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UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT

Washington, D. C. 20523

PROJECT PAPER

AMENDMENT #2

EGYPT: Private Investment Encouragement Fund (263-0097

June 5, 1989

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT

Washington, D.C. 20523

ARAB REPUBLIC OF EGYPT

PRIVATE INVESTMENT ENCOURAGEMENT FUND

Project No. 263-0097

PROJECT PAPER AMENDMENT NO. 2

May 1989

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE: A = Add, C = Change, D = Delete — Amendment Number 2 — DOCUMENT CODE

2. COUNTRY/ENTITY: ARAB REPUBLIC OF EGYPT

3. PROJECT NUMBER: 263-0097

4. BUREAU/OFFICE: Asia/Near East — 03

5. PROJECT TITLE (maximum 40 characters): Private Investment Encouragement Fu

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM 09 DD 21 YY 91

7. ESTIMATED DATE OF OBLIGATION (Under 'B:' below, enter 1, 2, 3, or 4): N/A — A. Initial FY — B. Quarter — C. Final FY 91

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

A. FUNDING SOURCE	FIRST FY 89 B. FX	C. L/C	D. Total	LIFE OF PROJECT E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	(0)	( )	(0)	(33,000)	( )	(33,000
(Loan)	( )	( )	( )	( )	( )	(
Other U.S. 1.						
Other U.S. 2.						
Host Country		0	0		200	200
Other Donor(s)		0	0		16,989	16,989
TOTALS	0	0	0	33,000	17,189	50,189

9. SCHEDULE OF AID FUNDING ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE 1. Grant	C. 2. Loan	D. OBLIGATIONS TO DATE 1. Grant	D. 2. Loan	E. AMOUNT APPROVED THIS ACTION 1. Grant	E. 2. Loan	F. LIFE OF PROJECT 1. Grant	F. 2. Loan
(1) ESF	700	840		33,000		0		33,000	
(2)									
(3)									
(4)									
TOTALS				33,000		0		33,000	

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

11. SECONDARY PURPOSE C

12. SPECIAL CONCERNS CODES (maximum 7 codes of 1 positions each)

A. Code

B. Amount

13. PROJECT PURPOSE (maximum 480 characters).

To expand investment in productive private sector enterprise.

14. SCHEDULED EVALUATIONS: N/A Interim MM YY MM YY — N/A Final MM YY

15. SOURCE/ORIGIN OF GOODS AND SERVICES: [X] 000 — [ ] 941 — [ ] Local — [ ] Other (Specify)

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

This amendment extends the project's PACD until September 21, 1991 (two additional years); and revises the project's credit mechanism.

USAID/Egypt Controller concurs with the proposed methods of implementation and financing.

3/14/89

William A. Miller, Controller

17. APPROVED BY — Signature: Marshall Brown — Title: Director, USAID/Cairo — Date Signed: MM 16 DD 15 YY 89

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION: MM DD YY

THIRD AMENDMENT
TO
PROJECT AUTHORIZATION

Name of Country: Arab Republic of Egypt

Name of Project: Private Investment Encouragement Fund

Number of Project: 263-0097

1. Pursuant to Part II, Chapter 4 of Section 531 of the Foreign Assistance Act of 1961, as amended, the Private Investment Encouragement Fund Project was authorized on September 21, 1979 and amended on September 27, 1983 and June 13, 1985. The authorization is hereby further amended as follows:

a. The last sentence of the first paragraph is amended to read as follows:

"The expected life of project is approximately 12 years from the date of initial obligation."

b. The second paragraph is amended by substituting the word "short-" for the word "medium" in line 5 thereof.

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

Marshall D. Brown
Mission Director

Date: 6/5/89

Clearances:

IS/FI, ~~JWatson~~ G.Flores
AD/FI, GHuger
AD/PDS, ~~JPatterson~~ VMolldrem
AD/FM, WMiller
PDS/PS, FMiller

Drafted:LEG:KDTurner:mf:(5/23/89):PROJECT

PRIVATE INVESTMENT ENCOURAGEMENT FUND PROJECT

NO. 263-0097

PROJECT PAPER AMENDMENT NO. 2

SUMMARY

The Private Investment Encouragement (PIE) Fund Project was initiated in 1979 with the objective of providing credit for the expansion and improvement of private productive facilities. Currently some $15.2 million of the original $33 million authorization remains uncommitted. An amendment is proposed to modify the project to enable it to disburse the remaining funds and fully meet its objective.

Operation of the PIE Fund has been characterized by complicated and time consuming administration by the GOE counterpart, and by the limited scope of its eligibility criteria. The counterpart implementing agency, the GOE Investment Authority, has insisted on being involved in the details of assessing each loan application, causing delays of 12 to 18 months for obtaining credit. This unsatisfactory managerial arrangement has significantly eroded the attractiveness of the PIE Fund as a credit source, since most private entrepreneurs cannot tolerate such long turnaround and financial uncertainty.

PIE Fund loan criteria emphasized credit for expansion of medium and large scale private productive enterprises. The facility was not available for short term credit, which is an important requirement of productive businesses. It excluded credit to Egyptian representatives of U.S. manufacturers, who are the only feasible source of imports for smaller enterprises. It also required shipment on U.S. bottoms, which is more expensive than other shippers.

This amendment proposes modifications to the PIE Fund which are designed to solve the above problems. It will change the implementing agency to the Ministry of International Cooperation (MIC), which has already agreed to the crucial delegation of authority for credit review and assessment to the participating banks. MIC already is the counterpart implementing agency for the successful Private Sector Commodity Import Program (PSCIP), whose operating procedures are virtually identical to those proposed for the amended PIE Fund. It is anticipated that using MIC as counterpart implementing agency will allow the participating banks to significantly improve turnaround time and increase loan commitments to support private sector expansion.

Negotiations with MIC on utilization of the PIE Fund have been successful in widening the focus of the credit program by adopting new loan criteria and operating procedures which will also apply to the PSCIP. These are specified in the recently revised General Operating Circular No. 1 of

1989. The criteria include a credit limit which has been tripled to $15 million per client, an 8 year maximum term, 20 percent down payment, and grace periods of up to 18 months on interest and 36 months on principal. Egyptian agents of U.S.manufacturers will now have unlimited access to the program. The additional expense of compliance with the AID requirement to ship commodities on U.S. flag vessels is to be offset by allowing importers to pay the equivalent of the cost of non U.S. shipping into the Special Account in local currency. Participating banks will now be entitled to retain 2 percent of the interest collected.

The new General Circular required extensive negotiation lasting almost a year. It is a vital improvement not only for the PIE Fund, but for the PSCIP as well. It will result in expanded credit availability to the Egyptian private sector, and increased procurement of U.S. manufactured commodities. As previously noted, approval by the GOE of the new Circular was a requirement for amending the PIE Fund. Since they are highly motivated to preserve the PIE Fund financial resources for private sector credit, the GOE has finally approved the new Circular.

There is considerable demand for dollar credit resources in the Egyptian economy. The GOE banking system has recently imposed very strict limits on access to foreign currency, greatly increasing the importance of USAID credit facilities as a source of dollar funding. The PSCIP program has been accelerating throughout this year, starting at approximately $1 million per week in loan placements and increasing to $2.5 million in March, implying an annual rate of $125 million. As of May 25, 1989 the 8-week average of transactions under the PSCIP has grown to $6.6 million per week. The Mission and participating banks, the International Executive Service Corps, the Foreign Commercial Section of the Embassy, and U.S. suppliers have initiated a widespread program to publicize USAID credit programs. The PSCIP has recently been expanded with seven banks in Alexandria, which was not previously served directly. Operating under the new Circular and with the newly expanded participant banking system, credit disbursement could be estimated to increase to $150 million per year.

At this rate the PIE Fund resources of $15.2 million could be exhausted in five weeks. In actual practice it will take considerably longer, since the funds must be committed to banks, the loans must be approved, and the goods must arrive before the project terminates. The PIE Fund Project is currently scheduled to terminate on September 21, 1989. In order to commit and disburse the funds properly two additional years will be required, for a total life of project of twelve years. Since any project life beyond ten years must be approved by the AID Administrator, an ad hoc redelegation of this authority to the USAID/Cairo Mission Director has been requested and approved.

I. BACKGROUND

A. Project Expiration

The Private Investment Encouragement Fund (PIE Fund) Project was initiated in 1979 with the objective of providing medium to long term credit for relatively large private sector enterprises for the improvement of productive facilities. Throughout its life the project has experienced a series of implementation problems and long periods of dormancy. The PIE Fund Project is scheduled to expire in September 1989, with $15.2 million in uncommitted funds to be deobligated. It is apparent that with some modifications the project could be improved to utilize these funds and successfully fulfill its objectives.

