

1324
FD-1184-605
202/11/10

UNCLASSIFIED

UNITED STATES
INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

AGENCY FOR INTERNATIONAL DEVELOPMENT

EGYPT: FY 1982 COMMODITY IMPORT PROGRAM

AID GRANT NO. 263-K-604

AMENDMENT NO. 1

UNCLASSIFIED

CLASSIFICATION:

AID 1120-1 (8-66) PAAD	DEPARTMENT OF STATE AGENCY FOR INTERNATIONAL DEVELOPMENT PROGRAM ASSISTANCE APPROVAL DOCUMENT	1. PAAD NO. A.I.D. Grant 263-K-604 Amendment No. 1 2. COUNTRY Arab Republic of Egypt 3. CATEGORY Commodity, Standard Financing Procedure 4. DATE August, 1982
5. TO: Mr. Peter McPherson, A/AID	1. OYS CHANGE NO. Not Applicable	
7. FROM: Mrs. W. Antoinette Ford, AA/NE	6. OYS INCREASE TO BE TAKEN FROM:	
9. APPROVAL REQUESTED FOR COMMITMENT OF: \$ 350,000,000	10. APPROPRIATION - ALLOTMENT 72-1121037 NESA-82-33263-KG32	
11. TYPE FUNDING <input type="checkbox"/> LOAN <input checked="" type="checkbox"/> GRANT <input type="checkbox"/> INFORMAL <input checked="" type="checkbox"/> FORMAL <input type="checkbox"/> NONE	13. ESTIMATED DELIVERY PERIOD 01/82 - 01/85	14. TRANSACTION ELIGIBILITY DATE PAAD Authorization Doc
12. LOCAL CURRENCY ARRANGEMENT 15. COMMODITIES FINANCED Items appearing in the A.I.D. Commodity Eligibility Listing will be eligible for financing under the Grant. Priority items are expected to include food commodities, industrial raw materials, equipment, semi-finished goods and related services.		
16. PERMITTED SOURCE U.S. only: \$350,000,000 Limited F.W.: Free World: Cash:	17. ESTIMATED SOURCE U.S.: \$350,000,000 Industrialized Countries: Local: Other:	

18. SUMMARY DESCRIPTION

Egypt's balance of payments position remains characterized by fundamental structural weaknesses. Export earnings are heavily concentrated in petroleum, workers' remittances, the Suez Canal and tourism. While earnings from these sectors, especially petroleum and workers' remittances, grew very rapidly in recent years, their future growth potential is much less buoyant. In essence, supplements to export earnings must be developed in the commodity producing industrial and agricultural sectors in order to meet the intermediate, consumable and capital good import requirements for sustaining favorable trends in production, consumption and investment. Reflecting these factors as well as domestic policies which will be difficult to alter in support of expanding exports from the commodity producing sectors, Egypt's current and overall balance of payments weakened substantially in 1981 from the transitorily improved performance registered in 1980. In particular, the current account balance for 1981 is projected to weaken by over one half billion dollars. The overall balance is projected to result in a reserve loss of about \$350 million, reducing Egypt's reserve cover to less than two months' imports. As these figures suggest, we believe that a continuation of balance of

19. Clearances	Date
AA/PPC:JBolton	8/25/82
AA/PPC:JErickson	25 AUG 1982
AA/NE:AFord	
DAA/NE:BLangmaid	8/25/82
M/FM/PAD:RBohannon	8/25/82
GC:CVanOrman	25 Aug
NE/DP:CJohnson	8/25/82
NE/PD:RBell	8/25/82
NE/E:GGower	8/25/82
GC/NE:GDavidson	8/25/82
SER/COM:RLooper	

20. ACTION	
<input checked="" type="checkbox"/> APPROVED	<input type="checkbox"/> DISAPPROVED
M A W August 25, 1982	
AUTHORIZED SIGNATURE	DATE
TITLE	

payments assistance through the CIP should remain an important component of overall U.S. assistance to Egypt.

At the same time, we believe that balance of payments support can be more effectively combined with development assistance through structuring the CIP into separate components which, within the context of providing rapidly disbursing balance of payments assistance, will preserve an appropriate balance between the financing capital equipment needs for longer run development performance and financing intermediate/consumables for immediate production/consumption support. We also envisage a separate category of support for the continuation of the Trade Financing Facility.

In support of these objectives, the CIP grant from FY 1982 funding is requested at a level of \$350 million. Of this amount, \$150 million will be used to couple balance of payments support with a new and flexible developmental thrust. This will be accompanied by reserving the entire \$150 million for disbursement against capital equipment items contained in the GOE investment budget. The transport and basic human needs (BHN) areas would be particularly targeted for a large part of this developmental support although other sectoral capital equipment needs could also be met. Another \$150 million would be reserved for more traditional balance of payments support in the form of commodity purchases in the intermediates and consumables categories. The remaining \$50 million would provide for the continuation of FY 1982 of the Trade Financing Facility (TFF). As in FY 1981, the TFF would enable the GOE to offer parallel financing in support of price competitive and technically responsive U.S. suppliers who face competition from foreign suppliers offering concessional credit terms in international tenders from public agencies in Egypt.

The proposed FY 1982 CIP will assist Egypt with its development efforts during the next three years by providing means for financing public sector imports of raw materials, semi-finished products, machinery, equipment, spare parts as well as other essential commodities (including some food items), and related services. The CIP will supplement other A.I.D. project activities aimed at assisting Egypt in its program to utilize full production capacity of existing industrial enterprises. It will also provide inputs essential to increase infrastructure, transportation, agriculture and social services with a particular focus on BHN and transportation.

All of the terms and conditions of the original grant agreement remain unchanged and it is recommended that you authorize an additional grant of \$50 million to the GOE for a total of \$350 million (350,000,000 dollars) from current year funding. This fund will be utilized for financing imports of selected commodities, commodity related services and other services.

EGYPT: U.S. FY 1982 CIP ASSISTANCE
Table of Contents

	<u>Page No.</u>
PROGRAM ASSISTANCE APPROVAL DOCUMENT (PAAD)	Facesheet - iii
I. <u>SUMMARY OBJECTIVES FOR THE PROPOSED FY 1982 CIP ASSISTANCE</u>	1
II. <u>BACKGROUND FOR CIP JUSTIFICATION</u>	2
A. <u>U.S. Objectives and Recent Economic Developments.</u>	2
1. <u>U.S. Objectives</u>	2
2. <u>Recent Economic Developments</u>	3
B. <u>Economic Justification</u>	5
C. <u>Impact on U.S. Balance of Payments</u>	7
III. <u>STATUS OF U.S. NON-PROJECT ASSISTANCE</u>	7
A. <u>Commodity Import Program</u>	7
B. <u>PL-480 Title I, II and III</u>	8
IV. <u>CIP IMPLEMENTATION</u>	8
A. <u>CIP Setting</u>	8
B. <u>Past Experience</u>	9
C. <u>Use of the CIP Funds in FY 1982</u>	10
D. <u>Local Currency Special Account</u>	13
V. <u>RECOMMENDATIONS</u>	13
 <u>ANNEX OF TABLES</u>	
<u>ANNEX A - SECTORIAL UTILIZATION OF CIP</u>	
<u>ANNEX B - FY 1981 TRADE FINANCING FACILITY</u>	
<u>ANNEX C - STATUTORY CHECKLISTS</u>	

SUMMARY OBJECTIVES FOR THE PROPOSED FY 1982 CIP ASSISTANCE

There are both political and economic objectives underlying the proposed FY 1982 CIP assistance package. The immediate political objective is to demonstrate the continuity of U.S. support for the new government and its continuation of policies supportive of U.S. political objectives for a comprehensive and durable peace settlement in the Middle East. The timely demonstration of U.S. support will be especially important during the current consolidation phase of the new government.

The economic objective of U.S. CIP assistance is to provide a portion of the foreign exchange requirements necessary to sustain favorable trends in Egyptian consumption, production and investment levels. The import requirements of each of these aggregates are substantial. More important, these requirements cannot currently be funded on a self-sustaining basis out of such market determined sources of foreign exchange as merchandise and service export earnings and direct investment inflows. Placing the balance of payments on a self-sustaining basis will require major policy reforms and structural readjustments designed to supplement and diversify the current sources of foreign exchange revenues away from their current strong dependence on petroleum, workers' remittances, tourism and Suez Canal revenues. During this interim phase of readjustment, concessional and flexible balance of payments assistance of the type provided by the CIP can be quite useful. For reasons cited in Part II, however, it is of major importance that the flexibility of CIP assistance be bounded by a strong developmental thrust in the context of the assistance.

As reflected in the Congressional Presentation, we had earlier planned that the FY 1982 CIP level would be \$200 million. This would have been \$100 million less in CIP funding than in FY 1981. Following discussions with the Senior Undersecretary for U.S. Assistance and the Deputy Prime Minister for Economic and Financial Affairs, we have revised our request upward by \$150 million to \$350 million. The additional request is partly in response to the weakening in the balance of payments situation in 1981, and partly designed to continue, at an expanded level, the Trade Financing Facility (TFF) initiated in FY 1981 at \$25 million. Assuming retention of the all-grant provision in the FY 1982 Congressional Appropriations bill, we have converted our entire request to grant. Our intention is to seek grant agreement authorization at the full \$350 million level, but initially to obligate only \$300 million. Use of the remaining \$50 million will be decided later in the year depending on progress in project development. Should project development require the \$50 million, this amount would be funded under project assistance. Otherwise it will be obligated under the CIP.

Of our request for \$350 million, \$50 million would be used to fund the continuation of the TFF at double the FY 1981 funding level. Another \$150 million would be used to couple the generalized balance of payments support provided through the CIP with a new and flexible developmental thrust.

This would be accomplished by reserving the entire \$150 million for capital equipment purchases in the GOE investment budget. These capital equipment items would be largely in the EHN and transportation sectors and would cover items which experience demonstrates are amenable to CIP procurement procedures. To further ensure this as well as the developmental content of the procurements, the GOE and USAID will develop appropriate safeguards. These will include USAID and GOE agreement on procedures for selecting eligible procurements under the capital goods financing facility that will verify their consistency with the investment support intent of the facility. In additional support of the new facility, we propose to finance through the CIP such planning, training and technical consultant services as may be required to facilitate effective implementation. These services may be over and above those currently provided for under Regulation I. The remaining \$150 million of CIP assistance would be used to provide more traditional balance of payments support in the form of commodity purchases of industrial raw materials, intermediate inputs and direct consumables. Further details on the proposed FY 1982 program are contained in Part II.

Two additional changes in program content should also be noted. In FY 1981, CIP assistance included \$35 million for the private sector commodity import program. In FY 1982 the entire private sector program will be subsumed under a new activity directly supportive of the private sector. This new activity, the Production Credit Project, is tentatively planned at an initial funding level of \$50 million in FY 1982 and will include both short- and medium-term private sector credit as well as specialized short-term technical, engineering and management assistance. Second, capital equipment purchases destined for the industrial sector are increasingly being shifted from the CIP to the Industrial Production Project.

II. BACKGROUND AND CIP JUSTIFICATION

A. U.S. Objectives and Recent Economic Developments

1. U.S. Objectives: A major objective of United States foreign policy is the achievement of a comprehensive peace in the Middle East. With the realization of the Egyptian-Israeli Peace Agreement, the cornerstone of a comprehensive peace has been laid. Over the longer term, our policy aims at a satisfactory evolution of political and economic relations among all countries in the region. The cooperation of Egypt, the principal Arab country, is essential for these purposes. The GOE has demonstrated by its actions that it shares our desire to seek peaceful resolution of Middle East differences and an end to the state of tension which has adversely affected the well being of the people throughout the region. The continuing ability and willingness of Egypt to proceed toward this ultimate goal will depend on (a) sustaining domestic political stability; (b) avoiding short-term deterioration in the standard of living of the population; and (c) obtaining sufficient foreign resources to permit a continuing development effort. The overall objective of U.S. assistance to Egypt is to foster economic and social development which will

facilitate and encourage the establishment of a permanent comprehensive peace. The critical importance of this objective, together with the fragile state of the Egyptian economy and its dependence on foreign assistance, at least over the next few years, justifies and necessitates the exceptionally high level of present and proposed U.S. assistance to Egypt.

