issues associated with the construction activities funded under the present amendment. The soil conditions at the plant required the use of longer piles than originally anticipated. The associated costs are the main item for which additional funding is sought. No substantial claims outside of the piling issue are expected.

C. Economic Analysis

An economic analysis was performed for the initial project authorization in 1977 and was presented in a slightly revised version in the August 1981 and July 1982 Amendments. A tariff study prepared in 1981 by BVI/ATK and updated in 1983 in response to a covenant of the July 82 Amendment, identified the magnitude of tariff increases required to guarantee an acceptable (10%) internal rate of return. Calculations in 1981 arrived at the conclusions that tariffs of approximately 60 millimes per cubic meter were required to achieve economic feasibility for the project. The 60 millimes rate was five times higher than the prevailing rate for residential use. Since 1981 the conditions have changed significantly. Rates have been raised by more than 100% and have been adjusted to reflect the ability to pay principle. Industrial, commercial and institutional users are paying a significantly higher rate than the average residential consumer. The population in Cairo and in the Rod El Farag service area has also increased drastically and so has the pattern and volume of consumption, due in part to the ever changing mix of land use activities and densities.

The project has been justified on the assumption that a cost recovery through tariff increases is achievable and various calculations have identified rate schedules for implementation by GOGOWS. Progress to date has been satisfactory.

D. Environmental Analysis

The environmental analysis presented in the original project paper remains valid. No further investigation is necessary, as the impact of this project was found to be positive in general, and no specific issues were raised in any of the amendments, that may have required follow-up action. The original analysis described the land use characteristics, water quality, atmospheric conditions, natural and cultural resources effected, and public health considerations. Concerning the latter, the fear was expressed in the August 1981 Amendment, that the increased water supply of 450,000 cu m/d will result in corresponding wastewater flows, which may strain the capacity of the existing sewerage network and may result in localized flooding incidents. Given the status of the sewerage system in 1981, that fear of flooding and the consequent health hazards, was indeed justified. However, USAID has since initiated a wastewater system rehabilitation program (263-0091), which was aimed at cleaning the central district collection network, rehabilitating 51 pumping stations, 39 pneumatic ejectors and constructing six new pumping stations. The project also included training for sewer cleaning crews and pump station operators. The project, which will be completed prior to the release of additional volumes of water from Rod El Farag, should alleviate the fear of major system breakdowns.

The construction of the water treatment plant, raw water intake and transmission mains has had an impact on the physical environment of the site itself. The construction contract provides for the expenditure of funds to restore and landscape the site, not just to the original conditions, but at a quality commensurate with the value and the importance of the water treatment plant to the community at large.

E. Social Analysis

The analysis of the project's potential impact on various beneficiary target groups, as outlined in the original project paper, is still considered valid. The population characteristics identified in the August 1981 Amendment relied on the 1966 and 1976 Census conducted by the Central Agency for Public Mobilization and Statistics. Data from the 1986 census is not yet available to show the changes, particularly with regard to the percentage of households with utility hook-ups and the density of occupancy per dwelling or room. Attempts will be made to obtain early results of the census for use in the project evaluation and the socio-economic analysis of the next phase of the project.

IV PROJECT IMPLEMENTATION

A. Contract Extensions

The contracts of the three firms engaged on this project expire on or near April 30, 1986, however, work remains to be performed by each of the firms (see Section II C).

The GOGOWS has requested that the contracts of each contractor be extended so the work as described in this amendment can be performed. A waiver of competitive procurement will be required to extend each of the contracts. Justification for each waiver is included in Section V-D.

B. Extension of PACD

To provide sufficient time to accomplish the additional work outlined in section II C of this document, the PACD of the Project must be extended to the statutory limit of ten years which is September 28, 1987.

C. Monitoring

The three contractors have maintained a regular monthly schedule for issuing progress reports and holding coordination meetings which include representatives from both the client/owner and the funding agency. The quality and quantity of information provided in the reports and during the coordination meetings has been sufficient to judge the rate of progress and to understand the nature of the problems to be resolved. USAID will continue to monitor the construction related activities, as well as the dialogue between the management consultant and GOGOWS executives concerning the implementation of a number of the policy recommendations.

D. Method of Financing

Provision of the additional funding will affect three contracts; all are host country contracts. Two of the contracts, those of ES-Parsons and J.M. Montgomery are funded through AID direct letters of commitments. A continuation of that funding mechanism is recommended.