B. Proposed Modifications and Negotiation Status

There is a substantial demand for FX credit resources in the Egyptian private sector for the procurement of U.S. commodities. Although the PIE Fund has had a difficult implementation history, the Mission believes that it can operate successfully by adopting credit disbursement criteria which have proven very effective in the PSCIP Program. It would also be necessary to change to a new counterpart implementing agency which is more supportive of the project. With these modifications it is anticipated that remaining project funding could be quickly committed and disbursed. However, since the project is scheduled to expire in about six months, it would also be necessary to add two years to the project's life in order to make the necessary changes in the project, disburse the funds to new loans, and allow for arrival of equipment and commodities.

The Government of Egypt (GOE) is anxious to preserve the PIE Fund resources for application to Egyptian foreign exchange credit needs. It has agreed to revisions to the PSCIP criteria including a credit limit which has been tripled to $15 million per client. Short term (under one year) credit is now accommodated, and Egyptian representatives of U.S. exporters are granted unlimited access to program funds. The GOE has also agreed to offset the additional expense of compliance with the AID requirement to ship commodities on U.S. flag vessels by allowing importers to pay the equivalent of the cost of non U.S. shipping to the Special Account in local currency. These improved terms, among others, were negotiated as a part of the PIE Fund amendment, but they are equally important for increasing PSCIP operations and thereby increasing the access of the Egyptian private sector to credit for input to productive projects of all sizes.

The GOE has also agreed to change the counterpart implementing agency. The original counterpart has consistently involved itself in micro-management of the loan evaluation process, making the application process unacceptably slow. The new counterpart, the Ministry of International Cooperation (MIC), has already approved a delegation of authority to participating banks to manage the loan evaluation and approval process. MIC has been satisfactory as counterpart on the PSCIP Program, so it is anticipated that this will resolve the current implementation problems of the PIE Fund as well.

C. Purpose of Amendment

This amendment is designed to modify the project in order to allow it to fully attain its objectives, so that the full project funding can be applied to Egyptian private sector credit needs. This will require that the problems preventing effective operation be corrected, and additional time be added to disburse the funds. Amendment No. 2 to the PIE Fund Project Paper will accomplish this as follows:

1. The Investment Authority will be replaced as host country implementing agency by the Ministry of International Cooperation (MIC).

2. A mechanism involving proven and effective loan processing and disbursement procedures will be adopted from the successful USAID/GOE Private Sector Commodity Import Program (PSCIP).

3. The Project Activity Completion Date (PACD) will be extended for two years from September 21, 1989 to September 21, 1991, for a total life of project of twelve years.

4. The statement of project purpose must be adjusted to accommodate the new credit criteria of the Operating Circular.

The GOE has agreed to the change in implementing agency. It has also agreed to a revised Operating Circular with liberalized credit criteria as a basis for this amendment. Extending the PACD beyond ten years requires an ad hoc redelegation of authority from the AID Administrator, which has been approved as described in the cable in Annex B.

II. PROJECT DESCRIPTION

A. Goal and Purpose

The goal of the PIE Fund Project is to increase productivity in the private sector. The original project purpose was to provide medium to long term credit for larger sized private enterprises for expansion and improvement of productive facilities. This will be modified slightly by this amendment to encompass short term (under one year) as well as medium and long term credit, and to apply to private enterprises of any size or type. The amended project purpose is to expand investment in productive private sector enterprises. This will allow the new credit disbursement mechanism which is proposed by this amendment to operate within the confines of the stated project purpose.

B. Project Activities to Date

The PIE Fund Project was approved in September 1979 with an authorization of $33 million. The project involved USAID as donor agency, the GOE Investment Authority (the General Authority for Free Zones and Investment) as host country implementing agency, and selected Egyptian banks to disburse and administer loans. All three parties were involved in the assessment of credit applications and monitoring of loans. Over its nine year life the project has encountered a series of implementation problems which inhibited loan disbursement. These involved complicated application procedures, excessive controls, and long delays in the processing of applications within the Investment Authority and USAID. Implementation problems were judged to be severe enough that in September 1983 the project was suspended, and $22,195,000 was deobligated.

New leadership was appointed to the Investment Authority in 1984. In response to the new Chairman's vigorous efforts to reactivate the PIE Fund Project, it was reinstated in July 1985 with the previously deobligated funding restored. Project Paper Amendment No. 1 described the reinstatement. At that time it was anticipated that the existing funding of $10,805,000 could be committed by the end of FY 1985, and the reobligated $22,295,000 could be utilized by late FY 1986. By that time a new project, the Private Enterprise Credit (PEC) Project (No. 263-0201) was scheduled to supersede the PIE Fund Project.

Project performance improved in 1985-86, and eventually eight loans for approximately $17 million were approved. It was planned that the PIE Fund would continue operations and exhaust its funding, even though it had been superseded by the PEC Project. However, in mid 1986 the supportive Chairman of the Investment Authority was replaced and new leadership appointed. Once again long delays and other implementation

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problems developed at the Investment Authority, and the last loan request was processed in early 1987.

During the period 1986-88, a series of meetings was held between USAID, the Investment Authority, and participating banks for the purpose of streamlining PIE Fund operations. The participating banks presented a proposal in 1987 to restructure the project, including delegation of loan approval authority to the banks, as specified in the July 1985 Amendment No. 1. The Investment Authority did not agree to this proposal, and negotiations broke off in 1987.

C. Proposed Modifications

The modifications proposed under this amendment are relatively minor. The focus of the project is being adjusted slightly to encompass wider participation and expanded credit terms. The original project design contemplated considerable flexibility in credit terms required to meet its objectives, including delegation of review and approval of loan applications to designated banks. Thus the implementation mechanism is being modified in its details rather than basic design characteristics.

In order to meet its objectives, the PIE Fund Project requires four basic modifications: First, a minor adjustment must be made in the project purpose. Second, it must have a counterpart implementing agency which supports the project and delegates operational authority appropriately. Third, it needs credit criteria which expand the clientele of qualified private sector applicants, liberalize credit terms, and streamline the application process. Fourth, it requires additional time to commit the remaining project funding.

1. Project Purpose

The purpose of the amended project is to expand investment in productive private sector enterprises.

2. Administration

Under the amended project the Ministry of International Cooperation (MIC) will replace the Investment Authority as host country implementing agency. The present counterpart will not approve the delegation of operational authority required to streamline the loan approval process, and its involvement in the approval process has significantly slowed loan disbursements. MIC, on the other hand, has already agreed to delegate authority for loan approval to the participating banks. It already operates in this fashion as counterpart on the PSCIP, which currently is disbursing loans at the rate of approximately $6.6 million per week. The GOE has agreed to replace the Investment Authority with MIC, and it is anticipated that this will significantly improve project implementation.

3. Credit Criteria

It is proposed that the newly liberalized credit terms and conditions from the PSCIP be adopted for the PIE Fund Project. The PSCIP incorporates the basic lessons learned from the PIE Fund Project. It has demonstrated its ability to commit substantial amounts of funding to private sector credit users, and it can be assumed that a similar mechanism could expend the remaining PIE Fund resources within the proposed PACD extension.

The PSCIP is a component of the Private Enterprise Credit (PEC) Project (No. 263-0201), which encompasses three credit components having different focuses and credit terms. The PSCIP had an initial authorization of $117,337,000, and $130,000,000 was added by Project Authorization Amendment No. 2 in February 1988. It is intended that approximately $100 million will be added to the PSCIP each year. The specific objective of the PSCIP component is to provide short and medium term credit for the procurement of U.S. commodities and services to expand private sector productivity. It is currently being modified to encompass long term credit.

The credit terms and conditions of the PSCIP are set forth in a document known as General Circular No. 1. It was issued in 1983 and revised in 1985 under the predecessor Production Credit Project. It was revised again in 1988, and new revisions have recently been negotiated and approved. In general the revisions are intended to improve the operations of the PSCIP and better target its clientele. The revised General Circular No. 1 for 1989 is included in Annex A.

General Circular No. 1: Terms and Conditions

Circular	Eligibility	Exchange Rate	Down Payment	Maximum Term	Annual Limit (000)
1983	Priv sector firms	0.84	25 %	3 yrs	$1,000
1985	Traders excluded	1.00	25 %	5 yrs	650
1988	Traders included	Free Mkt.	20 %	8 yrs	5,000
1989	Large Priv. Firms	*	*	8 yrs	15,000

Revision of the Circular has been very effective in adjusting the PSCIP credit mechanism to a changing financial environment. In particular the 1988 revision revived a PSCIP which was in the doldrums from having lost its substantial exchange rate advantage. After the revision the PSCIP quickly went from virtual dormancy to over $1 million per week in loan commitments, and it is currently operating at a rate of approximately $6.6 million per week. The 1989 revision is another adjustment intended to improve project operations, and although it is difficult to quantify the impact of these changes the Mission estimates that it has the potential to generate loan commitments at the level of at least $150 million per year.

