

U.S. ECONOMIC ASSISTANCE
PROGRAM IN EGYPT

A.I.D. Project Number 263-0140.3

Subgrant Agreements
FM LMD (if Loan)
TR/PAPD
FM/CAD
GC/ANE
ANE Desk
ANE/TR Officer
ANE/PO Officer & File
PPC/CDIE/DI

FIRST AMENDMENT
TO
SUBGRANT AGREEMENT
BETWEEN
THE ARAB REPUBLIC OF EGYPT
AND THE
UNITED STATES OF AMERICA
FOR
ENERGY CONSERVATION AND EFFICIENCY
SCIENCE AND TECHNOLOGY
FOR DEVELOPMENT PROJECT

Dated: JUN 15 1989

CONFORMED
COPY

First Amendment, dated JUN 15 1989 to the Subgrant Agreement, dated September 27, 1988 between the Arab Republic of Egypt ("Grantee") and the United States of America, acting through the Agency for International Development ("A.I.D.") for Energy Conservation and Efficiency.

SECTION 1. The Subgrant Agreement is hereby amended as follows:

A. The first paragraph of Section 3.1 is deleted in its entirety and the following is substituted therefor:

"To assist the Grantee to meet the costs of carrying out the Subproject, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees by the Third Amendment to the Grant Agreement to grant the Grantee, under the terms of this Subgrant Agreement, not to exceed Twenty One Million United States ("U.S.") Dollars (\$21,000,000) ("Subgrant"). Subject to the conditions stated in Section 2.2. above, it is expected that an additional Twenty Eight Million Five Hundred Thousand U.S. Dollars (\$28,500,000) will later be made available from A.I.D. Grant funds for the Energy Conservation and Efficiency Component."

B. Section 4.3 (b) is deleted in its entirety and the following is substituted therefor:

"Evidence that DRTPC has formulated and adopted appropriate arrangements for financing technology applications".

C. Sections 5.3 and 5.4 are deleted in their entireties.

D. Annex 1, Subproject Description, as attached to the Subgrant Agreement, is deleted in its entirety and the Annex to this First Amendment substituted therefor.

SECTION 2. Ratification. The Grantee will take all necessary action to complete all legal procedures necessary to ratification of this Subgrant Amendment and will notify A.I.D. as promptly as possible of the fact of such ratification.

SECTION 3. Language of Amendment. This Subgrant 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.

SECTION 4. Except as specifically amended or modified herein, the Subgrant Agreement shall remain in full force and effect in accordance with all of its terms.

SECTION 5. This Subgrant 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 Subgrant Agreement to be signed in their names and delivered as of the day and year first above written.

ARAB REPUBLIC OF EGYPT

BY : M. W. Makramallah

NAME : Dr. Maurice Makramallah

TITLE: Minister of State for International Cooperation

BY : Ahmed Abdel Salam

NAME : Ahmed Abdel Salam Zaki

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

UNITED STATES OF AMERICA

BY : Frank G. Wisner

NAME : Frank G. Wisner

TITLE: American Ambassador

BY : Marshall D. Brown

NAME Marshall D. Brown

TITLE: Director, USAID/Egypt

Implementing Organization

In acknowledgement of the foregoing Subgrant Amendment, the representative of the implementing organization has subscribed his name:

MINISTRY OF INDUSTRY

BY : M. A. Wahab

NAME : Mohamed M. Abdel Wahab

TITLE: Minister

ANNEX I

Energy Conservation and Efficiency

Subproject Description

(AID Subproject No. 263-0140.03)

1. Subproject Purpose:

The Subproject's purposes are to: promote and accelerate the adoption of improved commercial technologies, processes, and practices in order to save energy and increase energy efficiency; and improve Egyptian institutional capabilities at promoting and implementing energy-saving technologies that enhance productivity.

2. Subproject Description:

To achieve its purposes, the Subproject will carry out during the estimated 8 years life of the subproject, two types of activities: (1) energy technology applications, and (2) promoting investments in these technologies.

a. Energy Technology Applications:

This activity will be directed at selecting, designing, installing, operating, and monitoring energy efficient technologies that are economically, financially and technically viable in both private and public sector companies, and replicable in other facilities. Approximately 60 applications will be undertaken during the life of the Subproject.