The construction contract, with Howard Harbert Jones, is presently funded through a bank letter of commitment. Being that the contract work is in the final stages and execution of several change orders is pending, it is recommended that the bank letter of commitment funding procedure be continued for the existing contract work. The bank letter of commitment would be increased by \$2.5 million. Funding from the bank letter of commitment will be completed by November, 1986. The funding for the new O and M work, \$1.7 million, can be handled through an AID direct letter of commitment.

V. RECOMMENDATION, CONDITIONS, COVENANTS AND WAIVERS

A. Recommendation

Subject to the conditions and covenants listed below, it is recommended that:

- a) USAID authorize a grant to the GOE in the amount of \$6.0 million for the purpose of completing the project as defined in previous project papers and in the current document.
- b) The waivers of competitive procurement, as outlined in Section V-D, be approved.

B. Conditions Precedent to Disbursement of Funds

The conditions attached to the original authorization and the two subsequent amendments have all been met. It is recommended that there be no additional conditions precedent to disbursement of funds.

C. Covenants

No additional covenants are necessary.

As a result of efforts undertaken by the management and engineering consultants, the GOGWS now has acceptable plans and policy recommendations for action concerning issues which USAID had covenanted in the project amendments.

D. Waivers for the Extension of Engineering Services and Operation and Maintenance Services

As described in Section II C and IV A, additional engineering services and provision of operation and maintenance services are required to complete the Rod El Farag water treatment plant and to assure that it will be operated and maintained in a manner that expected benefits will be derived from the investment.

To accomplish these objectives, it is logical to extend the services of the three firms presently engaged on the project. AID procedures require that a waiver of competitive procurement procedures be granted before out of scope or additional work is added to existing contracts.

The following sections provide justification for a waiver of competition for each of the contractors.

1. ENGINEERING SERVICES FOR CONSTRUCTION MANAGEMENT

Issue

A waiver of competitive procurement procedures is required to extend the engineering construction management services being provided by ES-PARSONS on the Rod El Farag project (Cairo Water I).

Background

The joint-venture firm, ES-PARSONS was competitively selected to perform the engineering construction management services required for the execution of the Rod El Farag water treatment plant rehabilitation and construction.

Extra construction work encountered: Construction work was originally scheduled to be completed on February 28, 1986. To provide time for contract close-out procedures, the ES-PARSONS services contract extends to April 30, 1986. As described in Section II C of this document, additional construction work of a nature that could not be foreseen by prudent planners or estimators has been encountered. To properly complete the project and provide a safe facility, it is mandatory that the extra work be performed. Although the value of the additional work is small for a large scale project such as this (2% of the original dollar contract amount) extra time is required to perform the work. Engineering services are required throughout the work period and for a period of three months, on a declining basis after construction work is complete, to properly close out the construction contract.

Basis for Waiver to Negotiate with ES-PARSONS for an Increased Level of Effort (HB 11, Chapter 11, Section 2.4.2 a 4 and 5)

Presently Engaged in the Project: ES-PARSONS is presently engaged in the project and clearly has "special capability" as a result of that engagement. GOGOWS has requested that their services be extended to provide engineering services throughout the construction and contract close out period. Careful review of all pertinent facts clearly highlights the logic of extending the services contract of the engineering firm that is fully familiar with the complex construction work and has initiated the sensitive procedures of negotiating final contract change orders and claims with the construction contractor.

Best Interests of the United States: The time required to employ competitive procedures to procure the required engineering services would completely disrupt the project. The resultant impairment of the program would not be in the best interests of the United States.

Authority

Paragraph 8 of Redlegation of Authority No. 13.8 delegates to the Director the authority to waive formal competition and authorize a sole source negotiated contract amendment in accordance with criteria of AID Handbook II.

Recommendation

That a waiver of competition to allow sole source negotiation of a contract amendment with ES-PARSONS, estimated to total approximately \$800,000 for an increase in the level of effort for provision of engineering construction management services for the Rod El Farag water treatment plant project be approved.

Approval of Project Paper Amendment No. 3 will signify approval of this waiver.

2. ENGINEERING SERVICES FOR MANAGEMENT ASSISTANCE

Issue

A waiver of competitive procurement procedures is required to extend the Engineering Management Assistance Services being provided by James M. Montgomery on the Rod El Farag water treatment plant project.

Background

James M. Montgomery was competitively selected: The firm James M. Montgomery Consulting Engineers, Inc. was competitively selected to perform engineering management assistance services for the GOGOWS concurrently with the execution of the Rod El Farag plant rehabilitation and construction.

The consultant has performed the services outlined in its contract with GOGCWS. Although the consultant performed the services in a superior manner and the benefits are readily visible, performance of certain additional tasks, as outlined in Section II-C of this document, were identified as critical needs to enhance the success of the project and provide operational modernization and economies for GOGCWS.