It is proposed that the credit terms and conditions of the 1989 General Circular No. 1 be adopted for the PIE Fund Project. It is anticipated that this credit mechanism, along with the other modifications proposed in this Amendment No. 2, will result in the rapid commitment and disbursement of remaining project funding.

4. Extend PACD

The PIE Fund PACD has previously been extended twice, and is currently set for September 21, 1989. This will comprise a total life of project of ten years. It is necessary to extend the LOP for two additional years in order to expend the budget and attain project objectives. The added time is sufficient to amend the grant agreement, shift the project to the new implementing agency, revise the project framework, commit remaining funds to participating banks, and disburse all remaining funds. With the extension the total LOP will be twelve years.

The AID Administrator is authorized under IDCA Delegation of Authority No. 1 dated October 1, 1979, as amended, to extend the life of project without limitation. An ad hoc redelegation of this authority to the Mission Director is attached as Annex B. By his approval of this Project Paper Amendment No. 2 the Mission Director is thereby authorizing the extension of the PIE Fund PACD by two years to September 21, 1991, for a total LOP of twelve years.

III. SUMMARY OF PROJECT ANALYSES

A. Original Project Analyses

A wide variety of analyses and special studies were conducted in order to assess the feasibility of the PIE Fund Project and analyze alternative design approaches. These included economic and financial analyses, a social analysis, an environmental analysis, surveys of facilities and resources, and special studies. The 1985 Project Paper Amendment No. 1 determined that these analyses were still valid and applicable to the amended project. Under Project Paper Amendment No. 2 the project purpose is adjusted slightly, and the adoption of new credit criteria does not significantly change the basic design of the project. Therefore the project analyses from the original PIE Fund Project do not require modification, and still apply to the project as revised under this Amendment.

B. Private Sector Credit Demand

There is one area in which the Mission determined that additional analysis is required. The Mission believes that the modifications proposed under Amendment No. 2 will allow rapid commitment of the remaining project funds. However, it is necessary to assess overall credit demand to ascertain that addition of the PIE Fund will not result in an over supply of credit resources.

Foreign currency has always been scarce in Egypt, and the demand for dollar credit in the Egyptian private sector is far greater than USAID credit facilities can supply. The GOE banking system has recently imposed very strict limits on access to foreign currency, increasing the importance of these programs as a source of dollar funding. The amount of credit AID programs can provide is mostly a function of their administrative efficiency and their proper targeting of the clients with substantial credit requirements.

At this time last year the PSCIP was disbursing credit at the rate of approximately $1 million per week. As a result of changes to the General Circular in 1988 and a vigorous publicity program, the disbursement rate increased to over $2.5 million. As of May 25, 1989 the 8-week average of transactions received under the PSCIP was $6.6 million per week, implying an annual rate of well over $300 million. This demonstrates how sensitive the PSCIP disbursement rate is to its loan criteria. The 1988 General Circular expanded the client base to include traders on a limited basis, and increased the loan limit to $5 million. It is reasonable to expect that the changes negotiated for the General Circular as a condition of this amendment will have a similarly strong impact on disbursements. These changes will apply to the PIE Fund and to the PSCIP as well, and it can be reasonably anticipated that these modifications should result in a loan disbursement rate of at least $150 million per year:

- The credit limit per client is being tripled to $15 million.

- The additional cost of shipping on U.S. flag vessels is to be offset. This is expected to result in very substantial PSCIP loans for private sector corn and soybean procurements. It is estimated that such transactions could increase program utilization by $20 to $30 million per year.

- Dealers of U.S. manufacturers are to be given unlimited access to the program. One large U.S. manufacturer has estimated it could utilize $15 to $20 million in PSCIP credit. Just two dealers of this size and a few smaller ones could add $50 million in demand for the PSCIP and PIE Fund. The dealers would be particularly important in serving smaller Egyptian businesses unable to undertake direct importation themselves.

- Participating banks are to be given a two point spread on project loans. This should substantially increase their motivation to provide loans under the program.

- USAID/Cairo staff have recently increased their efforts to publicize PSCIP credit availability throughout Egypt. Participating banks are beginning to respond with similar activities. Initial responses have been encouraging, and it is expected that continued and expanded efforts will result in increasing demand for this facility.

- The number of participating banks is being increased. Alexandria will now be served directly for the first time with seven new participating banks.

The PSCIP 8-week average loan disbursement rate of $2.5 million per week in March and $6.6 million in late May is very strong evidence that the new revised General Circular can easily generate at least $150 million per year in loan placements. Since this is considerably higher than the $100 million which is ordinarily committed each year to the PSCIP, the PIE Fund resources of $15.2 million will be needed to fill some of the credit shortfall. Since the gap between the free market rate and the commercial bank exchange rate, which applies to project funds, has exceeded 10 percent since March 1988, and increased to over 30 percent in January 1989, the exchange rate differential clearly provides an added incentive to project use. However, even when the two exchange rates are realigned, we expect the modifications in the Circular will keep the project funds attractive to users.

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IV. FINANCIAL PLAN

PIE Fund Project Paper Amendment No. 2 does not propose to change the current funding obligation level of $17,933,000. It will add some information required by AID Controller's Payment Verification Policy Implementation Guidance (PVPIG) Statements, and it will slightly revise the budget line item configuration to reflect current loan commitments and assign funds to PSCIP type transactions.

A. Methods of Implementation and Financing

The Payment Verification Policy Implementation Guidance (PVPIG) statements require certain charts, justifications and assessments of implementation and financing methods proposed for the project.

1. Section 1. Chart, as Required by PVPIG Statement 5.B.2.a.

The following chart, as required by 5.B.2.a., lists the proposed methods of implementation and financing for the entire project. It includes the existing sub-project investments and technical assistance items which were committed and disbursed prior to this amendment.

Methods of Implementation and Financing in PIE Fund
LOP AID Funds Only

Activity	Method of Implementation	Method of Financing	Approximate Costs ($000)	HC or AID Contract
8 sub-project Investments	PIL or RFQ	Direct Reimb. Direct L/COM or Bank L/COM	16,989	HC
Technical Assistance PIEF Staff & Facilities	HCC	Direct L/COM	805	HC
Transactions under Revised Circular	AID Reg 1	Bank L/COM	15,131	AID Reg 1
Audit	AID Dir	Direct Pay	75	AID

2. Section 2: Justification, as required by PVPIG Statement 5.B.2.b.

Justifications are not necessary, as all financing methods under this project amendment are AID-preferred. The implementation methods proposed for this project amendment are either Bank Letters of Commitment for Private Sector CIP or AID Direct Contract instruments.

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3. Section 3: Detailed Assessments

PVPIG 5.G.2.c requires a detailed assessment of the host country implementing agency's specific procedures for contracting, commodity procurement and payment verification. However, since no additional host country contracting is proposed for this amendment to the project, such an assessment is not necessary.

4. Section 4. Evaluation of the Need of Audit Coverage

Payment Policy Verification Statement 6 requires that PPs include an evaluation of the need for audit coverage and describe planned contract and audit coverage. Funds have been set aside under the audit line item of the project for audits by any independent local CPA firms. Project funds are also subject to audit by A.I.D.'s Regional Inspector General's Office.

B. Financial Plan

The changes to the original financial plan only involve adjustment of line items to account for project implementation to date, and assignment of funds for commitment under the revised PSCIP Circular.

Illustrative Financial Plan: Overall Project Funding
($000 or Equivalent)

Element	AID Grant	Participating Banks	GOE	Total Sources
Existing Sub-Project Loan Commitments	16,989	16,989*	-	33,978
Technical Assistance PIEF Staff and Facil.	805	-	200**	1,005
Transactions under Revised Circular	15,131	-	-	15,131
Audit	75	-	-	75
Total	33,000	16,989	200	50,189

*Minimum participating bank/PIE Fund co-financing ratio is 1:1
**GOE contribution has been completed in full.
Note: Line items may be shifted by mutual agreement.

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V. IMPLEMENTATION STATUS

A. Project Administration

The Ministry of International Cooperation (MIC) will replace the Investment Authority as host country implementing agency. As noted previously, MIC has already agreed to delegate authority for loan approval to participating banks, and it is expected that their involvement will result in significantly improved implementation arrangements.