2. Recent Economic Developments: Egypt continues to face intransigent and deeply rooted economic problems. These problems underlie and help explain the tenuous character of Egypt's balance of payments performance and the continuing need for balance of payments support through the CIP. They also suggest a cautious approach to interpreting the continuing strength of Egypt's macro economic performance in areas outside the weakening recorded in the balance of payments for 1981.

a. Employment: Since the 1950s, Egypt has contained unemployment levels within acceptable bounds by using the public sector as an employer of last resort. As a result, current unemployment levels reflect redundancy both in the Central Administration and, to a lesser extent, in the commodity and service producing public sector enterprises. Over the last few years, government policy has shifted away from using the public sector as an employer of last resort. The social sustainability of this policy shift is, however, by no means assured. It has been facilitated by continuing strength in the demand for Egyptian labor in neighboring Arab countries. Fully 10 to 15% of the current labor force, estimated at 12 million, now works abroad. It has also been facilitated by the stimulus to the demand for labor afforded by a continuation into 1981 of relatively favorable real growth rates in the labor intensive construction and private commercial sectors. For the moment, at least, Egypt cannot be characterized as a labor surplus economy.

b. Growth: Between 1977 and 1980, Egypt registered an average real growth rate in GDP of about 9%. While not even preliminary statistics exist for 1981, it is probably the case that real growth weakened by a few percentage points in 1981.

The decline in estimated growth for 1981 is primarily concentrated in the petroleum, tourism and Suez Canal sectors. Following three years of relatively rapid growth, each of these sectors will register sharply reduced growth rates. Petroleum production is up by a small amount, with rising production for domestic consumption being offset by flat or modestly declining production for export markets. The early-in-the-year gains in the tourism sector were offset by the decline in tourism recorded after the assassination of President Sadat in October, the beginning of the winter tourist season. Reflecting the softening in the world petroleum market as well as a generalized slackening off in real world trade growth, transit traffic through the Suez Canal apparently leveled off in 1981. This leveling off occurred in spite of the fact that the completion of the widening and deepening exercise and the installation (through the CIP) of a sophisticated traffic control system have increased the capacity of the Canal.

The effects on aggregate growth of declining growth rates in the tourism, petroleum and Canal sectors were partially offset by a continuation and perhaps an acceleration of growth in the construction, private business, electricity and domestic transportation sectors. While hard numbers are not available, the continuing strength in the construction and private business sectors is suggested by rising import volumes for construction materials and both intermediate production inputs and final consumer goods imported through both public and private distribution channels.

For the last few years, the two largest sectors in the economy — industry and agriculture — have exhibited sectorial growth rates well below the overall GDP growth rate. The continuation of this trend is likely to be reflected in final official statistics for 1981. In particular, there is no evidence that the modest growth rates registered in the recent past in the agricultural sector will be surpassed in 1981. Public sector industrial output remains virtually flat. In real terms, industrial exports probably fell again in 1981 as they did in 1980.

The continuing weakness in the commodity producing industrial and agricultural sectors is disquieting. Both of these sectors must be looked to, over the near term, to provide the export earnings supplements and gainful employment opportunities required to sustain favorable economic performance. Part of the problem lies in pricing policy and its associated effects on production and investment decisions.

c. Price Performance: Egypt is likely to register an inflation rate of about 13 to 16% in 1981. This follows an inflation rate of 20% in 1980 and an inflation rate averaging about 10% in 1978 and 1979. As these numbers suggest, Egypt's record on inflation does not compare unfavorably with inflation in many developing as well as developed countries. The record is, however, deceptive and has been achieved at substantial cost in terms of laying the basis for sustainable growth and balance of payments performance.

Essentially, Egypt has partially succeeded in insulating the population from high world inflation rates by delaying exchange rate adjustments, not permitting exchange rate adjustments to be passed through into tradeable goods' prices and, in general by administratively controlling domestic prices for a substantial share of the important commodities and services in the expenditure baskets of both households and firms. As a result of these price controls, the structure of relative prices does not signal properly where Egypt has comparative advantages in production, investment and consumption throughout large segments of the economy and, in particular, in the agricultural and industrial sectors. Thus, while it is to these two sectors that Egypt must look to develop supplements to export earnings and efficient opportunities to conserve on import expenditures, the structure of prices facing these sectors oftentimes generates perverse production and investment signals.

Energy prices, for example, are significantly below world market levels and also low relative to other domestic prices with the result that they provide a positive stimulus in favor of energy intensive production processes and investment. Similarly, both the pattern and import content of consumer expenditures have been built up on the basis of subsidized food prices. While we have long urged correcting the structure of relative prices in the context of our economic dialogue, it must be recognized that the income equivalents of these subsidies to both firms and households are large. In consequence, price reform must be phased and the adjustment difficulties offset, domestically by such explicit income transfer systems as a food coupon system and budget support for some enterprises and internationally through both project and non-project modes of assistance.

d. Balance of Payments Performance: As suggested above, there is an underlying weakness in Egypt's balance of payments. This weakness is well illustrated by the reversal in 1981 of the favorable balance of payments developments that occurred between 1979 and 1980.

As indicated in Table I, Annex of Tables, we are projecting for 1981 a current account deficit on the order of \$1.2 billion, a weakening of about \$700 million from the current account deficit recorded in 1980. Essentially, this weakening in the current account balance reflects the concentration of export earnings in petroleum, worker's remittances, tourism and Suez Canal earnings and the leveling off in 1981 of what had been relatively rapid growth in earnings from these sources, especially petroleum between 1980 and 1981.

Long-term capital flows are not anticipated to be large enough for Egypt to finance the 1981 current account deficit. Thus, as indicated in Table I, we are projecting an overall balance of payments deficit of \$346 million. This will reduce Egypt's official international reserves to a projected level of \$700 million, less than two-months' import cover.

Prospects for 1982 are not much better. While we anticipate a modestly strengthened world petroleum market and renewed growth in revenues from the Canal and tourism, the gains in these areas are projected to be offset by rising import requirements. As a result, Egypt is likely to face a current account deficit of \$1.2 billion in 1982. We believe, however, that a further erosion in Egypt's international reserve position can be avoided. In part, this can be achieved through our requested FY 1982 CIP assistance package of \$350 million. Total disbursements under the CIP program for calendar 1982 are projected at \$420 million, about \$30 million greater than estimated disbursements under the CIP program for 1981.

B. Economic Justification

It will take considerable time and difficult policy reforms to place Egypt's balance of payments performance and development process on a

more self-sustaining basis. During this period the U.S. assistance program will need to achieve an appropriate accommodation between flexible, development-related balance of payments support and project assistance.

In this connection, there are two related issues: the size of the CIP relative to the project assistance package and the composition of the CIP itself between generalized balance of payments support in the form of intermediate/consumables purchases and longer run, development related support in the form of capital equipment purchases associated with the GOE investment budget. Essentially the FY 1982 CIP package represents an attempt to expand the size of the CIP in order to provide more quickly disbursing balance of payments support and, at the same time, structure the CIP itself into separate "pockets" designed to ensure that intermediate/consumables purchases will not be unduly favored over Egypt's capital equipment needs for longer range development performance. It is for this reason that we are proposing that specific amounts of the CIP be reserved for intermediate/consumables on the one hand and capital equipment on the other hand. While we recognize that there are risks inherent in both expanding the size of the CIP and in structuring the CIP into separate categories of support, we believe that there are compelling reasons for accepting these risks.

This need for flexibility both between the CIP and project assistance modes and within the CIP itself derives from a number of issues. First, the principal sources of Egypt's export earnings are concentrated in areas which make the trend earnings path subject to sharp fluctuations. The recent developments in petroleum, tourism and Canal earnings demonstrate this. Given fairly stable trend growth requirements for imports, there are bound to be gaps between requirements and earnings that are difficult to predict both in terms of timing and amounts. Given in addition the weakness in Egypt's international reserve position and limited external borrowing capacity, locking too much of the U.S. assistance effort into project activities would preclude the flexible use of the CIP for equally legitimate, development-related balance of payments support both in terms of amount and composition. With respect to the latter, for example, Egypt typically reacts to shortfalls between availability and needs for foreign exchange by favoring foreign exchange expenditures for intermediate/consumables at the expense of sacrificing foreign exchange expenditures for non-project funded items in the GOE investment budget. From a developmental point of view, many of these latter expenditures have at least an equal claim on funding as project support and need to be preserved through maintaining an appropriate balance between them and intermediate/consumable purchases. As detailed further on, in the BHN areas these include material and equipment expenditures in the health and education sectors. In the transport sector they include expenditures on traffic control equipment, spare parts, railway equipment needs and public transport vehicles. The emphasis in transport and BHN reflects GOE priorities in past as well as the FY 1982 CIP program. It should also be emphasized that the vast majority of expenditures in these sectors is not significantly affected by cost/price distortions which call

into question the economic appropriateness of their inclusion in the investment budget.

In addition, but equally important, USAID continues to believe that structuring part of our assistance effort in a manner designed to accommodate priorities reflected in the GOE investment budget is a useful way to increase the flexibility and responsiveness of our assistance program to GOE requirements for quickly disbursing assistance. The GOE investment budget is built upon annual requests by a host of ministries and public sector entities. Many of the requests cover short-term priority needs which are difficult to predict in advance. We believe that the flexibility to consider requests for funding these items is an appropriate use for CIP funds independently of a specific balance of payments justification for non-project modes of assistance.

C. Impact on U.S. Balance of Payments

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

The GOE five year investment plan for 1980/81 - 1984/85 indicates that total aggregate investment during the five years will equal \$28.6 billion in 1979 prices. Approximately 50% of the planned investment will be imported. Although part of the capital goods imports will be tied to donor countries, much will be financed by the GOE and opened to international competitive bidding. As a result of trade relationships developed under the CIP, it is expected that U.S. suppliers should be able to win a substantial share of the bidding. In the past, there were cases where U.S. suppliers, particularly equipment manufacturers, were competitive against other foreign suppliers in terms of prices, but were by-passed by the GOE due to lack of attractive financing packages offered by U.S. sources. In this connection, the proposed FY 1982 CIP assistance includes \$50 million for continuing the TFF. This will enable the GOE to continue to offer parallel financing with other financial institutions for competitive imports from U.S. sources.

III. STATUS OF U.S. NON-PROJECT ASSISTANCE

A. Commodity Import Program

The Commodity Import Program for Egypt was initiated in FY 1975 at a level of \$150 million. Through FY 1981 about \$2.17 billion have been obligated, an average of over \$300 million a year. Over 1,670 transactions have been completed and supply contracts consummated. Letters of Credit issued to U.S. suppliers now total approximately \$1.74 billion and about \$1.65 billion have been disbursed.

STATUS OF FUNDS BY YEAR OF OBLIGATION
Data as of October 31, 1981
(in millions of dollars)

<u>Fiscal Year</u>	<u>Obligated</u>	<u>Allocated</u>	<u>Issued</u>	<u>Disbursed</u>	<u>Undisbursed</u>
GRAND TOTAL	2,174.8	2,174.8	1,741.8	1,671.0	503.8
1975*	149.8*	149.8*	149.8*	149.8*	—
1976	250.0	250.0	249.6	246.8	3.2
TQ**	65.0	65.0	64.5	62.7	2.3
1977	440.0	440.0	401.1	393.8	46.2
1978	300.0	300.0	291.2	280.8	19.2
1979	335.0	335.0	313.5	288.7	46.3
1980	335.0	335.0	272.1	248.4	86.6
1981	300.0	300.0	0.0	0.0	300.0

*Original obligation for FY 1975 was \$150.0 million. This figure reflects net obligation after deobligation of undisbursed funds.

**Transitional Quarter.

B. PL-480 Title I, II and III

Since 1974, the U.S. has financed over \$1.3 billion for PL-480 Title I and III commodities. In FY 1982 an agreement for \$275 million is proposed. The major portion of this assistance has been for wheat grain and flour. The wheat provided has been a critically important element in meeting the demand for this basic foodstuff by the growing Egyptian population.

Title II grant obligations since 1974 have totaled about \$86.1 million and have been used to support feeding and MCH programs in Egypt.