Ten technologies were initially selected for this Subproject, among which are: micro-computer and micro-processor based process controls; electronic energy management systems; automatic combustion controls; and waste heat recovery systems.

Additional technologies may be added during the Subproject if they meet the criteria of economic, financial, and technical viability and replicability and if approved by AID.

b. Technology Investment Promotion:

This activity will be aimed at promoting replication by other enterprises of the technologies that have been successfully applied. This will be accomplished by:

- developing institutional capabilities of three Egyptian institutions, the Development Research and Technology Planning Center (DRIPC) of Cairo University, the Tebbin Institute of Metallurgical Sciences (TMS) of the Ministry of Industry and the Federation of Egyptian Industries (FEI), to identify, evaluate, finance, procure, install, operate, monitor and maintain advanced energy conservation technologies.
- increasing awareness of energy conservation technologies to promote replications through activities such as information dissemination, workshops, seminars, advertisements, publications and special studies.
- reducing policy and regulatory barriers that affect subproject implementation and technology adoption.

3. Participating Company Selection:

The Subproject will be open to both private and public sector firms, in accordance with the following conditions and focus:

- Firms whose total use of energy could be reduced while sustaining, or even increasing, production; and firms whose use of energy could remain constant while their production expanded.

- Technologies that are commercially proven and can be widely replicated in other private and public sector firms.
- Only technology applications and public sector companies that are economically viable in the following sectors: chemical, metallurgical and cement industries. Textiles and food industry could be subsequently considered. Technologies and public sector companies will be selected by the Subproject Steering Committee with the assistance of a Management and Technical Assistance Contractor after consultation with AID.
- All industrial and commercial enterprises of the private sector. Technologies and companies will be selected with the assistance of the Development Research and Technology Planning Center of Cairo University and the Management and Technical Assistance Contractor after consultation with AID.

4. Subproject Organization:

The Subproject is divided into two components; one for the private sector and the other for the public sector, with a management and technical assistance contractor providing services to both sectors.

a. Private Sector Component:

The implementing agency for the Subproject's private sector component will be Cairo University's Development Research and Technological Planning Center (DRTPC). The Director of DRTPC will appoint a full-time Executive Director to meet its responsibilities under the Subproject. The Center will have the following management and technical services responsibilities:

- o Subproject administration, accounting, and financial management;
- o Marketing and promoting energy conservation activities, along with the Federation of Egyptian Industries;
- o Identifying technology applications;
- o Evaluating and approving the technical, economic, and replication feasibility of proposals, with the assistance of a Management and Technical Assistance Contractor;
- o Providing technical assistance and training for private companies at all stages of technology applications, including proposal preparation;
- o Monitoring and tracking technology applications; and
- o Analyzing and presenting results of technology applications.

b. Public Sector Component:

1. Ministry of Industry:

The Ministry of Industry, through the Tebbin Institute of Metallurgical Studies, will be the implementing agency of the public sector component. The Minister of Industry will issue a decree establishing the Energy Conservation and Efficiency Subproject Steering Committee, and a Subproject Secretariat under the umbrella of the Ministry of Industry.

- a. Steering Committee: The Steering Committee will be chaired by the Minister of Industry or his designated representative, and will be composed of the following members:

- Chairman of the Metallurgical Authority
- Chairman of the Chemical Authority
- Chairman of the Federation of Egyptian Industries
- Administrator of the Economic Cooperation with U.S.A. at the Ministry of International Cooperation
- Director of the Tebbin Institute of Metallurgical Studies
- Executive Director of the Subproject

- One representative of the Cement Industry
- The Director of the Development Research and Technological Planning Center at Cairo University as an ex-officio member
- The AID Subproject Officer as an ex-officio member

The Steering Committee's responsibilities include:

- o Providing overall policy guidance to the public sector component;
- o Approving the Subproject Secretariat's recommendations for technology applications for up to \$1 million; and
- o Providing policy direction for energy conservation in the industrial sector.

b. Subproject Secretariat: The Subproject Secretariat is responsible for day-to-day subproject management and implementation of the public sector component. It can be staffed by the Tebbin Institute of Metallurgical Studies and will be managed by a full-time Executive Director, with technical and management responsibilities for:

- o Subproject administration, accounting, and financial management;
- o Identifying technology applications;
- o Evaluating technical, economic, and replication feasibility of proposals;
- o Selecting proposals and submitting them to Steering Committee for final approval;
- o Providing technical assistance and training to public industrial enterprises at all stages of technology application, including proposal preparation;
- o Monitoring and tracking technology applications and their funding;
- o Analyzing and presenting results of technology applications; and
- o Monitoring the GOE cash and in-kind contributions to the subproject.