The Office of Finance and Investment in the USAID Industry and Support Directorate will continue to monitor existing sub-project loan commitments. New commitments under the amended project will be monitored by the Office of Commodity Management and Trade (CMT), which manages the PSCIP. No new staff support will be required.

B. Implementation Activities

The amended PIE Fund Project will have three basic implementation activities: (1) commitments for existing loans, (2) uncommitted funds available for disbursement under PSCIP Circular guidelines, and (3) technical assistance, all of which was authorized and subsequently spent under the existing project.

Under activity (1) the eight approved PIE Fund sub-projects, including all implementation actions connected with these activities, will remain the responsibility of USAID's Office of Finance and Investment until the amended PACD of September 21, 1991. These sub-projects will be implemented in accord with the 1979 PIE Fund Project Paper as amended in July 1985.

Under activity (2) MIC will provide selected participating banks with fund allocations for the financing of foreign exchange transactions per General Circular No. 1 of 1989 (Annex A). USAID's Office of Commodity Management and Trade will monitor the program for compliance, as is currently done for the existing PSCIP. Since PSCIP participating banks have performed very well under the PSCIP program, with transaction levels reaching $125 million per year, it is expected that modifications in the General Circular will cause a significant increase in PSCIP and PIE Fund transactions.

C. Implementation Schedule

1. Revised General Circular No. 1 approved	March 1989
2. Grant Agreement amended	April 1989

3. Remaining project funds committed to banks — June 1989

4. Loans disbursed — April 1990

5. All equipment delivered — March 1991

6. Project Activity Completion Date — Sept 1991

D. Monitoring and Evaluation

1. Monitoring

The PIE Fund staff previously operated under a Letter of Instruction prepared by USAID which delineates guidelines and procedures for screening and approving sub-project loan proposals. Participating banks were required to prepare portfolio status reports. Under the amended project the loan approval criteria will be governed by the new General Circular No. 1 of 1989. The reporting formats will be similar to the current PSCIP reports. PIE Fund financing will be committed to a separate L/COM or L/COMs, and monitoring will be accomplished under that framework, with reports on loan approvals and portfolio status on a monthly basis.

2. Evaluation

An assessment of term credit in Egypt was conducted in 1985 and reported in the form of the Term Credit Study, and the Report of Term Credit Assessment Team. The findings of this assessment were translated into recommendations which were incorporated into the 1985 PIE Fund Project Paper Amendment No. 1, as well as the PSCIP General Circular No. 1 of 1985. Further revisions to the PSCIP General Circular were made in 1988 based on practical experience, to adjust and improve its operation.

The 1979 PIE Fund Project Paper and its 1985 Amendment No. 1 anticipated a final evaluation for the project. The considerable implementation difficulties experienced by the project are well known, and the Mission believes that no new basic insights would be achieved by a formal project evaluation. Therefore it is proposed that under this Amendment No. 2 a Project Assistance Completion Report be prepared at termination of the project in lieu of a project evaluation.

Official English Version

MINISTRY OF INTERNATIONAL COOPERATION

GENERAL CIRCULAR NO. 1
Issued March 14, 1989

Rules and Procedures for
Utilization of Funds under the:

Private Enterprise Credit Project
Agreement No. 263-0201.1

1. To encourage the Egyptian Private Sector to participate in the development of the country in accordance with the priorities of the State, funds from the U.S.A.I.D. economic assistance program are provided to the private sector to finance the importation of capital goods, intermediate commodities and raw materials from the U.S.A. The rules and procedures set forth in this Circular shall apply to all funds advanced to the private sector under the Private Sector Commodity Import Program, (which is element No. 1 of the Private Enterprise Credit Project).

2. All Egyptian private sector entrepreneurs and firms operating in such spheres as:

   a. Industry
   b. Agro-Industry
   c. Agriculture
   d. Land Reclamation
   e. Equipment Leasing
   f. Health
   g. Communications
   h. Construction
   i. Tourism
   j. Mining
   k. Education
   l. Transportation

   are eligible to participate, except that entities which are established in a free zone shall be excluded from this program. Importers must have a commercial or industrial registry and a taxation card (unless legally exempted), with the latter to suffice in the case of a private enterpreneur, working in non-commercial or industrial fields (unless legally exempted).

3. Funds advanced pursuant to this Circular may be used to import only those items which are eligible in accordance with the AID Commodity Eligibility List. The List does not include luxury or consumer goods. Transactions which involve the importation of raw materials or intermediate goods which will be used in the production of a luxury good shall not be financed under this program. Further, commodities imported under this program cannot be re-exported in their same condition unless they constitute a basic component of a new end product.

4. Funds advanced under this program may be used to import items except those ineligible under Ministerial Decree No. 333, and its amendments, for 1986 for the purpose of resale. Any importer, importing as an end user, may sell capital equipment imported under this program after it has been in use for a period not less than two years and after final payment has been made to the Participating Bank. Imported items must relate to the importers business field as stated on both the commercial/industrial registry and tax card (unless legally exempted).

5. ANNEX I - Project Financing Facility: Funds advanced pursuant to this circular may also be used to provide medium-term credit to finance capital equipment needed by new productive facilities, and expansion, rehabilitation, and modernization of existing facilities under the "Project Financing Facility" component of this Circular (See Annex I). The goal of the Project Financing Facility is to enhance the productive output of medium to large-size private sector companies in Egypt. In order to qualify for the terms offered under the Project Financing Facility component, the commodities to be procured must form an integral part of a project, normally consisting of other tangible assets, intangible assets and working capital requirements. The related financing plan should be tailored along a specific leverage ratio acceptable to the participating bank, whereby a guarantee of repayment of the loan package is pegged to the project's projected cash flow and the loan is collateralized by the project's fixed assets.

6. Funds advanced pursuant to this circular may also be used for the provision of pre-shipment inspection services.

7. Primary implementation responsibility for this program shall rest with the Participating Banks listed in Attachment No. I to this Circular. Each of these banks will receive an initial allocation of funds which will be made available through a Letter of Commitment in favor of the Participating Bank's named U.S. correspondent. Further allocations will be based on proper utilization. MIC will approve all new proposed allocations to the Participating Banks.

8. Private sector importers who desire to use funds provided under this program shall make application at any one of the Participating Banks. Alternatively, a potential client may apply through any other commercial bank. In this case the application will be forwarded to one of the Participating Banks for action. Each application must include:

   A. a completed transaction form signed by the importer (Attachment II);

   B. evidence that the importer has followed A.I.D. Regulation One negotiated procurement procedures which requires proforma invoices from a reasonable number of prospective suppliers and that all quotations and offers received, whether or not specifically solicited, shall be given consideration before making an award. If an importer is unable to obtain more than one offer the importer's request for financing must include a letter certifying the reasons that only one offer could be obtained. Justification for approving financing under these circumstances must be based on one of the following reasons:

   1. The importer is the U.S. supplier's regularly authorized distributor or dealer of a commodity as defined under Section 201.23 (e) of A.I.D. Regulation One. A.I.D. requires that the importer submit a copy of the agency/dealer/distributorship agreement with the request for financing.

   2. Proprietary procurement is justified and the necessary equipment, materials, or spare parts are available from only one source. Proprietary procurement may be justified by the importer in order to obtain:

      a. Substantial benefits, such as economies in maintenance of spare parts inventories, stronger local dealer organization, better repair facilities, or greater familiarity by operating personnel can be achieved through standardizing on a particular brand,

      b. compatability with equipment on hand; or

      c. special design or operational characteristics.

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C. each proforma invoice submitted in evidence of meeting the competitive requirement must show:

i. the name and address of the importer;

ii. the quantity, description and unit price of each item in sufficient detail for ready identification;

iii. the U.S. Department of Commerce Schedule B Number for all items;

iv. the delivery terms (e.g. FOB, FAS, CIF, or C and F);

v. U.S. source/origin;

vi. if the commodity is financed on a CIF or C&F basis, the invoice must:

a. state that transportation must be effected on a U.S. flag carrier;

b. state FAS or FOB commodity cost at named U.S. port offering regular liner service to named Egypt port or bulk cargo service to named Egypt port as appropriate;

c. state estimated insurance cost for CIF quotations;

d. state estimated freight costs.

D. A summary of offers and the importers recommendation.

9. Suppliers will be reimbursed by the U.S. correspondent bank up to the CIF or C and F quote amount against: the actual invoiced insurance cost per the insurance certificate; actual invoiced freight cost per bill of lading; and FAS/FOB commodity cost per the supplier's invoice. All charter parties for shipment require the prior approval of A.I.D. in Washington. Commodity costs are subject to review under the provisions of A.I.D. Regulation One, Section 201.63.