While PL-480 is very large, it meets only a part of the GOE's wheat and wheat flour import needs. There remains a need for the importation of other commodities such as corn, vegetable oil, etc., which would ordinarily be eligible for PL-480 financing. However, because of inadequate PL-480 funds, we anticipate that the CIP will be used to finance some of these goods which are normally eligible for PL-480.

IV. CIP IMPLEMENTATION

A. CIP Setting

CIP grants are government-to-government grants, administered by the Ministry of Economy and Economic Cooperation (MOC). The MOC, in collaboration with the Ministries of Finance and Planning, allocates CIP grant funds to various economic sectors requiring foreign exchange at the

time such funds become available. The receiving sector or Ministry suballocates its CIP allocation to central controlling organizations, authorities and individual industries or groups under the Ministry's umbrella in accordance with the Ministry's priorities.

GOE procurement procedures are nearly identical for all public sector entities except for layering and the attendant higher level approval and decision processes required of subordinated entities. The entity's central controlling organization initiates the procurement action, turning on-going details over to the user to resolve. The controlling organization maintains a purchasing committee, composed of member users and organization officials. Separate technical and awards committees are also in place. Once a purchase is initiated, these committees come into action, analyzing supplier proposals, recommending awards and monitoring the purchase. Final decision to enter into a purchase contract is made by the organization's director, or the sector's ministry, depending upon the nature of the purchase. There are some variations in this procedure. In some areas, the ultimate end-users form their own buying group with ministry approval and undertake procurements in the same way as buying associations in the United States. In other areas, the buyer is a single industrial entity or an authorized distributor, and purchase authority may be delegated directly to the buyer after initial approval of the sub-allocation.

For non-A.I.D. financed transactions, the majority of public sector organizations utilize formal competitive bid procedures, similar in appearance to A.I.D.'s procedures. The essential difference is the method of post bid negotiations entered into by buyers to obtain the most advantageous price for Egypt. Many routine repeat orders, especially by public sector industrial concerns, are in accordance with normal commercial practice for that commodity market, and a simple solicitation of offers by telex or public announcement and negotiated pricing, delivery, etc., may be utilized.

B. Past Experience

Utilization of CIP funds continues to expand substantially as evidenced by a much broader range of imports, and a larger number of different buyers. As Egyptians have become more familiar with regulations and procedures governing A.I.D. procurement, and USAID has developed a closer working relationship with its many local counterparts, the broad application of loan proceeds has escalated markedly. (See Table IV, Annex of Tables, for a summary of the historical and current status of the CIP: (1) Egypt CIP -- allocations by sectors; (2) Pattern of CIP; (3) Summary of CIP Agreements; (4) Summary of CIP financing by Ministry/Agency; (5) Commodities financed under CIP; (6) Commodities financed under CIP by category.) To date, there are over 120 separate public sector organizations participating in CIP, purchasing either as the ultimate user or as a buying authority for several satellite members. Each loan/grant has had its major portion allocated to the same

ministries, but the purchases have often been by new end users, unfamiliar with A.I.D. procedures.

Other major foreign exchange resources, such as GOE-owned foreign exchange and other donors' aid, are used to fund regular GOE procurements. Thus, the individual ministries and their sub-organizations routinely utilize their foreign exchange using long established practices. GOE procurement practices do not mesh well with A.I.D. procedures that are designed to promote competition and to establish formal contract terms that are acceptable to both A.I.D. and the U.S. business community as a whole. USAID has ongoing programs to brief organizations receiving their first A.I.D. allocations and alert them to the preliminary work required under A.I.D. regulations. These steps did, at first, inhibit procurement and delayed disbursements in the initial phase of the CIP program. However, continued use of CIP funds by the same organizations, familiarity with each other's (A.I.D. and GOE) procedures, trends toward purchasing fast disbursing large volume commodities in lieu of long leadtime capital goods, and greater A.I.D. flexibility on negotiated procurement have all contributed to an accelerated CIP utilization. Thus, in the period January through October 1981, \$266.0 million in Letters of Credit were opened, and total disbursements amounted to \$317.5 million.^{1/}

C. Use of the CIP Funds in FY 1982

The FY 1982 program incorporates some significant departures from past practice. These reflect a number of adjustments in the overall USAID program strategy as well as changes in the Egyptian economy. During this fiscal year the USAID and the GOE are making a conscious effort to move the CIP program away from its traditional role simply as a Balance-of-Payments tool toward a significant role in support of the capital needs of the GOE development budget.

The program is structured in three areas:

A. Food Staples and Industrial Raw Materials:	\$150 million
B. Capital Goods (emphasis on Transport & EHN):	\$150 million
C. Trade Financing Facility (TFF):	\$ 50 million

^{1/} Total disbursements are larger than the L/C amount due to prior year L/Cs disbursed in 1981.

These breakdowns reflect the transitional nature of the program.

The \$150 million allocation for food staples and raw materials continues to service the balance of payments concerns, but an increasing share of the total program is targeted against basic non-project items in the GOE capital budget. The composition of the food staples and raw materials element of the program is expected to reflect recent trends in the program with industrial tallow, edible oil, yellow corn, coking coal and poultry products as the top of the list.

The capital goods element of the program will emphasize two programmatic theses: procurement simplicity and sectorial concentration.

AID recognizes a legitimate role for U.S. assistance in financing recurring, non-project type capital goods within the capital budget of the GOE. Implementation experience in capital goods procurement, however, continues to argue for a concentration on repeat purchases of replacement equipment already defined and successfully purchased under past CIP programs. Where this is not possible, then a more careful analysis of the readiness of the user organization to utilize CIP funds successfully must be made. The GOE and USAID share a common concern for shortening the CIP pipeline and the principal tools available to us are:

- drawing on historical experience with successful procurement;
- avoiding, where possible, custom-built commodities;
- confining low unit-value purchases to high volume orders for standard packages (e.g., the "basic education package"); and
- concentrating procurement activities with GOE agencies with a proven track record in effective and timely implementation.

The move toward sectorial concentration is distinct from, but highly complementary to, our emphasis on streamlining the implementation of the capital component of the CIP. USAID and GOE share common objectives in moving toward program tools which concentrate the impact of American assistance on priority development problems within a framework which permits flexible and timely adjustment to changing requirements. One such priority is improvement in the total national transportation system. Improvement in this area is imperative to keep pace with national economic growth and to avoid distributional bottlenecks in the commodity producing sectors. The FY 1982 program envisions a concentration of capital goods in the transport sector (particularly trucks and railway equipment). An equally pressing program priority is support for investment requirements in the BHN sector. Much of the

investment in this area impacts directly on the Physical Quality of Life Index in Egypt — particularly programs in primary school enrollment, preventive services for infant and child health, and family planning programs. This year's CIP funding may include, for example, the development of well-designed replicable "packages" of commodities to support rural health clinics, village midwife services, primary schools, and community-based family planning services. Parallel USAID activities (including health and family planning assessments and basic education research) are likely to assist in the definition of funding priorities and the development of "packages" which lend themselves to efficient large-scale procurement and distribution. While we anticipate concentration within the transport and EHN sectors, we expect, within the framework of the joint GOE/AID allocation procedures, that some significant allocations of capital goods may fall outside these sectors.

Several supplements to already established USAID review procedures for CIP transactions are envisaged to facilitate effective implementation. Firstly, USAID will work with the Ministry of Economy in developing procedures under which the potential user agency will provide a structured review of the feasibility and appropriateness of procurement packages before an allocation of CIP funds is made. The purpose of this review will be primarily to assure that the transaction can be completed and the goods utilized in a timely fashion. To further bolster our concern with effective implementation, we anticipate funding selected logistic and procurement assistance in the priority sectors (transport and EHN) to develop requirements analyses, clarify equipment specifications, and organize priority procurement packages. Finally, we are prepared to consider (on a case-by-case basis) requests for procurement of discrete packages of short-term services over and above the commodity-related services which have been previously procured within the standard provisions of Regulation 1. These services will not involve long-term resident advisors, and will not be aimed at fundamental institution-building or capacity-building objectives. Rather, they will be confined to clear, output-oriented tasks where a definite mission or product can be produced within a defined time period. Specialized on-site training for Egyptian technical staff would be an example.

A significant change is a shift to a three-element program in which the allocation between the three program components are initially fixed. To accommodate, however, the possibility that the initial allocations may turn out to be too inflexible as the FY 1982 program is implemented, USAID and the Ministry of Economy may, by mutual agreement, alter the initial allocations.

The final element of the FY 1982 program is a \$50 million allotment for the second year of the TFF. This program is designed to ensure that U.S. suppliers do not face unfair competition (in the form of subsidized finance) in responding to international tenders from public agencies in Egypt. Based upon interest already expressed about the FY 1981 \$25 million TFF program, we anticipate heightened demand for these

funds in FY 1982. Depending on the degree of spread prevailing between commercial terms and the subsidized credits available to European and Japanese suppliers, the \$50 million allocation could support between \$200 million and \$500 million worth of additional U.S. sales to Egypt (over and above the sales directly financed by all AID programs). During a period when U.S. foreign and domestic policy places increasing emphasis on expanded trade relationships, the TFF is expected to be a significant force for keeping American suppliers active in the Egyptian market.

D. Local Currency Special Account

In accordance with Section 609 of the Foreign Assistance Act of 1961, as amended, and as provided in the US/GOE Bilateral Agreement which was entered into from October 15, 1978, the Government of the Arab Republic of Egypt has established a Special Account in the Central Bank of Egypt and deposit therein currency of the Government of the Arab Republic in amounts equal to proceeds accruing to the government, or any agency thereof, as a result of the sale or importation of eligible items.

Deposits into the Special Account are only generated by sales and imports financed under the Grant portion of the CIP. In cases where credit terms are provided to importers under the CIP, deposits to the Special Account are made in accordance with the debt service schedule associated with these credit terms. In all other cases, deposits to the Special Account occur directly with the sales. The Special Account was established in conjunction with the FY 1979 Supplemental Commodity Import Program Grant. Funds in the Special Account may be used for such purposes as mutually agreed upon by A.I.D. and the Government of Egypt. Agreement on general areas of use have been reached and specific uses of funds are mutually agreed upon as specific uses are proposed. In FY 1982, most of the funds in the Special Account will be used to provide part of the local cost financing requirements for Egypt's public sector investment budget. The local currency generated through the sale of CIP financed imports provides a non-inflationary source of finance for the public sector investment budget. The remaining amount, as yet undetermined, will be used for mutually agreed purposes which are currently under discussion.

There will be no accrual of counterpart deposits from the portion of the FY 1982 CIP grant that correspond to the \$50 million trade financing facility and part of the capital goods imports in transport and EHN. USAID representatives will meet with GOE representatives to agree upon specific uses of funds in the Special Account and to conclude a separate trust fund agreement.

V. RECOMMENDATIONS

It is recommended that you authorize a grant to the GOE of \$350 million (350,000,000 dollars) from current year funding. This fund will be utilized for financing imports of selected commodities, commodity related services and other services as described below.

Terms and Conditions

1. Conditions Precedent to Initial Disbursement

Prior to any disbursement or to the issuance of any Letter of Commitment or other authorization of disbursement under the grant, the Grantee shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.: (a) an opinion or opinions of the Minister of Justice of the Arab Republic of Egypt that the Agreements have been duly authorized and/or ratified by and executed on behalf of the Grantee and that they constitute valid and legally binding obligations of the Grantee in accordance with all their terms; and (b) a statement of the names of the persons holding or acting in the office of the Grantee specified in the Agreements and a specimen signature of each person specified in such statements.

2. Additional Condition Precedent to Initial Disbursement For the Trade Financing Facility

Prior to any disbursement or to the issuance of any Letter of Commitment or any other authorization for the disbursement under the Grant for the Trade Financing Facility, the Grantee and A.I.D. shall agree in writing to the procedures that will govern the use of the Grant funds for the Facility. Fifty million dollars (\$50,000,000) of the grant funds shall be used for this purpose.

