

PROJECT PAPER
FEASIBILITY STUDIES GRANT

A. Summary and Recommendations

1. Grantee: The Government of Egypt (GOE)

Implementing Agency: (To be determined)

2. Amount: Continuing project initiated in FY 1975 with funding
of \$1,000,000

3. Funding Source: Supporting Assistance

4. Purpose: The project would finance the foreign exchange costs for contracting the services of American firms to provide pre-feasibility studies and feasibility studies of economic development projects in Egypt. PASA agreements would be utilized where more appropriate than private sector contracts. This project would answer the request of the GOE for assistance to provide for this immediate need.

5. Description of project: Under this project the USG would grant up to \$1,000,000 to the GOE in FY 1975 -- and additional financing in following years -- to allay foreign exchange costs for carrying out pre-feasibility studies and feasibility studies to develop, select and/or evaluate capital development and development-related projects in both public and private sectors, including, but not limited to, public utilities, infrastructure, industry, and agriculture. These studies may include all aspects required prior to the implementation stage; e.g., technical and economic evaluation,

establishment of cost estimates, and the preparation of detailed design and specifications

Projects requiring study will be identified by agencies of the GOE and evaluated for priority implementation by the designated coordinating agency ("implementing agency" in A.1.). A scope of work for services would then be developed jointly (AID and GOE), and following established AID contracting procedures, U.S. firms would be selected to effect the studies. Completed studies would be provided to the GOE and to AID for evaluation and for utilization. Safeguards would be written in to all contracts to assure that professional level work is performed and that the completed study meets generally accepted U.S. standards.

Although this project is primarily to generate and/or utilize third-country investment in Egypt, opportunities for U.S. investment may be identified also.

6. Total cost: As a continuing project, no reasonable estimate can be provided. We anticipate FY 1976 funding of \$3,000,000 will be required.

7. Mission views: The U.S. Mission in Cairo requests that this project be implemented directly.

8. Recommendation: That this project be approved as structured above and funds be authorized.

B. THE PROJECT

1. Backaround: Egypt, as the traditional leader of the Arab world, is the linchpin in the U.S. diplomatic effort to structure a stable peace in the Middle East. The re-establishment of diplomatic relations with the Government of Egypt and the subsequent ~~promise~~^{commitment} to provide substantial economic assistance quickly promoted high-level discussions with Egyptian officials concerning the pressing needs of Egypt.

In early 1974 United States Treasury Secretary Simon discussed with Egyptian Prime Minister Hegazy the lack of an array of acceptable projects ready for financing, i.e., projects which have been thoroughly studied and have proven to be technically and economically feasible. It was obvious that this was impeding the GOE's capability to utilize the financial assistance being offered by many foreign donors in addition to Arab oil countries. Following up this discussion, an AID/Treasury team arrived in Egypt in November, 1974, to survey the GOE capability in project design and planning, especially its capability to provide high standard feasibility studies.

The team found that the GOE had an "...urgent need to produce acceptable feasibility studies..." but had very limited capability. In fact, the team "... could find no examples of acceptable feasibility studies."

Although Egypt has been engaged in a massive reconstruction effort in the Suez Canal area which is funded by foreign financial assistance, much

additional project aid cannot be utilized until preliminary technical and economic studies are done.

Egypt lacks the domestic capability to provide the required studies and is facing a balance of payments problem of crisis proportion which precludes using her foreign exchange for other than basic imports and debt repayment. Therefore, providing this technical assistance would be beneficial to the economic growth of Egypt and supportive of our diplomatic endeavors in the Middle East. (Additional background re: a) The part Egypt plays in U.S. diplomatic efforts in the Middle East and b) The current state of the Egyptian economy can be found in the Congressional Presentation for FY 1975 and supporting Congressional testimony.)

2. Implementation and Evaluation: The selection of projects is outlined in A.5. In all instances, ~~including contracts with the GEL as one party~~, contracts would adhere to the regular AID procedures unless specific waivers would be granted by authorized AID officials. Each feasibility study would be evaluated by AID technicians to verify the validity of the study and judge whether it rigorously meets prevailing U.S. standards. Additionally, the project will be evaluated at significant intervals to ascertain whether it is effective in increasing the speed and amount of foreign assistance being obligated.