Basis for Waiver to Negotiate with James M. Montgomery for an Increased Level of Effort (HB 11, Chapter 11, Section 2.4.2 a 4 and 5)

Presently Engaged in the Project: James M. Montgomery is presently engaged in the project and has gained "special capability" thereby. GOGCWS has requested that their services be extended to provide additional management services. The work being performed by James M. Montgomery is not unique nor does it require rare skills, however, James M. Montgomery is fully familiar with the GOGCWS and knows its requirements. More important the consultant has been able to gain the trust and high esteem of the GOGCWS as indicated by GOGCWS willingness to immediately move on implementing several of the key recommendations made in the James Montgomery final reports. We believe that it is very important to move in these key areas which are supportive of the MOU as quickly as possible. The firm is in a position to perform the required tasks on a timely basis so as to not lose the momentum that has been developed to date.

Careful review of all pertinent facts indicate that only James F. Montgomery is in a position to perform the engineering management services in an economical and timely manner.

Best Interests of the United States: The time required to employ competitive procedures to procure the required engineering services would completely disrupt the project. The resultant impairment of the program would not be in the best interests of the United States.

Authority

Paragraph 8 of Redelegation of Authority No. 113.8 delegates to the Director the authority to waive formal competition and authorize a sole source negotiated contract amendment in accordance with criteria of AID Handbook II.

Recommendation

That a waiver of competition to allow sole source negotiation of a contract amendment with James M. Montgomery estimated to total approximately \$800,000 for an increase in the level of effort and added scope of work be approved.

Approval of Project Paper Amendment No. 3 will signify approval of this waiver.

3. CONTRACT FOR OPERATION AND MAINTENANCE SERVICES

Issue

A waiver of competitive procurement procedures is required to negotiate a contract with Harbert Jones to provide operation and maintenance (O & M) services for the new Rod El Farag water treatment plant.

Background

Howard Harbert Jones (later changed to Harbert Jones) was low bidder for the rehabilitation and construction of the Rod El Farag treatment plant. The new plant is nearly completed and will soon be turned over to GOGWS as the major treatment plant in the Cairo water supply system.

As described in Section II-C of this document, a period of O & M is deemed essential to assure that GOGWS will be able to efficiently and economically operate the plant to treat water in the required volume and to the required health standard.

Basis for Waiver to Negotiate with Harbert Jones for Sole Source Procurement of Operation and Maintenance Services

Presently Engaged in the Project: Harbert Jones has constructed the plant. GOGWS has requested that Harbert Jones be engaged to provide O & M services.

Provision of O & M services for a plant of this type is not a unique task, however, Harbert Jones is intimately familiar with all of the new plant details and has a vested interest in assuring that the plant will operate as specified.

Careful review of the pertinent facts leads to the conclusion that negotiation with Harbert Jones for O & M of the plant it has constructed is an economical, sound procedure and is fully justified under paragraph 2.4.2-a.4, Chapter I, Handbook II which allows such negotiations when the grantee wishes to use the contractor previously engaged in the project for follow-on work and the contractor clearly has special capability by virtue of previous experience in the work but the Contracting Agency did not advise all competing firms that a follow-on contract might result.

Recommendation

That a waiver of competition to allow sole source negotiation of a contract with Harbert Jones estimated to total approximately \$1,700,000 for additional scope of work be approved.

Approval of Project Paper Amendment No. 3 will signify approval of this waiver.

5C (2) - PROJECT CHECKLIST

Listed below are statutory criteria applicable generally to projects with FAA funds and project criteria applicable to individual funding sources; Development Assistance (with a subcategory for criteria applicable only to loans); and Economic Support Fund.

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

A. GENERAL CRITERIA FOR PROJECT

1. Continuing Resolution Unnumbered: FAA Sec. 634A; Sec. 653(b).

(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 figure)?

An "Advice of Program Change" has been prepared for transmittal to the Appropriate Committees of Congress in accordance with standard agency procedures. Its intended obligation is within the level of funds appropriated for Egypt for FY 1986

2. FAA Sec. 611(a) (1). Prior to obligation in excess of \$100,000, will there be (a) engineering, financial, and 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

Note:

Project check list 5C(2) and (3) remain unchanged from the original appended to the initial Project Paper and the two subsequent amendments.