3. Covenants

a. Periodically, and not less than annually, the Grantee and A.I.D. will continue to meet to discuss economic issues of relevance to the purposes to be achieved with resources provided under this Grant. Among other things, those discussions will include further consideration of the terms and conditions to be applied to organizations utilizing resources provided by the Grant, as well as the implementation of the Fiscal Year 1980 fertilizer importation program to determine if further special arrangements shall be instituted to assure full success of that program.

b. Except as A.I.D. may otherwise agree in writing, the Grantee covenants to establish a Special Account in the Central Bank of Egypt and deposit therein Egyptian currency in amounts equal to proceeds accruing to the Grantee as a result of the importation or sale of eligible items. Funds in the Special Account may be used for such purposes as are mutually agreed upon by A.I.D. and otherwise specified in the Agreement.

4. General Terms

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

b. Unless A.I.D. otherwise agrees in writing, commodities and related services financed under the grant shall have their source and origin in the United States.

c. Unless A.I.D. otherwise agrees in writing, the terminal date for disbursement shall be thirty-six (36) months following the satisfactory meeting of the Conditions Precedent.

d. Labor services for the rebuilding of railway equipment are authorized to be financed.

e. Short term technical advisory and training services over and above those provided for under Regulation I may be agreed to by A.I.D. and the Agency for Economic Cooperation with the U.S. of the Ministry of Economy on a case-by-case basis where such services would contribute to the proper operation, maintenance, or application of commodities financed by A.I.D.

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

ANNEX OF TABLES

- TABLE I - Balance of Payments
- TABLE II - U.S. Economic Assistance to Egypt:
FY 1975-1980
- TABLE III - Commodity Composition of Imports,
1978-1979
- TABLE IV - CIP Import Statistics
- TABLE V - Consumer Price Index for Urban Population,
1975-80

TABLE I

EXPORTS

(In Millions of Current Dollars)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981 Est.</u>	<u>1982 Proj.</u>
<u>Goods Except Petroleum</u>	<u>1,296</u>	<u>1,140</u>	<u>1,123</u>	<u>1,285</u>	<u>1,355</u>
Cotton	285	348	350		
Other Agricultural Prod.	174	134	145		
Yarn & Textiles	273	267	270		
Other Indus. Prod.	223	231	250		
Other	341	160	200		
<u>Petroleum^{a/}</u>	<u>688</u>	<u>1,375</u>	<u>2,730</u>	<u>3,000</u>	<u>3,450</u>
<u>Exports by Foreign Cos.</u>					
(Profit)	148	448	747	860	970
<u>Total Goods Exports</u>	<u>2,132</u>	<u>2,963</u>	<u>4,600</u>	<u>5,145</u>	<u>5,775</u>
<u>Non-Factor Services</u>	<u>1,541</u>	<u>1,561</u>	<u>2,190</u>	<u>2,450</u>	<u>2,700</u>
Suez Canal Dues	541	589	663	800	900
Tourism Receipts					
(Offic.) ^{b/}	702	601	773	800	850
Other	325	371	754	850	950
<u>Factor Services</u>	<u>1,905</u>	<u>2,520</u>	<u>3,151</u>	<u>3,250</u>	<u>3,670</u>
Workers' Remittances ^{c/}	1,760	2,214	2,696	2,700	2,970
(Cash)	(921)	(954)			
(Imports)	(839)	(1,260)			
Investment Income	145	306	455	550	700
<u>Total Exports</u>	<u>5,578</u>	<u>7,044</u>	<u>9,941</u>	<u>10,845</u>	<u>12,245</u>

Sources: Central Bank of Egypt, E/C, and USAID/Cairo.

^{a/} Petroleum exports in 1981 are estimated at 10% above the 1980 level. Similarly, 1982 exports are projected at 15% above the 1981 level.

^{b/} Official tourism receipts are estimated at \$800 million in 1981 assuming continued disparities between the official and free market exchange rate.

^{c/} Workers' Remittances for 1981 and 1982 are projected to level off in 1981, but to increase in 1982 by 10%.

TABLE I (Cont'd.)

IMPORTS
(In Millions of Current Dollars)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981 Est.</u>	<u>1982 Proj.</u>
<u>Goods</u>	<u>5,283</u>	<u>6,682</u>	<u>7,578</u>	<u>8,995</u>	<u>10,165</u>
Food	1,355	1,447	2,590		
Intermediate	1,711	2,527	2,790		
Capital	1,400	2,271	1,625		
Other Consumer Goods	817	437	573		
<u>Non-Factor Services</u>	<u>1,005</u>	<u>1,094</u>	<u>1,559</u>	<u>1,600</u>	<u>1,700</u>
<u>Factor Services</u>	<u>563</u>	<u>876</u>	<u>1,356</u>	<u>1,510</u>	<u>1,620</u>
Interest on Debt	415	428	609	650	650
Exports by Foreign Oil Co.	148	448	747	860	970
<u>Total Imports</u>	<u>6,851</u>	<u>8,652</u>	<u>10,493</u>	<u>12,105</u>	<u>13,485</u>

Sources: Central Bank of Egypt, E/C, and USAID/Cairo.

Explanations:

1. Goods' imports in 1981 are based on imports during January-March 1981 reported by the CBE.
2. Non-Factor Services Imports in 1981 are estimated to stabilize at the 1980 level.

TABLE I (Cont'd.)

BALANCE OF PAYMENTS - CURRENT ACCOUNT
(In Millions of Current Dollars)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>Est.</u> <u>1981</u>	<u>Proj.</u> <u>1982</u>
<u>Trade Balance</u>	<u>-3,151</u>	<u>-3,719</u>	<u>-2,978</u>	<u>-3,850</u>	<u>-4,390</u>
Exports	2,132	2,963	4,600	5,145	5,775
Imports	-5,283	-6,682	-7,578	-8,995	-10,165
<u>Non-Factor Services, Net</u>	<u>536</u>	<u>467</u>	<u>631</u>	<u>850</u>	<u>1,000</u>
Receipts	1,541	1,561	2,190	2,450	2,700
Payments	-1,005	-1,094	-1,559	-1,600	-1,700
<u>Factor Services, Net</u>	<u>1,342</u>	<u>1,644</u>	<u>1,795</u>	<u>1,740</u>	<u>2,050</u>
Receipts	1,905	2,520	3,151	3,250	3,670
Payments	- 563	- 876	1,365	1,510	-1,620
<u>Current Acct. Deficits</u>	<u>-1,273</u>	<u>-1,608</u>	<u>- 552</u>	<u>-1,260</u>	<u>-1,340</u>
<u>Unrequited Transfers</u>	<u>345</u>	<u>89</u>	<u>97</u>	<u>100</u>	<u>150</u>
<u>Current Acct. Deficits</u> <u>Plus Transfers</u>	<u>- 928</u>	<u>-1,519</u>	<u>- 455</u>	<u>-1,160</u>	<u>-1,190</u>

TABLE I (Cont'd.)

BALANCE OF PAYMENTS - CAPITAL ACCOUNT
(In Millions of Current Dollars)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>Est.</u> <u>1981</u>	<u>Proj.</u> <u>1982</u>
<u>Current Acct. Deficits</u>					
<u>Plus Transfers</u>	- 928	-1,519	- 455	-1,160	-1,190
<u>Amortization Payments</u>	- 899	-1,063	-1,328	-1,345	-1,320
(Official Loans ^{a/})	(-250)	(-436)	(-455)	(-535)	(-610)
(Suppliers' Credits)	(-585)	(-557)	(-797)	(-725)	(-625)
(IMF Repayments)	(- 50)	(- 70)	(- 76)	(- 85)	(- 85)
<u>Total Requirements</u>	<u>-1,827</u>	<u>-2,582</u>	<u>-1,783</u>	<u>-2,505</u>	<u>-2,510</u>
<u>Total Available</u>	<u>2,300</u>	<u>2,235</u>	<u>2,970</u>	<u>2,770</u>	<u>2,960</u>
Internat'l Assistance	1,100	1,158	1,455	1,770	2,010
U.S., Total	500	658	855	1,020	1,210
(C.I.P.)	(300)	(263)	(405)	(387)	(420)
(PL-480)	(200)	(245)	(250)	(283)	(295)
(Project)	(50)	(150)	(200)	(350)	(495)
Others (3rd Country, IBRD, IMF, etc.)	550	500	600	750	800
Supplier's Credits	385	477	815	300	300
Direct Investment ^{b/}	315	600	700	700	650
GODE	500	-	-	-	-
<u>Basic Balance</u>	<u>473</u>	<u>-347</u>	<u>+1,187</u>	<u>+265</u>	<u>+450</u>
<u>Other Capital Movements</u>	<u>-414</u>	<u>+384</u>	<u>-670</u>	<u>-611</u>	<u>-450</u>
ST Bank Facilities, Net	-379	53	711	-611	+450
(Loans)		(778)	(1,865)		
(Repayments)		(-725)	(1,154)		
Net Errors and Omissions	- 35	331	-1,381	-	-
Changes in Reserves (=-Inc.)	- 59	- 37	-517	+346	-
<u>Official Intern'l Reserves</u>					
<u>Excluding Gold</u>	492	529	1,046	700	700

Sources: Central Bank of Egypt, E/C and USAID/Cairo,
and IBRD and IMF publications

^{a/} Based on a USAID/Cairo projection of debt service excluding payments due other Arab countries.

^{b/} The direct investment figures here differ from those of Central Bank of Egypt. The Central Bank figures do not conform to standard balance of payments methodology.

TABLE II
U.S. ECONOMIC COMMITMENTS TO EGYPT, FY 1975-1981
 (Millions of Dollars as of November 15, 1981)

	<u>L/G</u>	<u>FY 1975</u>	<u>FY 1976*</u>	<u>FY 1977</u>	<u>FY 1978</u>	<u>FY 1979</u>	<u>FY 1980</u>	<u>FY 1981</u>
1. GENERAL ECONOMIC SUPPORT		250.0	510.1	647.1	500.05	564.6	702.0	601.0
A. Balance of Payments (Sub-Total)		248.1	501.1	620.7	476.5	547.1	660.0	500.0
Commodity Import Program	L	(150.0)	(35.0)	(440.0)	(300.0)	(250.0)	(200.0)	(70.0)
Commodity Import Program	G	(-)	(-)	(-)	(-)	(85.0)	(55.0)	(230.0)
PI-400 Title I	L	(98.1)	(106.1)	(180.7)	(176.5)	(212.1)	(325.0)	(275.0)
B. Development Planning		1.9	17.0	26.4	24.35	17.5	42.0	13.0
Technical & Feasibility Studies	G	(0.9)	(15.0)	(10.0)	(12.0)	(5.0)	(6.0)	(0.0)
Technology Transfer & Workforce Develop.	G	(1.0)	(2.0)	(4.5)	(4.0)	(10.0)	(6.0)	(5.0)
Applied Science & Technology Research	G	(-)	(-)	(3.9)	(4.2)	(-)	(16.3)	-
Development Planning Studies	G	(-)	(-)	(-)	(3.0)	(-)	(12.0)	-
Sinal Planning Studies	G	(-)	(-)	(-)	(-)	(2.5)	(2.5)	(-)
Review of U.S. Assistance to Egypt	G	(-)	(-)	(-)	(0.35)	(-)	(-)	-
Summary :								
Loan Component		248.1	501.1	620.7	476.5	462.1	605.0	345.0
Grant Component		1.9	17.0	26.4	24.35	102.5	97.0	243.0