The Subproject Secretariat will carry out all activities with assistance from, and close collaboration with the Management/Technical Assistance (M/TA) contractor.

5. Procurement Plan:

a. Technical Services:

AID will contract the services of a Management/Technical Assistance Contractor, to assist DRTPC, TMS; FEI and private and public sector enterprises in implementing the activities under this Subproject. The contractor will also provide advisory services to AID. In order to proceed quickly with implementation, AID will use the services, on an interim basis, of a contractor who was competitively selected during the original Agreement.

AID will also contract for services to assist AID in monitoring, evaluation and audit; and for conducting technical audits of selected technology applications to ensure they have been selected in accordance with criteria established by AID.

b. Local Management Services:

AID will provide funds to DRTPC, TMS and FEI for the first five years of Subproject implementation to be used for:

- a. Assisting in establishing their offices;
- b. Recruiting technical and administrative personnel;
- c. Procuring office equipment, materials and supplies;
- d. Subcontracting Egyptian consultants for technical services; and
- e. Arranging or conducting local training, workshops and seminars.

d. Commodity Procurement Services:

The private and public sector companies will cooperate in the procurement process for purchasing commodities. TIMS and DRTPC, with the assistance of the Management/Technical Assistance Contractor, will have responsibility for ensuring the procedures used in selecting the winning offer are in compliance with AID procurement regulations for the public and private sector companies respectively. The Management and Technical Assistance Contractor will perform procurement services when requested by the individual companies.

6. Financial Plan:

Table 1 summarizes the illustrative AID contribution. Table 2 provides an illustrative budget for the host country contribution (private and Government of Egypt). Subproject financing involves an obligation of \$21.0 million in AID funds and subsequent incremental obligations totalling an additional of \$28.5 million for subsequent years. AID will review the performance and demands of the private and public sector components to determine the amount of obligation and the funding share between the two sectors.

AID will fund the foreign exchange costs of the commodities including cost of equipment, maintenance services and installation. AID will also fund administrative, management and technical services for the subproject in both local and foreign currency in accordance with the Procurement Plan described above.

The Ministry of Industry and its industrial public sector companies will match the purchase of the U.S. commodities with the cash contribution for financing the local costs of these commodities. They will also cover the costs for basic salaries of personnel, facilities and construction.

Commodity procurement includes equipment, materials, supplies, spare parts, accessories, computer hardware and software and field vehicles (excluding sedans).

Revised Table 1
AID Contribution
\$(000)

	Original Subgrant			Amendment #1			Total Todate			Future Obligation			Life of Project		
	FX	LC	Total	FX	LC	Total	FX	LC	Total	FX	LC	Total	FX	LC	Total
<u>Technology Demonstration</u>															
<u>Commodities</u>															
Public Sector	3200	-	3200												
Private Sector	3200	-	3200												
TOTAL Commodities	6400	-	6400	5600	-	5600	12000	-	12000	25000	-	25000	37000	-	37000
<u>Technical & Management Services</u>															
	6100	2500	8600	400	-	400	6500	2500	9000	2500	100	2600	9000	2600	11600
<u>Technology Demonstration</u>															
	12500	2500	15000	6000	-	6000	18500	2500	21000	27500	100	27600	46000	2600	48600
<u>Evaluation/Audit</u>															
	-	-	-	-	-	-	-	-	-	900	-	900	900	-	900
	12500	2500	15000	6000		6000	18500	2500	21000	28400	100	28500	46900	2600	49500

Table 2
Host Country Contribution (Life of Project)
LE (000)

	Public Sector		Private Sector		Host Country Total
	In-kind	Cash	In-kind	Cash	
I. Commodities	24200	8100	16200	16200	64700
II. Training	400	-	400	-	800
III. Local Management and Services					
- Public/Private Sectors	560	3825	-	-	4385
- Information Dissemination	40	575	-	-	615
TOTAL	25200	12500	16600	16200	70500

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