ANNEX D
Schedules of Cost Increases

I	Construction Contract	
	1. Change orders. Several minor and semi-major changes (increases and decreases) have been made during the course of work, mainly associated with the electrical components and water piping. The net result is an approximate cost increase of	\$ 200,000
	2. The actual quantity of foundation piling required was significantly greater than called for by the design. The cost increase is expected to be approximately	<u>\$2,300,000</u>
	TOTAL	\$2,500,000
II	Engineering Contract	
	Engineering services will need to be extended on a full time basis for six months and on a reduced scale for four months. Approximately forty-four manmonths at \$15.000 per month plus misc costs =	\$800,000
III	Management Assistance Service	
	Additional Services will be supplied for a period of approximately one year. An effort of approximately forty-four manmonths will be required. The cost of this effort is estimated at \$15.000 per manmonth plus misc costs =	\$800,000
IV	Plant Operation and Maintenance	
	It is estimated that O & M services will be required for 14 months. The effort will require about 140 manmonths of time at approximately \$12,000 per manmonth =	\$1,700,000
V	Audits and Evaluations	
	To make provisions for expected audits and project evaluations, an amount of \$200,000 is provided.	<u>\$200,000</u>
	TOTAL	\$6,000,000

SECOND
AMENDMENT
TO
GRANT AGREEMENT
BETWEEN
THE ARAB REPUBLIC OF EGYPT
AND THE
UNITED STATES OF AMERICA
FOR
CAIRO WATER SUPPLY PROJECT

Dated: Draft May 6, 1986

Second Amendment, dated _____ to the Grant Agreement, dated September 22, 1981, as amended on August 16, 1982, between the Arab Republic of Egypt ("Grantee") and the United States of America, acting through the Agency for International Development ("A.I.D."), for the Cairo Water Supply Project.

SECTION 1. The Grant Agreement, as previously amended, is hereby further amended as follows:

A. Section 3.1 is amended by deleting "Sixty-One Million, Four Hundred Thousand United States ("U.S.") Dollars (\$61,400,000)" and by substituting "Sixty-Seven Million, Four Hundred Thousand United States ("U.S.") Dollars (\$67,400,000)" therefor.

B. Section 3.2 (b) is deleted in its entirety and the following is substituted therefor: "The resources provided by the Grantee for the Project will be not less than Forty-Nine Million, Seven Hundred and Sixty-Five Thousand Egyptian Pounds (L.E. 49,765,000), including resources furnished on an in-kind basis."

C. Section 3.3 is amended by deleting "April 30, 1986" and substituting "September 28, 1987" therefor.

D. New Section 5.4 (d) is hereby added as follows: "Grant funds made available under the Second Amendment to the Grant Agreement shall be made available to the General Organization for Greater Cairo Water Supply, on a grant basis, as a contribution to its budget for its fiscal years 1986 and 1987. Such contribution shall not affect that organization's regular budget allocation."

E. The following new covenant, Section 5.7, is hereby added:

"Ratification: The Grantee will take all necessary action to complete all legal procedures necessary to ratification of this Second Amendment and will notify A.I.D. as promptly as possible of the fact of such ratification".

F. Section 8.1 is amended by deleting "Ministry of Investment and International Cooperation" and substituting "Ministry of Planning and International Cooperation" therefor.

G. Section 8.2 is deleted in its entirety and replaced by the following: "Representatives. For all purposes relevant to this Agreement, The Grantee will be represented by the individual holding or acting in the office of Deputy Prime Minister and Minister of Planning and International Cooperation and/or the Administrator of the Department for Economic Cooperation with U.S.A. and/or the Chairman of the General Organization for Greater Cairo Water Supply, and A.I.D. will be represented by the individual holding or acting in the office of Director, A.I.D. Mission to Egypt, each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1 to revise elements of the amplified description in Annex 1. The names of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority."

H. New Section 8.4 is hereby added as follows: "Language of Second Amendment. This Second Amendment is prepared in both English and Arabic. In the event of ambiguity or conflict between the two versions, the English language version will control."

I. The Project Budget. The Attachment to Annex 1 to the Grant Agreement, is deleted in its entirety and replaced by the attachment to the Second Amendment.

SECTION 2. Except as specifically amended or modified herein, both the Grant Agreement, as previously amended, and the Project Loan Agreement dated September 29, 1977 (A.I.D. Loan No. 263-K-042), shall remain in full force and effect in accordance with all of their terms.

SECTION 3. This Second Amendment shall enter into force when signed by both parties hereto.

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

ARAB REPUBLIC OF EGYPT

UNITED STATES OF AMERICA

BY : _____

BY : _____

NAME : Kamal Ahmed El Ganzoury

NAME : William Clark, Jr.