10. Procurements financed pursuant to this circular which involve commodities shipped in bulk on bulk cargo vessels must be coordinate with the U.S.A.I.D. Office of Commodity Management and Trade prior t the time that the importer enters into negotiations with potential U suppliers. The purpose of this provision is to ensure that bulk commodity importers pay no more than competitive international freig rates for all bulk cargoes.

11. Completed transactions which have been approved by the Participating Banks shall be forwarded to U.S.A.I.D. Upon issuance of the U.S.A.I. concurrence letter an administrative reservation of funds will be ma and a transaction number assigned. Clients shall have 60 days from date of the concurrence letter to open a Letter of Credit to the name supplier. Extension of this time limit may be considered on a case-by-case basis provided that the client's written request is forwarded to MIC, through the Participating Bank, at least 15 days prior to the deadline for establishing the Letter of Credit.

12. The Participating Bank shall not issue Letters of Credit to any party other than the one named in the proforma invoice, nor is the Participating Bank authorized to amend any Letter of Credit in a mann contrary to the contents of the proforma invoice. All Letters of Credit must reference the A.I.D. transaction number. Credits opened for the importation of capital equipment and related spare parts shal be valid for a period not to exceed twelve (12) months, all other credits shall be valid for a period of time not to exceed six (6) months. (See Annex I for validity periods under the Project Financin Facility component)

13. The minimum transaction size shall be $10,000 unless USAID/Cairo and MIC otherwise agree in writing.

14. Except as provided in articles 15, 16, and 17 below, no single client may utilize more than $1,500,000 for resale or $2,000,000 for end use under this program per year. The value of all Letters of Credit opened in the 12 months preceding the submission of the application of the client to the bank under this program shall be included in calculating total usage during a year. Only Letters of Credit opened after the date of issuance of this Circular shall be included in calculating total usage.

15. Clients may utilize amounts greater than $2,000,000 up to a maximum total of $5,000,000 in a year subject to the following requirements: Transactions shall be for capital equipment, related spare parts and commodity-related services such as installation, erection and training. Equipment shall not be resold for a minimum of two years after it has been in use. If the firm has public sector ownership, such ownership may not exceed 40%.

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Traders and end users may also utilize amounts greater than $2,000,000 up to a total of $5,000,000 in a year to import bulk commodities. Clients may utilize amounts greater than $5,000,000 in a year to import bulk commodities upon receiving a written approval of the Ministry of International Cooperation.

16. Clients may utilize amounts greater than $2,000,000 for importation of non-capital goods for their own use upon receiving a written approval of the Ministry of International Cooperation. Goods under this article may not be resold.

17. Clients qualifying under Section 201.23 (e) of A.I.D. Regulation One, as regularly authorized distributors or dealers of U.S. suppliers may import without limit per year.

18. Each of the following is considered as one client when calculating the maximum amount to be advanced to a client according to Articles 14 and 15 of this Circular.

    A. A natural person who subscribes to a partnership company, and the company itself;

    B. A partnership company and another partnership company to which the first company subscribes;

    C. Natural person together with members of his family up to the fourth kin.

19. The Participating Bank shall collect a down payment in local currency from the importer equal to 20% of the transaction amount. The bank may extend to the client an interest free grace period of 90 days for traders and 180 days for end user clients from the date of negotiation of documents (the date payment is made to the U.S. supplier). Capital goods transactions valued at more than $1,000,000 and imported for the client's own use are eligible to receive an interest free grace period of up to 365 days before any additional payment falls due. Credit beyond the interest free grace period may be extended by the Participating Bank up to a maximum period of:

    - 8 years: Capital goods
    - 18 months: Non-capital goods
    - 6 months: Traders

- 17

The Banks shall charge interest on the outstanding balance in accordance with the prevailing interest rate structure specified by the Central Bank for similar transactions. The local currency amount of all repayments for a specific transaction shall be calculated at the free bank market exchange rate applicable to the Private Enterprise Credit Project (PEC) fixed on the day the Letter of Credit is opened. Clients may pay 100% of the transaction value up front in cash if they so desire. (See Annex I for guidelines concerning grace periods and repayment periods for commodities procured under the Project Finance Facility component).

20. The Participating Banks shall request the U.S. correspondent Letter of Commitment bank to advise them without delay of the date that payment is effected to the U.S. supplier in order to specify the grace period and the dates on which the interest and installments shall fall due. The Participating Banks shall be entitled to collect normal fees and commissions on transactions financed under this program according to the Tariff of the Central Bank of Egypt. (See Annex I for guidelines concerning fees, commissions and interest payments on loans for commodities procured under the Project Finance Facility component)

21. The Participating Bank shall be indebted to the Central Bank of Egypt for the local currency equivalent of each Letter of Credit opened under this program, calculated at the rate of exchange applicable to the PEC project on the date the Letter of Credit was opened. The Participating Banks shall pay immediately into a special account at the Central Bank of Egypt all payments of principal and interest, actually collected or due, for transactions financed under this program. (See Annex I for guidelines concerning payment of interest to the Central Bank on loans for commodities procured under the Project Finance Facility component)

The Participating Banks shall authorize the Central Bank to draw down their account by the amount of interest and principal due on the funds advanced under this program and to furnish the Ministry of Finance, Central Administration for Financing and Loans, with a copy of the required authorization.

22. U.S.A.I.D./Cairo will furnish to the Ministry of International Cooperation on a monthly basis a report showing all approved transactions. The report will be prepared not later than the 10th of the following month.

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23. All Participating Banks shall provide the following information on timely basis. Any bank which repeatedly fails to meet these requirements may be suspended or terminated from the program.

   A. a copy of all relevant documents related to each transaction approved by the bank shall be forwarded to U.S.A.I.D./Cairo to be received not later than five business days after the bank's approval;

   B. a copy of all Letters of Credit issued under the program shall be forwarded to U.S.A.I.D./Cairo. Each Letter of Credit shall be submitted with a completed Letter of Credit Form, shown as attachment III to this Circular;

   C. a copy of all substantial amendments to Letters of Credit issued under the program, i.e., those that deal with value, quantity, terms, etc., shall be forwarded to U.S.A.I.D./Cairo;

   D. a copy of the Bill of Lading and the Supplier's Invoice shall be furnished to U.S.A.I.D./Cairo for specific transactions upon receipt of a written request from U.S.A.I.D;

   E. upon receipt of the shipping documents, the Participating Banks shall complete and submit the "Statement of Principal and Interest Due" form which is shown as attachment No. VI to this Circular;

   F. a monthly report on activity under the program to be sent to MIC and U.S.A.I.D./Cairo not later than the 10th of the following month. The report format is shown in Attachment IV.

24. The Participating Bank which opens credits under this program shall be responsible for executing the rules and regulations contained in this operating Circular without contravening applicable import rules and regulations. In all cases, the Participating Bank must ensure that the transaction is in conformance with A.I.D. Regulation One, the A.I.D. Commodity Eligibility List, and this Circular. In the event of a violation of any of the rules of the Circular, or applicable A.I.D. regulations, on the part of the importer or the US supplier, the Ministry of International Cooperation and U.S.A.I.D./Cairo may jointly agree to:

   A. Prohibit the importer from participating under the program for a specified period of time, and/or,

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B. Require the importer to reimburse A.I.D. in U.S. dollars for the amount of funds advanced under the program.

25. The exchange rate applicable to this program, referenced in Articles 19 and 21 above, shall be the highest rate of exchange prevailing and declared for foreign exchange currency by the competent authorities of the Arab Republic of Egypt, currently the "Free Bank Market Rate", as of the date of L/C opening.

26. Amendments to this Circular shall be issued by MIC from time to time as needed when MIC and U.S.A.I.D. mutually agree.

Signed by,
Minister of International
Cooperation

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Annex I

Project Financing Facility

The Project Financing Facility component is designed to provide medium-term credit to finance commodities, primarily capital equipment (needed by new productive facilities), and expansion and modernization of existing facilities. The goal of the Project Financing Facility is to enhance the productive output of medium to large-size private sector companies in Egypt.

In order to qualify for the terms offered under this component, the commodities to be procured must form an integral part of a project, normally consisting of other tangible assets, intangible assets and working capital requirements. The related financing plan should be tailored along a specific leverage ratio acceptable to the participating bank, whereby the guarantee of repayment of the loan package is pegged to the project's projected cash flow and the loan is collateralized by the project's fixed assets.