	<u>L/G</u>	<u>FY 1975</u>	<u>FY 1976*</u>	<u>FY 1977</u>	<u>FY 1978</u>	<u>FY 1979</u>	<u>FY 1980</u>	<u>FY 1981</u>
IV. <u>TRANSPORTATION, INDUSTRY, COMMERCE</u>								
<u>& FINANCE</u>		35.0	255.6	21.0	100.9	54.0	70.8	80.5
Suez Canal Rehabilitation	G	(22.0)	(2.6)	(-)	(-)	(-)	(-)	(-)
Road Building Equipment	G	(10.0)	(4.0)	(-)	(-)	(-)	(-)	(-)
Cargo Handling Equip. (Alexandria Port)	L	(-)	(31.0)	(-)	(-)	(-)	(-)	(-)
Suez Cement Plant	G	(-)	(90.0)	(-)	(-)	(-)	(10.0)	(-)
Mahalla Textile Plant Rehabilitation	L	(-)	(96.0)	(-)	(-)	(-)	(-)	(-)
Development Industrial Bank I	L/G	(-)	(32.0)	(-)	(2.0)	(-)	(-)	(-)
Hydrographic Survey for Suez Canal	G	(-)	(-)	(0.0)	(-)	(-)	(-)	(-)
Port Said Salines Production Plant	G	(-)	(-)	(13.0)	(-)	(-)	(-)	(-)
Suez Port Development	L	(-)	(-)	(-)	(30.0)	(-)	(-)	(-)
Industrial Production	L/G	(-)	(-)	(-)	(53.9)	(16.0)	(25.0)	(50.0)
Quattamiya Cement Plant	L	(-)	(-)	(-)	(95.0)	(-)	(-)	(-)
Private Investment Encouragement Fund	G	(-)	(-)	(-)	(-)	(33.0)	(-)	(-)
Private Sector Feasibility Studies	G	(-)	(-)	(-)	(-)	(5.0)	(-)	(-)
Vehicle Maintenance Training	G	(-)	(-)	(-)	(-)	(-)	(4.5)	(-)
Industrial Productivity Improvement	G	(-)	(-)	(-)	(-)	(-)	(8.5)	(30.5)
Mineral, Petroleum & Groundwater Assoc.	G	(-)	(-)	(-)	(-)	(-)	(20.7)	(-)
Tax Administration	G	(-)	(-)	(-)	(-)	(-)	(2.1)	(-)
Helicopter Transfer	G	(3.0)	(-)	(-)	(-)	(-)	(2.1)	(-)
Summary: Loan Component			159.0		171.4			
Grant Component		35.0	96.6	21.0	9.5	54.0	70.8	80.5

	<u>L/G</u>	<u>FY 1975</u>	<u>FY 1976*</u>	<u>FY 1977</u>	<u>FY 1978</u>	<u>FY 1979</u>	<u>FY 1980</u>	<u>FY 1981</u>
V. <u>FOOD AND AGRICULTURE</u>		<u>44.3</u>	<u>32.5</u>	<u>83.04</u>	<u>13.0</u>	<u>105.5</u>	<u>78.0</u>	<u>64.0</u>
Grain Storage Facilities	L	(44.3)	(-)	(-)	(-)	(-)	(-)	(-)
PVC Pipe Drainage	L	(-)	(31.0)	(-)	(-)	(-)	(-)	(-)
Water Use & Management	G	(-)	(1.5)	(0.8)	(1.5)	(3.2)	(-)	(6.0)
Canal Dredging Equipment	L/G	(-)	(-)	(26.0)	(-)	(-)	(-)	(-)
Food Grain/Veg. Oil Storage & Dist. Fac	L	(-)	(-)	(42.0)	(-)	(-)	(-)	(-)
Irrigation Equipment	L/G	(-)	(-)	(11.0)	(-)	(-)	(0.0)	(-)
Agricultural Development Systems	G	(-)	(-)	(1.2)	(3.0)	(7.9)	(-)	(-)
Poultry Improvement	G	(-)	(-)	(0.47)	(3.5)	(0.6)	(-)	(0.0)
Rice Research and Training	G	(-)	(-)	(2.37)	(1.5)	(5.9)	(-)	(12.0)
Aquaculture Development	G	(-)	(-)	(-)	(3.5)	(-)	(24.0)	(-)
Major Cereals	G	(-)	(-)	(-)	(-)	(30.0)	(17.0)	(-)
Small Farmer Production	G	(-)	(-)	(-)	(-)	(25.0)	(-)	(-)
Agriculture Cooperative Development	G	(-)	(-)	(-)	(-)	(5.0)	(-)	(-)
Small Scale Agriculture Activities	G	(-)	(-)	(-)	(-)	(1.7)	(-)	(-)
Agricultural Mechanization	G	(-)	(-)	(-)	(-)	(21.0)	(19.0)	(-)
Agricultural Management Development	G	(-)	(-)	(-)	(-)	(-)	(5.0)	(-)
Agricultural Data Collection & Analysis	G	(-)	(-)	(-)	(-)	(-)	(5.0)	(-)
Irrigation Management Systems	G	(-)	(-)	(-)	(-)	(-)	(-)	(30.0)
Summary: Loan Component		44.3	31.0	79.0	-	-	-	-
Grant Component			1.5	4.04	13.0	105.5	78.0	64.0

L/G	FY 1975	FY 1976*	FY 1977	FY 1978	FY 1979	FY 1980	FY 1981
VI. SOCIAL SERVICES							
	12.6	7.4	17.0	17.2	33.7	112.0	165.5
Strengthen Rural Health Delivery System	(-)	(1.0)	(-)	(1.0)	(4.2)	(-)	(-)
Family Planning	(-)	(-)	(4.0)	(6.0)	(6.5)	(10.0)	(18.5)
Integrated Social Work Training Centers	(-)	(-)	(1.0)	(1.5)	(1.5)	(-)	(-)
Urban Health Delivery	(-)	(-)	(-)	(-)	(5.0)	(20.3)	(12.0)
Peace Fellowships Program	(-)	(-)	(-)	(-)	(-)	(30.0)	(24.0)
Suez Canal Univ. - Fac. of Medicine	(-)	(-)	(-)	(-)	(-)	(2.7)	(-)
University Linkages	(-)	(-)	(-)	(-)	(-)	(27.5)	(-)
Control of Diarrheal Diseases	(-)	(-)	(-)	(-)	(-)	(-)	(26.0)
Basic Education	(-)	(-)	(-)	(-)	(-)	(-)	(39.0)
II-400 Title II (A)	(12.6)	(5.6)	(12.0)	(6.5)	(14.0)	(15.0)	(31.0)
TOTAL A.I.D. ASSISTANCE							
(Excluding PL-480 Program)	241.2	794.9	659.25	750.75	835.0(c)	865.0(d)	829.0
PL-480 PROGRAM							
	116.7	191.7	192.7	103.0	226.1	340.0	306.0
GRAND TOTAL U.S. ECONOMIC ASSISTANCE	(b) 371.9	906.6	891.95	933.75	1,061.1	1,205.0	1,135.0

* Includes Interim Quarter
L - Loan / G - Grant
(a) Includes Estimated Ocean Freight Costs
(b) Does Not Include Egyptian Pound Grants
(c) Includes \$85 million Supplemental Peace Allotment
(d) Includes \$55 million Supplemental Peace Allotment

TABLE III

COMMODITY COMPOSITION OF IMPORTS*

1977, 1978, 1979 and 1980
(in millions of L.E.)

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
<u>Fuels</u>	<u>33.0</u>	<u>28.8</u>	<u>14.6</u>	<u>23.3</u>
Crude	-	-	-	-
Petroleum Products	5.4	7.7	4.2	5.0
Coke & Coal	27.6	21.1	10.4	18.3
<u>Primary Commodities</u>	<u>252.9</u>	<u>306.7</u>	<u>329.3</u>	<u>473.3</u>
Wheat	129.1	170.2	174.3	309.1
Tobacco	33.8	46.2	60.6	49.3
Maize	30.1	38.0	31.4	71.7
Wool	15.8	10.4	7.6	9.0
Sesame	6.0	4.4	5.3	5.0
Other	38.1	37.5	50.1	29.2
<u>Intermediate Commodities</u>	<u>620.9</u>	<u>815.7</u>	<u>895.7</u>	<u>1,276.3</u>
Animal Fats & Vegetable Oils	34.3	67.3	92.5	151.3
Chemicals, n.i.c.	72.8	82.8	112.3	170.2
Unwrought, waste & scrap metals	6.0	11.9	8.2	22.3
Iron & steel	78.9	106.4	197.2	258.4
Dyestuff & coloring	15.1	22.6	24.2	47.3
Wood	107.4	109.4	99.2	191.1
Paper & paper products	38.2	45.7	37.3	60.9
Fertilizers	15.3	23.0	13.7	25.2
Electric products	25.7	46.4	27.1	27.2
Rubber & rubber products	14.4	27.9	15.0	28.2
Oils & Wax	9.2	10.2	14.4	16.5
Other	203.6	262.1	254.6	277.7
<u>Capital Commodities</u>	<u>569.0</u>	<u>862.3</u>	<u>825.0</u>	<u>833.0</u>
Buses, Trucks & Other Veh.	87.3	160.2	235.8	204.2
Textile Machinery	40.5	67.6	48.0	51.9
Electrical Products	33.5	87.9	103.2	145.2
Earth Moving Equipment	35.9	61.6	67.6	93.9
Other	371.7	485.0	370.3	337.6
<u>Consumer Commodities</u>	<u>415.0</u>	<u>628.8</u>	<u>626.5</u>	<u>795.4</u>
<u>Durables</u>	<u>127.5</u>	<u>173.6</u>	<u>169.5</u>	<u>166.7</u>
Automobiles & Motorcycles	(55.5)	(76.6)	87.1	91.1
Radio & Television	(27.1)	(32.1)	23.0	25.2
Other	(44.9)	(64.9)	59.4	50.4

*These data are based on customs records, and hence differ from the balance of payments figures which are based on exchange control records.

TABLE III (Cont'd.)

<u>Non-Durables</u>	<u>287.5</u>	<u>455.2</u>	<u>457.0</u>	<u>628.4</u>
Wheat Flour	49.6	76.7	68.5	71.7
Sugar	16.7	40.8	34.9	84.7
Tea	26.1	44.1	46.4	33.0
Coffee & Cocoa	5.6	0.7	2.5	12.2
Meat, Fish & Poultry	27.1	44.2	69.0	225.3
Beans & Lentils	5.3	5.0	4.2	5.0
Medicines	14.0	20.0	19.6	22.8
Disinfectants & Insecticides	19.4	28.9	41.0	36.7
Paper & Paper Products	14.0	9.5	12.6	28.0
Other	109.7	185.3	158.3	109.0
Total	<u>1,891.0</u>	<u>2,642.3</u>	<u>2,691.1</u>	<u>3,401.3</u>

TABLE IV

CIP IMPORT STATISTICS

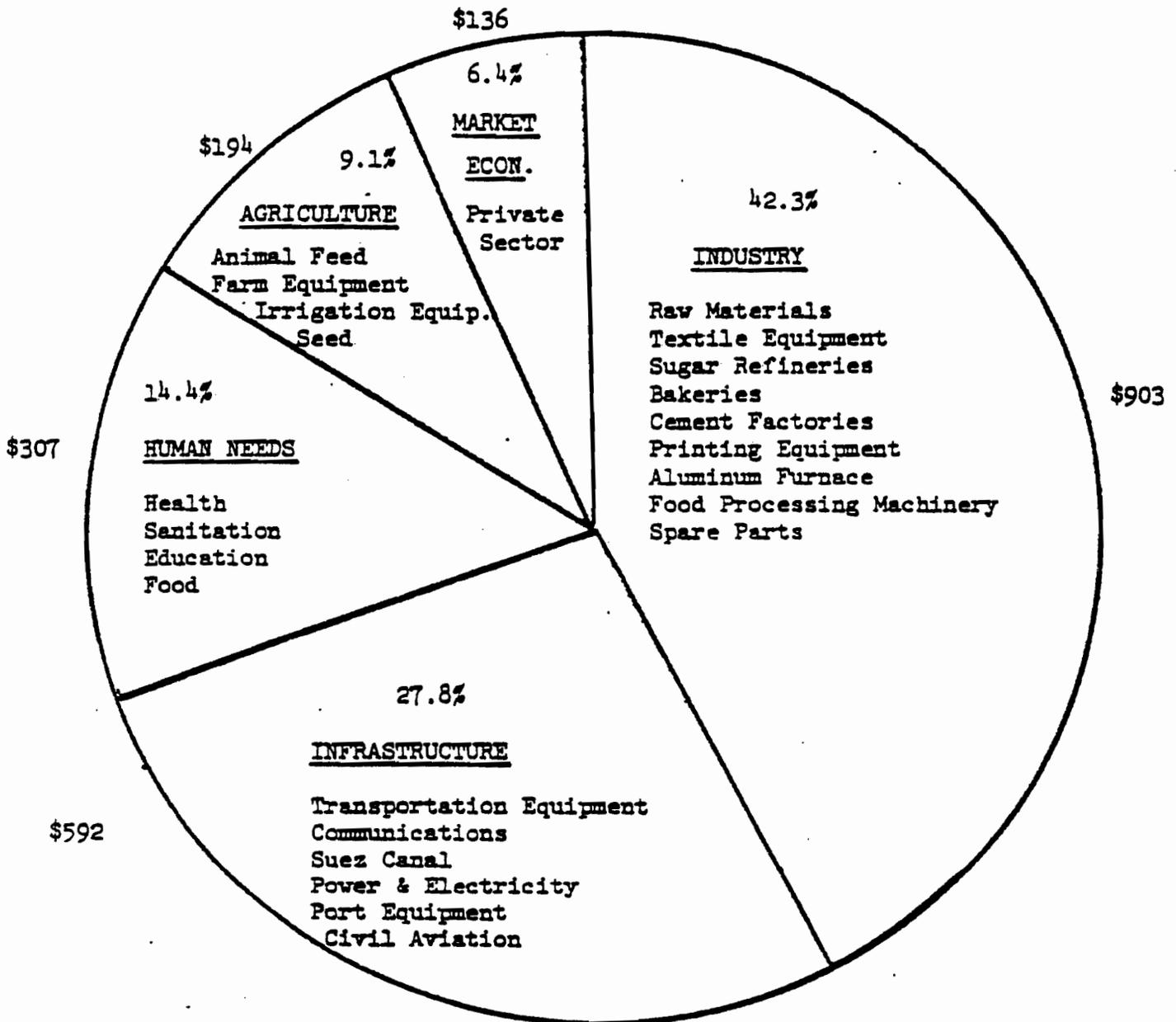
The following tables summarize the historical and current status of the CIP:

1. Egypt CIP - Developmental Aspects (Graph)
2. Pattern of CIP (Graph)
3. Status of Agreements under CIP
4. Summary of CIP Financing by Ministry/Agency
5. Commodities Financed Under CIP
6. Commodities Financed Under CIP by Category

EGYPT COMMODITY IMPORT PROGRAM - DEVELOPMENTAL ASPECTS

FY 1975 thru FY 1981

ALLOCATIONS BY SECTORS IN MILLION DOLLARS



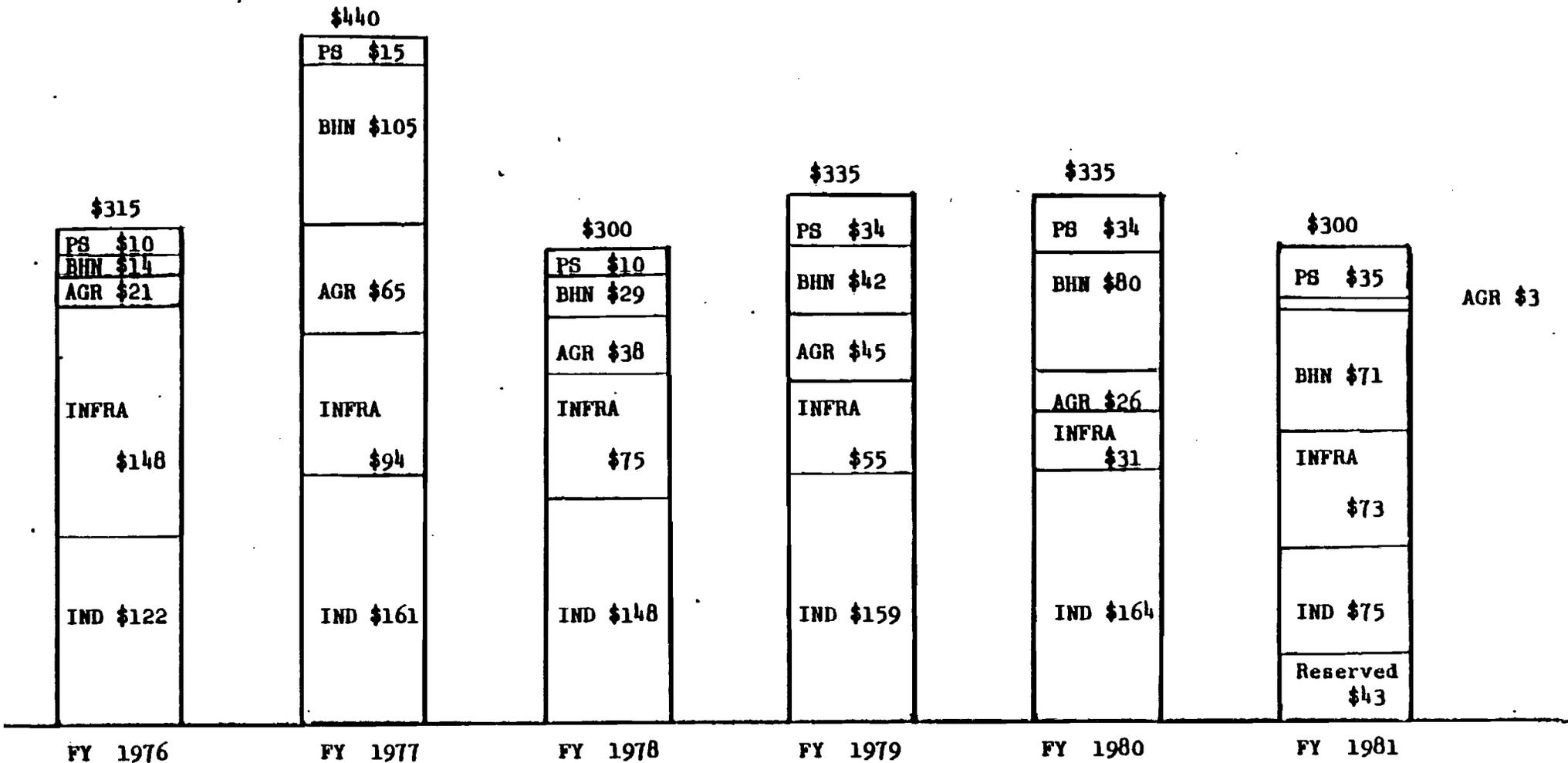
TOTAL: \$2,132 MILLION*

*This figure excludes:

IFF \$25.0 Million
 Reserved \$18.0 Million

PATTERN OF COMMODITY IMPORTS FINANCED UNDER EGYPT CIP: FY 1976 Through FY 1981

(In Millions of Dollars)



- PS - Private Sector
- BHN - Basic Human Needs
- AGR - Agriculture
- INFRA - Infrastructure
- IND - Industry

SUMMARY OF CIP AGREEMENTS - LOANS AND GRANTS

By Agreement Number

As of October 31, 1981

(In Millions of Dollars)

Agreement No./Date	Amount Obligated	Value L/C's Opened	Available or In Process	Dis-bursed	Undis-bursed
GRAND TOTAL	2,174.8 a/	1,741.8	433.0	1,653.2	521.6
LOANS:					
263-K-026 (2-13-75)	79.9	79.9	-	79.9	-
263-K-027 (6-30-75)	69.9	69.9	-	69.9	-
263-K-029 (12-18-75)	100.0	100.0	-	99.7	0.3
263-K-030 (5-22-76)	150.0	149.6	0.4	146.2	3.8
263-K-036 (9-30-76)	65.0	64.5	0.5	62.5	2.5
263-K-038 (3-06-77)	440.0	401.1	38.9	392.2	47.8
263-K-045A (2-27-78)	226.0	217.4	8.6	210.3	15.7
263-K-045B (2-27-78)	74.0	73.8	0.2	69.9	4.1
263-K-052 (5-19-79)	250.0	244.4	5.6	221.8	28.2
263-K-053 (6-30-80)	30.0	19.1	10.9	15.0	15.0
263-K-054 (6-30-80)	250.0	213.5	36.5	183.9	66.1
263-K-055 (6-28-81)	70.0	-	70.0	-	70.0
GRANTS:					
263-K-601 (8-29-79)	85.0	69.1	15.9	63.1	21.9
263-K-602 (6-30-80)	55.0	39.5	15.5	38.8	16.2
263-K-603 (6-28-81)	230.0	-	230.0	-	230.0

a/ This figure includes FY 1981 obligations of \$ 300 million not yet committed.

SUMMARY OF CIP FINANCING FY 1975 thru FY 1981
By Ministry/Agency
As of October 31, 1981

(In Millions of Dollars)

MINISTRY/AGENCY	Total Amount Allocated	Percent of Total	L/C's Opened	Available and In Process
GRAND TOTAL	\$2,174.8 a/	100.0%	1,741.8	433.0a/b
Ministry of:				
Agriculture	25.0	1.3%	24.6	0.4
Civil Aviation	2.0	0.1%	1.9	0.1
Communications	46.9	2.5%	46.6	0.3
Education	33.1	1.8%	17.6	15.5
Electricity	93.8	4.6%	77.6	16.2
Health	11.9	0.7%	9.9	2.0
Industry	(499.9)	(26.7%)	(462.7)	(38.8)
Excluding GOFI	445.3	23.8%	441.7	3.6
GOFI	54.6	2.9%	21.0	33.6
Information	64.4	3.5%	47.0	17.4
Irrigation	5.6	0.3%	4.5	1.1
RNC*	20.7	0.6%	11.8	8.9
Supply	712.5	38.5%	710.6	1.9
Trade	9.3	0.5%	9.3	-
Transport	180.6	9.3%	177.1	3.5
Suez Canal Authority	44.1	3.1%	34.2	9.9
Governorates	22.2	1.0%	20.3	1.9
Private Sector	102.0	5.5%	86.1	15.9
Uncommitted	0.8	-	-	300.8

* Reconstruction & New Communities.

a/ FY 1981 Obligation of \$300 million is not yet committed, and are therefore is not apportioned by Ministry.

b/ Of this amount, IFBs have been issued or are under review for \$59.6 million.

COMMODITIES FINANCED UNDER
AID COMMODITY IMPORT PROGRAM TO EGYPT
FY 1975 through FY 1981
(Values in Thousands of Dollars)

SBN*	COMMODITY GROUPING	DOLLAR VALUE
GRAND TOTAL		1,741,829
105	Chickens, Frozen	63,085
126-127	Seeds, Garden & Field	625
130	Corn	182,258
140	Leguminous Vegetables	14,312
170	Tobacco	103,849
176	Edible Oils	96,204
177	Tallow	273,761
184	Animal Feeds	17,527
202	Softwood, Siding, etc.	1,536
250	Woodpulp	29,237
252	Paper & Paperboard, in Rolls/Sheets	12,694
256	Paper & Paperboard, Cut to Size	14
270	Training Aids	135
300	Cotton	9,710
309-310	Synthetic Fibers & Yarns	32,496
415	Sulphur Ore	11,281
404-435	Chemicals, excl. Sulphur Ore	1,695
444	Syn. Resins & Plastics	4,339
446	Rubber	2,864
471-474	Dyeing Mat., Pigments, Inks, etc.	1,056
475	Petroleum Products	145
486	Synthetic Organic Herbicides	1,550
487	Plasticizers, Photo&Texile Chems	61
492	Carbons, Isotopes, Waxes, etc.	33
517	Graphite Electrodes	8,802
521	Coking Coal	124,951
535	Industrial Ceramics	1,119
540	Glass Products, Filters, etc.	189
547	Cathode & Incandescent Lamps and Laboratory Glassware	46
607-609	Iron & Steel Mill Products	98,154
612-613	Copper Pipes Tubes, etc.	4,182
618	Aluminum Bars, Pipes, etc.	152
626	Zinc Ingots	99
640	Metal Containers	1,884
642	Wire Cordage & Screen & Netting, etc.	460

COMMODITIES FINANCED UNDER
AID COMMODITY IMPORT PROGRAM TO EGYPT
FY 1975 through FY 1981
(Values in Thousands of Dollars)