TITLE: Deputy Prime Minister and
Minister of Planning and
International Cooperation

TITLE: Charge d'Affaires, a.i.

BY : _____

BY : _____

NAME : Ahmed Abdel Salam Zaki

NAME : Frank B. Kimball

TITLE: Administrator of the Department
for Economic Cooperation with
U.S.A.

TITLE: Director, USAID/Egypt

Implementing Organizations

In acknowledgement of the foregoing Agreement, representatives of the implementing organizations have subscribed their names:

GOVERNORATE OF CAIRO

GENERAL ORGANIZATION FOR
GREATER CAIRO WATER SUPPLY

BY : _____

BY : _____

NAME : _____

NAME : _____

TITLE: Governor

TITLE: Chairman

ATTACHMENT TO SECOND AMENDMENT

REVISED PROJECT BUDGET

<u>ITEM</u>	<u>AID</u>	<u>BORROWER/GRANTEE</u>
1. Engineering Services	\$8,884,567	L.E. 3,993,257
2. Equipment Procurement	4,545,400	967,507
3. Construction	77,643,291	39,819,698
4. Management Support	4,426,742	722,686
5. Administration Building	-	1,072,289
6. O&M Assistance	1,700,000	200,000
7. Audit and Evaluation	200,000	-
8. Other	-	2,989,563
<hr/>		
TOTAL	\$97,400,000	L.E.49,765,000

Note: Above are combined totals for Grant No. 263-0038 and Loan No. 263-K-042.



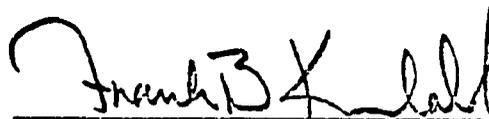
UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

CAIRO, EGYPT

CERTIFICATION PURSUANT TO SECTION 611 (E)
of FAA 1961 AS AMENDED

I, Frank B. Kimball, Director, the principal officer of the Agency for International Development in Egypt, having taken into account, among other things, the maintenance and utilization of projects in Egypt previously financed or assisted by the United States, do hereby certify that in my judgment Egypt has both the financial capability and the human resources to effectively operate, maintain and utilize the capital assistance which USAID has provided for the rehabilitation and expansion of the Rod El Farag Water Treatment Plant. The additional financial resources provided under this Amendment will ensure that appropriate operation and maintenance standards and practices are introduced and sustained.

This judgment is based upon general considerations discussed in the Project Paper Amendment to which this certification is attached.


FRANK B. KIMBALL

Aug 19, 1986
DATE



UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

CAIRO, EGYPT

PROJECT AUTHORIZATION

NAME OF COUNTRY: ARAB REPUBLIC OF EGYPT NAME OF PROJECT: CAIRO WATER SUPPLY
PROJECT NUMBER: 263-0038
NUMBER OF LOAN: 263-K-042

1. Pursuant to the Foreign Assistance Act of 1961, as amended, the Cairo Water Supply Project for the Arab Republic of Egypt (the "Cooperating Country") was authorized on September 23, 1977. That Project Authorization is hereby amended as follows:

(a) In paragraph 1, the phrase "Sixty-One Million Four Hundred Thousand Dollars (\$61,400,000) in Grant funds" is replaced with the phrase "Sixty-Seven Million Four Hundred Thousand Dollars (\$67,400,000) in Grant Funds."

(b) In paragraph 1, the following sentence shall be added, "The planned life of the Project is ten (10) years from the date of initial obligation."

2. The Cooperating Country shall covenant in substance as follows: "Grant funds available under the Second Amendment to Grant Agreement shall be made available to the General Organization for Greater Cairo Water Supply, on a grant basis, as a contribution to its budget for its fiscal years 1986 and 1987. Such contribution shall not affect that organization's regular budget allocation."

3. Based upon the justifications set forth in Amendment No. 3 to the Project Paper, I hereby waive competitive procurement procedures to allow the negotiation of contracts and contract amendments as follows: (a) approximately \$800,000 for an increase in the level of effort of engineering construction management services provided by ES-PARSONS, (b) approximately \$800,000 for an increase in the level of effort and scope of work for engineering management services provided by James M. Montgomery, and (c) approximately \$1,700,000 for a contract with Harbert Jones to provide operation and maintenance services for the Project.

4. The Project Authorization remains in full force and effect except as hereby amended.

Frank B. Kimball
Director USAID/Egypt

August 1986
Date

Clearance:

AD/DR:FZobrist

AD/DPPE:GLaudato

AD/FM:WMiller

Drafted:LEG:Williams:ss:5/6/86