AID Regulation One and General Operating Circular No. 1 set forth the guidelines to be followed by participating banks, commodity suppliers, and importers to participate in this program. The following additional terms and limitations apply to commodities financed by the Project Financing Facility component:

Terms and Limitations:

1. Eligible Commodities:	All commodities which form an integral part of a project activity, as defined above, and which are eligible in accordance with the AID Commodity Eligibility List or made eligible on an ad hoc basis by AID.
2. Incidental Services:	Incidental services (meaning the installation or erection of A.I.D.-financed equipment, or the training of personnel in the maintenance, operation, and use of such equipment) may be financed if, (a) such services are specified in the purchase contract related to the equipment; and (b) the price satisfies the requirements of Section 201.68 of AID Regulation One; and (c) The price attributable to such services does not exceed $50,000 or 25 percent of the total purchase contract, whichever is less.

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3.	Minimum amount eligible for financing:	$300,000
4.	Maximum amount eligible for financing:	$15,000,000
5.	Down Payment:	The Participating Bank shall collect a down payment in local currency from the importer equal to 20% of the value of each Letter of Credit issued on the date of issuance.
6.	Repayment Period:	Not to exceed 8 years.
7.	Grace Periods:	Following the initial down payment the bank may extend to the client the following interest-free grace periods commencing from the date of negotiation of documents (date of payment to the U.S. supplier): (a) Up to 18 months on initial interest payment. (b) Up to 36 months on initial payment of principal (first installment).
8.	Fees:	Banks are entitled to retain standard fees and commissions (e.g., 1% commitment fee, 1% management fee per annum on undisbursed loan amounts, etc.) associated with loans extended under this component. All fees shall be included in the loan agreement.

Participating banks are entitled to retain 2 percent of the interest collected on transactions financed under this component. The participating bank will charge interest on the outstanding balance of each Letter of Credit calculated from the date of payment by the U.S. correspondent bank to the U.S. supplier in accordance with the prevailing interest rates specified by the Central Bank of Egypt for similar transactions.

The participating banks will immediately pay into the designated special account at the Central Bank all payments of principal actually collected for transactions financed under this program.

Part B of the transaction form (Attachment II) must be completed and sent to USAID whenever the Project Financing Facility is used. This form will enable USAID to establish a record for each borrower and keep track of all financial and informational data such as: total cost of project, total loans outstanding to borrowers, bank loan interest rates, etc. In addition, USAID will review and issue a letter of concurrence to the participating bank's loan agreement.

Attachment No. I

List of Participating Banks

Cairo Banks

1. Arab Investment Bank
2. Bank of Alexandria
3. Banque Du Caire
4. Bank Misr
5. Commercial International Bank
6. Development Industrial Bank
7. Egyptian American Bank
8. Export Development Bank
9. Misr International Bank
10. Misr Iran Development Bank
11. National Bank of Egypt
12. National Bank for Development
13. The Nile Bank
14. Societe Arabe Internationale de Banque
15. Suez Canal Bank
16. Alexandria Kuwait International Bank
17. Bank of Commerce and Development

Alexandria Banks

1. Banque Misr Alexandria
2. Societe Arabe International de Banque
3. Suez Canal Bank
4. Commercial International Bank
5. Development Industrial Bank
6. National Bank of Egypt
7. Alexandria Commercial Maritime Bank

Other banks, whose charter/authorization enables them to transact business in a manner compatible with the provisions of this program, may work through the above specified Participating Banks.

Attachment No. II

Transaction Form
Private Enterprise Credit Project
CIP Private Sector
Project No. 263-0201.1

Bank: ____________________ Transaction No.: ________________

If this transaction is being forwarded on behalf of another bank in accordance with Article 6 of the Circular, please specify which bank:

____

1. Clients Name: ____
   Address: ____
   Governorate: ____
   Tel No.: ____________ Telex No.: ____________________

2. Address of Production Facility (Farm, Factory, ect.), if different than No. 1 above:

   ____
   ____

3. Nature of establishment:

   i. Sole proprietership, provide name of principal

      ____

   ii. Partnership, provide names of major partners

      ____
      ____

   iii. Limited liability stock company, provide names of company officials and major stockholders

      ____
      ____
      ____

4. Established under Law: ____________________
   (43, 159, 32 etc.)

5. Tax Card No.: __________ Commercial Registry No.: ____________
   (state if legally exempted)

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6. Business Field: ______________________________
(e.g. hospital, farm, plastics factory, trading ect.)

7. Paid in Capital: ______________
Number of Employees: ______________

8. Has importer previously used this project or the Production Credit before? yes________ No.:________

If yes provide value of all Letters of Credit opened for this client under the project in the past 12 months, not including those opened prior to the issuance of this Circular. $______________

9. Commodity to be imported: ______________________________

Purpose of importation: a) own use ______________
b) reselling ______________
c) leasing ______________

10. U.S. Department of Commerce Schedule B No.(s) ______________
____

11. Is this transaction financed under the Project Financing Facility Component (Annex 1 of Circular 1)? Yes ____ No ____ If yes, plea complete Part B of this form.

12. U.S. Supplier: ______________________
Address: ______________________
____

13. I hereby certify that to the best of my knowledge the information provided above is accurate and true.

Importer Signature: ______________________
Name: ______________________
Title: ______________________

14. We find this transaction valued at $____________, in compliance with General Circular No.____________ of ____________ and A.I.D. regulations, and request U.S.A.I.D. concurrence to finance the transaction.

______________________ ______________

Signature of Authorized Bank Official — Date

Part B - Project Financing Facility
(complete only if applicable)

1. Brief description of the project to be financed, including how the commodities procured will be used to support the project:

____

____

(Note: Please indicate if this is an additional Letter of Credit application for a project which has previously been reviewed If yes, please attach a copy of the original application.

____

2. Does the Project involve:

   a. the construction of a new productive facility ________
   b. expansion/modernization of an existing facility ________

3. Time period from start to completion: ________

4. Total Project Cost: ________

5. Estimated total cost of commodities to be procured during the life of the project using CIP funds: ________

6. Total value of this commodity transaction: ________

7. Will commodity procurement be phased? ______; if yes, over what period of time? ________

8. Will there be additional Letter of Credit applications? ________

9. Type of product or service to be offered as the result of the project:

____

10. Expected employment generation (number of additional employees, if any as a result of this project): ________

11. Loan Period (e.g. 1 year, 8 years, etc.): ________

12. Interest rate: ________

13. Grace Period provided before initial repayment of Interest: ________

14. Grace Period provided before initial repayment of Principal: ________

15. Type and amount of fees included in loan agreement: ________

____

Attachment III

Letter of Credit Form

1. Bank: ______________________ Date: __________________
2. L/COM No.: __________________ L/C No.: ____________
3. Transaction Number: ______________________
4. Transaction Amount: ______________________
5. Rate of exchange & interest rate applicable to this transaction:

   ______________________ L.E./$

   ______________________ %
6. Down Payment:
   a) amount in L.E. ___________________
   b) date collected ___________________
   c) date transferred to CBE ___________________
7. Repayment period for balance: ___________________

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Attachment No. IV

Bank Monthly Report

Transaction No.	Transaction Amount	Importer Name	L/C No.	Commodity Type	L/C Amount	L/C Date	Undisbursed Amount	L/C Expiry Date
				Raw Material/ Spare Parts/ Capital equip.				

Attachment V

Statement of Principal and Interest Due

Local Bank Name: ____________ L/Com No.: ____________

Exchange Rate $/LE: ____________ Interest Rate: ____________

L/C No.	Value of Shipping Document $	(Installments) Principal Amount L.E.	+	Interest Amount L.E.	Total Amount Due L.E.	Due Date

Note: If the balance was paid in cash, local bank is required to provide the following informations:

1. Value paid in L.E. ____________
2. Dated collected ____________
3. Date deposited in Central Bank ____________

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

ANNEX B

MAY 3 1989

ASSISTANT ADMINISTRATOR

ACTION MEMORANDUM FOR THE ADMINISTRATOR

FROM: AA/ANE, Carol C. Adelman

SUBJECT: Private Investment Encouragement Fund Project (263-0097) Extension Beyond 10 years of Project Activity Completion Date (PACD).

Purpose: To approve an ad hoc redelegation of authority to the Director, USAID/Cairo, to enable the Mission to extend the PACD for the Private Investment Encouragement Fund Project (PIE Fund) for a period not to exceed two years beyond its current PACD of September 21, 1989.