SBN*	COMMODITY GROUPING	DOLLAR VALUE
648-651	Hand and Machine Tools	1,227
652	Prefab Bldgs., Chains, Springs, etc.	3,510
653	Welding Electrodes & Lighting Fixtures	3,367
660	Boilers & Engines & Pumps for Liquid, etc.	24,134
661	Refrigeration & Heating Equip.	32,435
662	Food Processing Machinery	3,964
664	Elevators & Cranes & Earthmoving Equip.	28,788
666	Agric & Horticulture Machinery	20,424
668	Printing Machines	26,126
670	Textile Machines	3,287
672	Sewing Machines	71
674	Machines for Working Metals	6,427
676	Data Processing & Office Machines	1,623
678	Sorting & Crushing & Ginning & Mach., etc	11,581
680	Bearings, Ball or Roller	1,289
682	Transformers & Gens & Motors & Batteries	27,466
683	Hand-Directed Tools, Elec & Storage Bat.	15,609
684	Telegraph & Telephone Apparatus	1,348
685	Communication Microwave Apparatus	106,049
686	Electrical Filament Lamps	102
687	Electric Lamps & Electronic Tubes	132
688	Telephone & Telegraph Wire & Cable	26,483
692	Motor Vehicles	184,920
694	Aircraft Agricultural Use	1,925
699	Ships, Boats, Floating Structures	4,135
703	Safety Headwear	40
708	Ind. Safety Articles (Goggles, etc)	1,645
709	Medical & Surgical Instruments	6,555
710	Medical & Surgical Apparatus	1,403
711	Measuring & Testing Instruments	1,747
712	Measuring & Controlling Instruments	279
722-723	Photographic Equipment & Supplies	1,275
727	Furniture: Laboratory & Office	2,914
770	Rubber & Plastic Products	688
772	Tires and Tubes	2,584
795	Non-enumerated Commodities	12,418
798	Spare Parts	22,867
799	Per Diem and Training	155
990	Excess Property	14,194
989	Freight	34,548
991	Technical Services	1,590

COMMODITIES FINANCED UNDER AID COMMODITY IMPORT PROGRAM TO EGYPT
 FY 1975 thru FY 1981
 BY CATEGORY

(In Thousands of Dollars)

Summary by Category

<u>CATEGORY</u>	<u>\$ THOUSANDS</u>	<u>PERCENT OF TOTAL %</u>
Food Items	374,011	21.5%
Raw Materials	724,637	41.6%
Capital Equipment	643,181	36.9%
TOTAL:	1,741,829	100.0%

<u>FOOD ITEMS</u>	<u>AMOUNT</u>
Chickens, Frozen	63,085
Seeds, Garden & Field	625
Corn	182,258
Leguminous Vegetables	14,312
Edible Oils	96,204
Animal Feeds	17,527
Total Food Item	374,011

<u>RAW MATERIAL</u>	<u>AMOUNT</u>
Tobacco	103,849
Tallow	273,761
Softwood, Siding, etc.	1,536
Woodpulp	29,237
Paper & Paperboard, in Rolls & Sheets	12,694
Paper & Paperboard, Cut to Size	14
Cotton	9,710
Synthetic Fibers & Yarns	32,496
Sulphur Ore	11,281
Chemicals, excl. Sulphur Ore	1,695
Syn. Resins & Plastics	4,339
Rubber	2,864
Petroleum Products	145
Synthetic Organic Herbicides	1,550
Plasticizers, Photo&Textile Chems	61
Carbons, Isotopes, Waxes, etc.	33
Graphite Electrodes	8,802
Coking Coal	124,951
Iron & Steel Mill Products	98,154
Copper Pipes Tubes etc.	4,182
Aluminum Bars, Pipes, etc.	152
Zinc Ingots	99
Metal Containers	1,884
Wire Cordage & Screen & Netting, etc.	460
Rubber & Plastic Products	688
TOTAL Row Materials	724,637

COMMODITIES FINANCED UNDER AID COMMODITY IMPORT PROGRAM TO EGYPT
 FY 1975 thru FY 1981
 BY CATEGORY

(In Thousands of Dollars)

<u>CAPITAL EQUIPMENT</u>	<u>AMOUNT</u>
Training Aids	135
Dyeing Mat., Pigments, Inks, etc.	1,056
Industrial Ceramics	1,119
Glass Products, Filters, etc.	189
Cathode & Lamps & Lab Glassware	46
Hand and Machine Tools	1,227
Prefab Bldgs., Chains, Springs, etc.	3,510
Welding Electrodes & Lighting Fixtures	3,367
Boilers & Engines & Pumps for Liquid, etc.	24,134
Refrigeration & Heating Equip.	32,435
Food Processing Machinery	3,964
Elevators & Cranes & Earthmoving Equip.	28,788
Agric & Hort Mach & Mach Food Prep.	20,424
Printing Machines	26,126
Textile Machines	3,287
Sewing Machines	71
Machines for Working Metals	6,427
Data Processing & Office Machines	1,623
Sorting & Crushing & Ginning & Mach. etc	11,581
Bearings, Ball or Roller	1,289
Transformers & Gens & Motors & Batteries	27,466
Hand-Directed Tools, Elec & Storage Bat.	15,609
Telegraph & Telephone Apparatus	1,348
Communication Microwave Apparatus	106,049
Electrical Filament Lamps	102
Electric Lamps & Electronic Tubes	132
Telephone & Telegraph Wire & Cable	26,483
Motor Vehicles	184,920
Aircraft Agricultural Use	1,925
Ships, Boats, Floating Structures	4,135
Safety Headwear	40
Ind. Safety Articles (Goggles, etc)	1,645
Medical & Surgical Instruments	6,555
Medical & Surgical Apparatus	1,403
Measuring & Testing Instruments	1,747
Measuring & Controlling Instruments	279
Photographic Equipment & Supplies	1,275
Furniture: Laboratory & Office	2,914
Tires and Tubes	2,584
Non-enumerated Commodities	12,418
Spare Parts	22,867
Per Diem and Training	155
Excess Property	14,194
Freight	34,548
Technical Services	<u>1,590</u>
Total Capital Equipment	643,181

TABLE V
Egypt: Consumer Price Index for Urban Population, 1975-80
(1966/67 = 100)

End of Period	1975	1976	1977	1978	1979	1980	April	
							1980	1981
Food and Beverages (52.5) ^{1/}	181.9	209.2	231.3	254.7	277.3	348.8	337.7	390.5
Cereals (11.2)	121.5	125.8	135.8	139.3	134.4	181.3	189.4	189.3
Pulses (6.6)	202.1	218.1	256.9	273.9	305.4	488.1	396.4	474.2
Meat, Fish, and Eggs (13.1)	234.2	287.8	316.2	331.8	383.7	455.5	457.3	492.9
Dairy Products (5.9)	216.6	240.9	279.6	315.4	336.9	468.7	337.8	503.1
Vegetables (3.8)	218.5	276.8	241.3	331.7	336.8	326.7	521.7	605.8
Fruits (2.9)	187.6	230.2	263.6	362.2	392.4	401.9	551.4	483.9
Housing (15.7)	108.6	109.1	109.5	110.2	111.2	116.1	116.1	114.5
Furniture and Other Durables (1.3)	128.4	136.3	156.3	181.1	187.7	187.7	187.8	201.4
Clothing (8.4)	140.1	147.4	188.1	239.1	247.5	298.6	272.1	309.6
Transportation and Communication (4.4)	122.6	136.0	144.7	145.1	185.6	193.9	193.9	207.9
Services (9.9)	140.5	144.0	180.8	203.8	244.2	272.8	268.5	276.8
Personal Expenses (7.8)	125.0	128.1	133.9	160.7	187.9	210.7	210.7	215.4
All Items (100.0)	155.2	171.2	191.1	212.6	233.5	281.0	271.9	305.2

Sources: Central Agency for Public Mobilization and Statistics; IMF.

^{1/} The numbers in parentheses are indicative commodity weights based on the commodity weights employed in five regional subindices and population weights for these regions. The regional weights are based on a family budget survey of 1964/65 and the sample population census of 1966.

ANNEX A

SECTORIAL UTILIZATION OF CIP

1. Agriculture

Since 1975, the GCE has designated nearly 9%, or \$194 million, of the total A.I.D. assistance program to the Agriculture sector. The percentage of the total CIP devoted to this sector has amounted to 9.1% of the program for FY 1981. Some of the commodities financed under the CIP for the Agricultural sector include animal feed, farm machinery, irrigation equipment, improved seeds and inoculant, herbicides, and special purpose vehicles.

Approximately 1.3 MT of yellow corn have been imported from the United States under CIP financing. Roughly 900,000 MT of this yellow corn have been used as animal feed which is a major factor in the production of beef and poultry in Egypt. Although in earlier years CIP financing was also utilized to import \$10 million of soybean meal to upgrade poultry feed and \$1 million of soybean seed and inoculant, recent improvements in the yield of soybean in Egypt, partly attributable to this assistance, has produced a surplus of soybean meal, and the GOE shifted FY 1980 CIP allocation to the importation of 4,800 MT of fishmeal to provide additional nutrients in chicken feed.

The CIP has financed 2,400 farm tractors, which were assembled and marketed in Egypt. Transport equipment, including 480 pickup trucks and 40 utility vehicles, has been delivered to assist agricultural needs in rural areas. Ongoing activities included the CIP financing of locust control vehicles to assist MOA in counteracting potential locust crop damage near the Nubian frontier and 1,000 mobile spraying units needed in controlling weevil infestation of cotton crops in the Nile delta area.

2. Infrastructure Development

The GOE recognizes the crucial need to rehabilitate and renew its infrastructure. It allocates a sizeable amount of the capital equipment portion of the CIP to priority requirement for the power, transport and communications sectors.

a) Power

While the high dam provides significant power generating capacity, the rapid increase in demand for energy and electrical power in Egypt indicates the need for additional thermal power stations and generating equipment to those presently operating, as well as those under construction.

Furthermore, the power distribution and electrical transmission facilities of the Arab Republic of Egypt (ARE) must be upgraded and expanded to accommodate the increased demand for power supply to include those areas of the ARE recently returned to administrative control of the Government of Egypt.

During the past six years (1975-1981), GOE has utilized approximately 51 million dollars of CIP loan funds for the purchase of electrical power generating and distribution equipment, i.e., Gas and Steam Turbine units, Mobile Transformer Sub-Stations, Mobile Diesel Generating sets, electric power cable and accessories, plus spare and repair assemblies and parts to increase the power generating capacity and operational efficiency of the GOE power sector.

In addition to these commodity purchases to increase and expand the power supply in areas throughout the ARE, AID projects being developed, such as the 220 KV Power Transmission Line in the Suez Area, scheduled for completion in the Fall of 1981, will have a major impact on the electrical generating and distributing systems.

b) Transport

The deterioration of the ARE transportation network indicates a need for an extensive requirement, and a high priority to be given toward improving all aspects of the GOE transport system. The deterioration of the Egyptian Railway System and the water transport facility resulted in a heavy reliance on truck transport which consequently adds to an already serious problem of heavy traffic congestion and inadequate road systems. Additionally, roads, bridges, railways, water transport and ports are not adequate to effectively cope with the rising volume of cargo traffic. These delays in freight movement, port congestion and other related factors, have had an undesirable impact on the Egyptian economy, and an extensive and urgent rehabilitation program was desired by the GOE.

Utilizing approximately 174 million dollars of the CIP loan funds during the period 1975-1981, the GOE purchased much of the equipment needed to improve the GOE transportation system. Approximately 34 million dollars was utilized to purchase railroad equipment, i.e., freight cars (various types) purchased through the AID Excess Property program; refrigerated rail cars to transport meat and fish from port areas to the regions of Upper Egypt; repairs and spare parts and assemblies for locomotive; maintenance and ship equipment and allied equipment.

Additionally, at present the Railway Traffic Control System purchased with CIP loan funds (21.0 million dollars) is being installed to improve the efficiency and safety in the operation of the Egyptian Railway System.

CIP loan funds were used in the purchase of marine diesel engines and drive trains for the major Egyptian Water Transport

Companies; navigational control system for the efficient operation of the Suez Canal Authority; traction motors for the locomotives of the Egyptian Railways; trucks, tractors and trailers for the heavy truck transport companies; and associated heavy construction equipment for the major Road Construction companies of Egypt.

The improvement of Egyptian port facilities, Alexandria and Port Said, are being accomplished through AID project funds, devoted primarily for this purpose.

c) Telecommunications

The telecommunications system of the ARE has previously suffered severely from a lack of investment and planning.

AID has financed under the CIP loan funds the equipment required for a microwave program implemented in two stages, to provide immediate relief to the problem of Cairo's outmoded and overloaded telephone system.

The first stage is the interconnection of the Cairo exchanges through two tandem exchanges located at Abbasia and Ramses. The second stage is the connection of all local exchanges together to eliminate the need to have a call go through the tandem exchanges when calling from one local exchange to another.