Background: On September 22, 1979, $33.0 million were obligated under the PIE Fund project grant agreement. The objective was to encourage the commercial banking sector to provide medium to long-term (i.e., 3-8 years) credit, on a co-financing basis, to relatively large private sector enterprises for the expansion and improvement of productive facilities. In its early implementation, the project encountered problems primarily due to government control of loan processing and approval which resulted in long delays unacceptable to potential borrowers. In September 1983, U.S. dollars $22,195,000 were deobligated, leaving a total of U.S. dollars $10,805,000 available in the project for co-financing of loans under negotiation. The deobligated funds were to be available to relaunch the project if operational and technical changes necessary for project success were made.

In June 1985, a new Chairman of the Investment Authority was named who agreed to take personal responsibility for the project. With this change, the funding level was brought back to the original $33.0 million and the PACD extended to September 21, 1989, a total LOP of ten years.

Discussion: Project performance improved in 1985-86, and eight loans for approximately $17.0 million were approved. However, in mid-1986 the supportive Chairman of the Investment Authority was replaced. Once again implementation problems developed at the Investment Authority and the last loan request was processed in early 1987.

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The private sector has a continuing need for and interest in foreign exchange credit resources that can be accessed more freely than Egypt's banking system currently allows. This request for an extension of the PACD for two years is based on the Mission's analysis which indicates that the PIE Fund project can be successful in meeting its original goal with basic modifications (See Attachment A).

Loss of reobligation authority for FY 1989 gave USAID a unique opportunity to leverage the retention of the funds in the PIE Fund (that would otherwise be lost at the project's current PACD, i.e. approximately $15.2 million) to obtain desired changes in both this activity and the Private Sector CIP. The GOE is deeply concerned that these funds not be lost. USAID was able to convince the GOE to modify the terms and conditions for both the PIE Fund credit program and the Private Sector CIP, to ensure that the funds would be expended rapidly enough to warrant retention of the PIE Fund via extension of its PACD.

No additional A.I.D. funding is required in conjunction with this extension. The ANE Bureau would normally resist a project extension of this length (total of 12 years), however, the absence of deob/reob authority prompted the GOE to take a major step to restructure their management of this project, and the Private Sector CIP, rather than lose these funds for Egypt. A.I.D would lose credibility if it were to withhold support after obtaining this breakthrough, and after the modifications to the Private Sector CIP which have already been implemented have proven to be a resounding success. Moreover, if this extension were not granted, the resources lost would be lost to the private sector. Finally, the amount involved is for U.S. source procurement of goods and services. We support the extension on these grounds.

Authority: Under IDCA Delegation of Authority No. 1 dated October 1, 1979, as amended, you are authorized to approve projects without limitation as to time. Authority to extend a PACD beyond 10 years has not been redelegated.

Recommendation: That you approve the proposed ad hoc redelegation of authority to the Director USAID/Cairo to extend the current PACD to September 21, 1991.

Approved: [signature]

Disapproved: ____________

Date: 11 May 1989

Attachments:
Tab A - Background
Tab B - Cairo 07915

Clearance:
GC:HMFry [initials] Date 5/9/89

Clearance:

ANE/PD/ME:JSilver		Date	4/27/89
ANE/GC:HMorris		Date	4/27/89
ANE/EE:RBrown		Date	
ANE/PD:RFVenezia		Date	5/1/89
DAA/ANE:WFuller		Date	5/2/89

cc:

FM/LMD
FM/PAFD:
ANE/DP:SHudec
USAID/Cairo

ANE/PD/ME:TJohnson:tmb:4/14/89 Ext. 7-8965:4178c

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ANNEX C

PRIVATE INVESTMENT ENCOURAGEMENT FUND
PROJECT NO. 263-0097
PROJECT PAPER AMENDMENT NO. 2

5C(1) COUNTRY CHECKLIST

Listed below are statutory criteria applicable to: (A) FAA funds generally; (B)(1) Development Assistance funds only; or (B)(2) the Economic Support Fund only.

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. FY 1989 Appropriations Act Sec. 578(b). Has the President certified to the Congress that the government of the recipient country is failing to take adequate measures to prevent narcotic drugs or other controlled substances which are cultivated, produced or processed illicitly, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents or from entering the United States unlawfully?

   No

2. FAA Sec. 481(h); FY 1989 Appropriations Act Sec. 578; 1988 Drug Act Secs. 4405-07. (These provisions apply to assistance of any kind provided by grant, sale, loan, lease, credit, guaranty, or insurance, except assistance from the Child Survival Fund or relating to international narcotics control, disaster and refugee relief, narcotics education and awareness or the provision of food or medicine.) If the recipient is a "major illicit drug producing country" (defined as a country producing during a fiscal year at least five metric tons of opium or 500 metric tons of coca or marijuana) or a "major drug-transit country" (defined as a country that is a significant direct source of illicit drugs significantly affecting the United States, through which such drugs are transported, or through which significant sums of drug-related profits are laundered with the knowledge or complicity of the

   Not applicable

government): (a) Does the country have in place a bilateral narcotics agreement with the United States, or a multilateral narcotics agreement? and (b) Has the President in the March 1 International Narcotics Control Strategy Report (INSCR) determined and certified to the Congress (without Congressional enactment, within 45 days of continuous session, of a resolution diapproving such a certification), or has the President determined and certified to the Congress on any other date (with enactment by Congress of a resolution approving such certification), that (1) during the previous year the country has cooperated fully with the United States or taken adequate steps on its own to satisfy the goals agreed to in a bilateral narcotics agreement with the United States or in a multilateral agreement, to prevent illicit drugs produced or processed in or transported through such country from being transported into the United States, to prevent and punish drug profit laundering in the country, and to prevent and punish bribery and other forms of public corruption which facilitate production or shipment of illicit drugs or discourage prosecution of such acts, or that (2) the vital national interests of the United States require the provision of such assistance?

3. <u>1986 Drug Act Sec. 2013; 1988 Drug Act Sec. 4404</u>. (This section applies to the same categories of assistance subject to the restrictions in FAA Sec. 481(h), above.) If recipient country is a "major illicit drug producing country" or "major drug- transit country" (as defined for the purpose of FAA Sec 481(h)), has the President submitted a report to Congress listing such country as one (a) which, as a matter of government policy, encourages or facilitates the production or distribution of illicit drugs; (b) in which any senior official of the government engages in, encourages, or facilitates the production or distribution of illegal drugs; (c) in which any member of a U.S. Government agency has suffered or been threatened with violence inflicted by or with the complicity of any government officer; or — Not applicable

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(d) which fails to provide reasonable cooperation to lawful activities of U.S. drug enforcement agents, unless the President has provided the required certification to Congress pertaining to U.S. national interests and the drug control and criminal prosecution efforts of that country?

4. FAA Sec. 620(c). If assistance is to a government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) the debt is not denied or contested by such government, or (c) the indebtedness arises under an unconditional guaranty of payment given by such government or controlled entity? NO

5. FAA Sec. 620(e)(1). If assistance is to a government, has it (including any government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities? No

6. FAA Secs. 620(a), 620(f), 620D;FY 1989 Appropriations Act Secs. 512, 550, 592. Is recipient country a Communist country? If so, has the President determined that assistance to the country is vital to the national interests of the United States, that the recipient country is not controlled by the international Communist conspiracy, and that such assistance will further promote the independence of the recipient country from international communism? Will assistance be provided either directly or indirectly to Angola, Cambodia, Cuba, Iraq, Libya, Vietnam, South Yemen, Iran, or Syria? Will assistance be provided to Afghanistan without a certification, or will assistance be provided inside Afghanistan through the Soviet - controlled government of Afghanistan? No

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7. <u>FAA Sec. 620(j).</u> Has the country permitted, or failed to take adequate measures to prevent, damage or destruction by mob action of U.S. property?	No
8. <u>FAA Sec. 620(l).</u> Has the country failed to enter into an investment guaranty agreement with OPIC?	No
9. <u>FAA Sec. 620(o); Fishermen's Protective Act of 1967 (as amended) Sec. 5.</u> (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing vessel because of fishing activities in international waters? (b) If so, has any deduction required by the Fishermen's Protective Act been made?	No
10. <u>FAA Sec. 620(q); FY 1989 Appropriations Act Sec. 518.</u> (a) Has the government of the recipient country been in default for more than six months on the interest or principal of any loan to the country under the FAA? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the FY 1989 Appropriations Act appropriates funds?	(a) No (b) No
11. <u>FAA Sec. 620(s).</u> If contemplated assistance is development loan or to come from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget and amount of the country's foreign exchange or other resources spent on military equipment? (Reference may be made to the annual "Taking Into Consideration" memo: "Yes, taken into account by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.)	Yes, taken into account by the Administrator at time of approval of Agency OYB.
12. <u>FAA Sec. 620(t).</u> Has the country severed diplomatic relations with the United States? If so, have relations been resumed and have new bilateral asistance agreements been negotiated and entered into since such resumption?	No

13. FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Adminstrator in determining the current A.I.D. Operating Year Budget? (Reference may be made to the Taking into Consideration memo.)	Egypt's UN obligations are current.
14. FAA Sec. 620A. Has the President determined that the recipient country grants sanctuary from prosecution to any individual or group which has committed an act of international terrorism or otherwise supports international terrorism?	No
15. FY 1989 Appropriations Act Sec. 568. Has the country been placed on the list provided for in Section 6(j) of the Export Administration Act of 1979 (currently Libya, Iran, South Yemen, Syria, Cuba or North Korea)?	No
16. ISDCA of 1985 Sec. 552(b). Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of Transportation has determined, pursuant to section 1115(e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security measures?	No
17. FAA Sec. 666(b). Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA?	No
18. FAA Secs. 669, 670. Has the country, after August 3, 1977, delivered to any other country or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards, and without special certification by the President? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.)	No

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19. <u>FAA Sec. 670</u>. If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported (or attempted to export) illegally from the United States any material, equipment, or technology which would contribute significantly to the ability of a country to manufacture a nuclear explosive device?	No
20. <u>ISDCA of 1981 Sec. 720</u>. Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. on Sept. 25 and 28, 1981, and failed to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the Taking into Consideration memo.)	No
21. <u>FY 1989 Appropriations Act Sec. 527</u>. Has the recipient country been determined by the President to have engaged in a consistent pattern of opposition to the foreign policy of the United States?	No
22. <u>FY 1989 Appropriations Act Sec. 513</u>. Has the duly elected Head of Government of the country been deposed by military coup or decree? If assistance has been terminated, has the President notified Congress that a democratically elected government has taken office prior to the resumption of assistance?	No
23. <u>FY 1989 Appropriations Act Sec. 540</u>. Does the recipient country fully cooperate with the international refugee assistance organizations, the United States, and other governments in facilitating lasting solutions to refugee situations, including resettlement without respect to race, sex, religion or natural origin?	Yes

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B. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria

FAA Sec. 116. Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy?

N/A

FY 1989 Appropriations Act Sec. 536. Has the President certified that use of DA funds by this country would violate any of the prohibitions against use of funds to pay for the performance of abortions as a method of family planning, to motivate or coerce any person to practice abortions, to pay for the performance of involuntary sterilization as a method of family planning, to coerce or provide any financial incentive to any person to undergo sterilizations, to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?

N/A

2. Economic Support Fund Country Criteria

FAA Sec. 502B. Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the President found that the country made such significant improvement in its human rights record that furnishing such assistance is in the U.S. national interest?

No

FY 1989 Appropriations Act Sec. 578(d). Has this country met its drug eradication targets or otherwise taken significant steps to halt illicit drug production or trafficking?

N/A

PROJECT CHECKLIST

Listed below are satutory criteria applicable to projects. This section is divided into two parts. Part A includes criteria applicable to all projects. Part B applies to projects funded from specific sources only: B(1) applies to all projects funded from ESF.

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

A. GENERAL CRITERIA FOR PROJECT

1. FY 1989 Appropriations Act Sec. 523; FAA Sec. 634A. If money is sought to be obligated for an activity not previously justified to Congress, or for an amount in excess of an amount previously justified to Congress, has Congress been properly notified?	No new funds are being obligated for this project.
2. FAA Sec. 611(a)(1). Prior to obligation in excess of $500,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance, and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?	(a) Yes (b) Yes
3. FAA Sec. 611(a)(2). If 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 legislation action is required to implement the program other than the customary ratification of the signed project grant agreement amendment. Such ratifications have been obtained without difficulty in the past.
4. FAA Sec. 611(b); FY 1989 Appropriations Act Sec. 501. If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.)	Not applicable

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5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed $1 million, has the Mission Director certified and the Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively?

Not applicable

6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.

7. FAA Sec. 601(a). Information and conclusions on whether project 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 project, as modified by PP Amendment No. 2, will increase the flow of international trade by providing the necessary foreign exchange for the importation of goods; (b) The project is designed to foster private initiative and competition to the maximum extent possible; (c) No perceptible impact on such activities is attributable to this project; (d) By strengthening the investment base and competitiveness of the private sector, the monopolistic role of the public sector may be diminished; (e) Imports of capital goods, spare parts and similar items significantly enhance the technical efficiency of industry, agriculture and commerce; (f) No perceptible impact.

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

To the extent that trade patterns between Egypt and the U.S. continue to grow and expand, this project, as amended, should have a positive effect.

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

The Project Grant Agreement Amendment will specify the financial obligations of the host country both in cash and in kind.

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

The U.S. owns no excess local currency in Egypt.

11. FY 1989 Appropriations Act Sec. 521. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

Assistance is not primarily for production of commodities for export; however, to the extent production for export is being assisted, efforts will be made to ensure that project analysis proves the economic feasibility of the investment and that U.S. producers will not be harmed.

12. FY 1989 Appropriations Act Sec. 549. Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel?

No

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13. FAA Sec. 119(g)(4)-(6) & (10). Will the assistance (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas?	No; the purpose of this project is to assist in the strengthening of the role of the private sector in the Egyptian economy.
14. FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (either dollars or local currency generated therefrom)?	Not applicable.
15. FY 1989 Appropriations Act. If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government?	Not applicable.
16. FY 1989 Appropriations Act Sec. 538. If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.?	Not applicable.
17. FY 1989 Appropriations Act Sec. 514. If funds are being obligated under an appropriation account to which they were not appropriated, has prior approval of the Appropriations Committees of Congress been obtained?	Not applicable.

18. State Authorization Sec. 139 (as interpreted by conference report). Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the same agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision).

The Project Grant Agreement Amendment is not subject to the requirements of this Section.

B. FUNDING CRITERIA FOR PROJECT

1. Economic Support Fund Project Criteria

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?

Yes; Yes

b. FAA Sec. 531(e). Will this assistance be used for military or paramilitary purposes?

No

c. 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

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(a). Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?	Yes
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?	Yes
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?	Not applicable.
4. FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). If non-U.S. procurement of agricultural commodity or product thereof 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.)	Not applicable.
5. FAA Sec. 604(g). Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in	No

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one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.)

6.	FAA Sec. 603. Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates?	No
7.	FAA Sec. 621(a). If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?	Yes; 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 1989 Appropriations Act 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?	Such a conditions will be included in any AID contracts under the project.
10.	FY 1989 Appropriations Act Sec. 524. If assistance is for a consulting service through a procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record	Not applicable.

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and available for public inspection (unless otherwise provided by law or Executive order)?

B. CONSTRUCTION

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

   Not applicable.

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?

   Not applicable

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), or does assistance have the express approval of Congress?

   Not applicable

C. OTHER RESTRICTIONS

1. FAA Sec. 122(b). If development loan repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter?

   Not applicable.

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?

   Not applicable.

3. FAA Sec. 620(h). Do arrangements exist to ensure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries?

   Yes

4. Will arrangements preclude use of financing:

a. FAA Sec. 104(f); FY 1989 Appropriations Act Secs. 525, 536. (1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice 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; or (4) to lobby for abortion?	Yes
b. FAA Sec. 483. To make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated?	Yes
c. FAA Sec. 620(g). To compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President?	Yes
d. FAA Sec. 660. To provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs?	Yes
e. FAA Sec. 662. For CIA activities?	Yes
f. 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
g. FY 1989 Appropriations Act Sec. 503. To pay pensions, annuities, retirement pay, or adjusted service compensation for military personnel?	Yes
h. FY 1989 Appropriations Act Sec. 505. To pay U.N. assessments, arrearages or dues?	Yes

i.	FY 1989 Appropriations Act Sec. 506. To carry out provisions of FAA Section 209(d) (transfer of FAA funds to multilateral organizations for lending)?	Yes
j.	FY 1989 Appropriations Act Sec. 510. To finance the export of nuclear equipment, fuel, or technology?	Yes
k.	FY 1989 Appropriations Act Sec. 511. 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?	Yes
l.	FY 1989 Appropriations Act Sec. 516; State Authorization Section 109. To be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress to influence in any way the outcome of a political election in the United States, or for any publicity or propaganda purposes not authorized by Congress?	Yes
5.	FY 1989 Appropriations Act Sec. 584. Will any A.I.D. contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U.S. marine insurance companies have a fair opportunity to bid for marine insurance when such insurance is necessary or appropriate?	Such a term will be included in any A.I.D. direct contract or related subcontract entered into under the project.