This microwave installation opens a total of 8,000 trunk lines between the tandem exchanges (Ramses - Abbasia) and allows expansion to 17,000 circuits and 300,000 connections upon completion of three stages.

The GOE utilized a total of \$61.9 million of CIP loan funds for this procurement in three stages.

It is anticipated that the greater share of future assistance required for the telecommunications sector will be provided on a project basis.

4. Basic Human Needs (EHN)

About 14.4 percent (\$307 million) of CIP funds has been allocated so far by the GOE to meet a number of basic needs, e.g., health, sanitation, education, and food. The CIP has financed 30,000 MT of frozen poultry (approximately 30 million birds) resulting in market price stabilization and incentive for the private sector to expand cold storage facilities. Approximately 1.3 million tons of corn have been imported from the U.S., of which two-thirds was used for animal feed thus contributing to an increase in local production of poultry and beef. Another significant input has been the financing of 160,000 MT of edible oil which constitutes an affordable nutritional substitute for expensive animal fats among the low-income population. In the field of health, the CIP has financed 140 ambulances for a newly created emergency medical

service, and 6,000 hospital beds acquired under A.I.D. Excess Property Program. Worth mentioning in this context are the 500,000 MT of CIP-financed tallow which have gone into the production of 2.4 billion soap bars and practically eliminated previous periodic shortages. Also, the CIP has financed the purchase of 200 refuse collection trucks and 12,500 refuse containers and bins which are having a significant impact on the clean-up campaigns in the two major cities of Greater Cairo and Alexandria.

Under the FY 1979 CIP supplemental grant, \$15 million was earmarked in support of education (\$5 million for universities, \$3 million for a textbook production system and \$7 million for basic education). This is additional to the \$2.6 million allocated to 11 universities under a previous CIP loan. Under the FY 1980 CIP supplemental grant, \$10 million was earmarked in support of education.

Approximately \$7.8 million of the first CIP set-aside for education was used to purchase packages of 13 different kinds of basic education commodities including workshop tools, vocational agricultural equipment, audio visual materials, and science teaching labs. Another \$2.2 million was used to finance the U.S. component of a book production system which will be used to produce all texts used throughout the school system. The equipment has been installed. In university commodities, impact will be achieved through procurement of cafeterias, hostel furniture, library furnishings, copying machines, microscopes, and microfilm equipment, journals and indexes.

ANNEX B

TRADE FINANCING FACILITY (TFF)

An amount of \$25 million of grant funds authorized under the FY 1981 CIP will be set aside to provide parallel financing with other financial institutions for internationally competitive imports of U.S. source and origin in order to provide a package of credit terms which compares favorably with credit terms offered by foreign financing facilities for commodities of other than U.S. source and origin.

The Government of Egypt (GOE) will be requested to survey prospective international procurements to determine whether U.S. suppliers can offer the desired commodity. If it is determined that the U.S. is an appropriate source, the GOE may consider, with USAID approval, use of the CIP TFF.

Because the decision to utilize funds under this set aside program will be determined only after completion of international evaluation, the procedures of procurements will come from normal GOE Procurement Procedures in lieu of the A.I.D. Regulation 1 procedures followed under the normal CIP program. This principle will be set forth in the Project Agreement.

Detailed procedures for utilization of this Trade Financing Facility will be determined by agreement between the GOE and USAID and will cover, at a minimum, the following:

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

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

ANNEX C

5C(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable generally to FAA funds, and criteria applicable to individual fund sources: Development Assistance and Economic Support Fund.

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. 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?

NO

2. FAA Sec. 113. Has particular attention been given those programs, projects, and activities which tend to integrate women into the national economies of developing countries, thus improving their status and assisting the total development effort?

YES

3. FAA Sec. 481. Has it been determined that the government of the recipient country has failed to take adequate steps to prevent narcotic drugs and other controlled substances (as defined by the Comprehensive Drug Abuse Prevention and Control Act of 1970) produced or processed, in whole or in part, in such country, or transported through such country, from being sold illegally within the jurisdiction of such country to U.S. Government personnel or their dependents, or from entering the U.S. unlawfully?

NO

4. FAA Sec. 620(b). If assistance is to a government, has the Secretary of State determined that it is not dominated or controlled by the international Communist movement?

The Secretary of State has so determined.

A. 5. 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?

None of the known claims met these criteria. The GOE/USG Joint Commission have reached agreement on such debts.

6. FAA Sec. 620(e)(1). If assistance is to a government, has it (including 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?

The Secretary of State has determined that forming the Joint Commission constitutes taking such steps within the meaning of this section.

7. FAA Sec. 620(a), 620(f), 620D; Continuing Resolution Sec. 511, 512 and 513; ISDCA of 1980 Secs. 717 and 721. Is recipient country a Communist country? Will assistance be provided to Angola, Cambodia, Cuba, Laos or Vietnam? (Food and humanitarian assistance distributed directly to the people of Cambodia are excepted). Will assistance be provided to Afghanistan or Mozambique without a waiver? Are funds for El Salvador to be used for planning for compensation, or for the purpose of compensation, for the confiscation nationalization, acquisition or expropriation of any agricultural or banking enterprise, or property or stock thereof?

NO.

NO.

NO.

N.A.

8. FAA Sec. 620(i). Is recipient country in any way involved in (a) subversion of, or military aggression against, the United States or any country receiving U.S. assistance, or (b) the planning of such subversion or aggression?

The President has so determined.

4. 9. FAA Sec. 620(j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction, by mob action, of U.S. property?

The President has not so determined.

10. FAA Sec. 620(k). Does the program furnish assistance in excess of \$100,000,000 for the construction of a productive enterprise, except for productive enterprises in Egypt that were described in the Congressional Presentation materials for FY 1977, FY 1980 or FY 1981?

NO.

11. FAA Sec. 620(l). If the country has failed to institute the investment guaranty program for the specific risks of expropriation, inconvertibility or confiscation, has the AID Administrator within the past year considered denying assistance to such government for this reason?

Egypt has reactivated an OPIC Agreement with the U.S.

12. FAA Sec. 620(m). Is the country an economically developed nation capable of sustaining its own defense burden and economic growth and, if so, does it meet any of the exceptions to FAA Section 620(m)?

NO.

13. FAA Sec. 620(o); Fishermen's Protective Act of 1967, as amended, Sec. 5. If country has seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters,

There is no known instance of such acts.

a. has any deduction required by the Fishermen's Protective Act been made?

b. has complete denial of assistance been considered by AID Administrator?

- A. 14. FAA Sec. 620(g); Continuing Resolution Sec. 518.
(a) Is the government of the recipient country in default for more than six months on interest or principal of any AID loan to the country? (b) Is the country in default exceeding one year on interest or principal on any U.S. loan under a program for which the Continuing Resolution appropriates funds?
- NO.
- NO.
15. FAA Sec. 620(s). If contemplated assistance is development loan or from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget which is for military expenditures, the amount of foreign exchange spent on military equipment and the amount spent for the purchase of sophisticated weapons systems? (An affirmative answer may refer to the record of the annual "Taking into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval 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, and the President has determined that the listed considerations do not inhibit aid to Egypt but that our aid seeks to reduce arms costs and to stimulate economic development.
16. FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?
- Yes, in 1967; relations were resumed in 1974. New agreements have been made since resumption.
17. 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 AID Administrator in determining the current AID Operational Year Budget?
- Egypt has paid all of its outstanding UN obligations.

- A. 18. FAA Sec. 620A; Continuing Resolution Sec. 521. Has the country aided or abetted, by granting sanctuary from prosecution to, any individual or group which has committed an act of international terrorism? Has the country aided or abetted, by granting sanctuary from prosecution to, any individual or group which has committed a war crime? NO.
19. FAA Sec. 666. 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.
20. FAA Sec. 669, 670. Has the country, after August 3, 1977, delivered or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards? Has it detonated a nuclear device after August 3, 1977, although not a "nuclear-weapon State" under the nonproliferation treaty? NO.

B. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria.

a. FAA Sec. 102(b)(4). Have criteria been established and taken into account to assess commitment progress of the country in effectively involving the poor in development, on such indexes as: (1) increase in agricultural productivity through small-farm labor intensive agriculture, (2) reduced infant mortality, (3) control of population growth, (4) equality of income distribution, (5) reduction of unemployment and (6) increased literacy.

N.A.

8.1. b. FAA Sec. 104(d)(1) If appropriate, is this development (including Sahel) activity designed to build motivation for smaller families through modification of economic and social conditions supportive of the desire for large families in programs such as education in and out of school, nutrition, disease control, maternal and child health services, agricultural production, rural development, assistance to urban poor and through community-based development programs which give recognition to people motivated to limit the size of their families?

N.A.

2. Economic Support Fund Country Criteria.

a. FAA Sec. 502B. Has the country (a) engaged in a consistent pattern of gross violations of internationally recognized human rights or (b) made such significant improvements in its human rights record that furnishing such assistance is in the national interest?

NO.

b. FAA Sec. 532(f). Will ESF assistance be provided to Syria?

N.A.

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.

d. FAA Sec. 620B. Will ESF be furnished to Argentina?

N.A.

NON-PROJECT ASSISTANCE CHECKLIST

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

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

A. GENERAL CRITERIA FOR NONPROJECT ASSISTANCE

1. App. Unnumbered; FAA Sec 653(B); 634A

(a) Describe how Committees on Appropriations of Senate and House have been or will be notified concerning the non-project assistance;

The FY 82 Congressional Presentation notified the Committee of AID's plans to allocate \$280 million for CIP activities.

(b) is assistance within (Operational Year Budget) country or international organization allocation reported to the Congress (or not more than \$1 million over that figure plus 10%)?

The intended obligation for the program is within the level of funds appropriated for Egypt for FY 82. An "Advice for Program Change" will be transmitted to the appropriate Congressional Committee to cover the additional \$150 million.

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

No further legislative action is required to implement the program other than the customary ratification of the signed grant agreement.

3. FAA Sec. 209. Is assistance more efficiently and effectively given through regional or multilateral organizations? If so why is assistance not so given? Information and conclusion whether assistance will encourage regional development programs.

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

B. FUNDING CRITERIA FOR NONPROJECT ASSISTANCE

L. Nonproject Criteria for Security Supporting Assistance

a. FAA Sec. 531 Will this assistance promote economic or political stability? To the extent possible, does it reflect the policy directions of Section 102?

(a) It will promote economic stability by providing vital foreign exchange required for Egypt's development.

Yes. The program reflects the policy direction of Section 102 to the extent possible.

4. FAA Sec. 601(a)

Information and conclusions whether assistance will encourage efforts of the country to:

(a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

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

FAA Sec. 612(b); Sec. 636(h).

Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the United States are utilized to meet the cost of contractual and other services.

FAA Sec. 612(d). Does the United States own excess foreign currency and, if so, what arrangements have been made for its release?

(a) This program will increase the flow of international trade by providing the necessary foreign exchange for the importation of goods.

(b) a separate program to encourage private sector growth is under preparation to supplement funding provided in past years through this program.

(c) No perceptible impact on such activities is attributable to this program.

(d) No perceptible reduction of such practices is attributable to this program.

(e) Imports of raw materials and spare part significantly enhance the technical efficiency of industry, agriculture and commerce.

(f) No perceptible impact.

To the extent that trade patterns between Egypt and the U.S. continue to grow and expand, we foresee this program as having a positive effect.

Program essentially provides foreign exchange assistance for commodity imports. Minimal short term contracts or other services are financed under the CIP.

Existing U.S.-owned foreign currency is fully programmed and none is available for this program.

B. FUNDING CRITERIA FOR NONPROJECT ASSISTANCE

I. Nonproject Criteria for Security Supporting Assistance

a. FAA Sec. 531 Will this assistance promote economic or political stability?

To the extent possible, does it reflect the policy directions of Section 102?

(a) It will promote economic stability by providing vital foreign exchange required for Egypt's development.

Yes. The program reflects the policy direction of Section 102 to the extent possible.

SC(3) - STANDARD ITEM CHECKLIST

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

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

A. Procurement

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?
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?
3. FAA Sec. 604(d). If the cooperating country discriminates against U.S. marine insurance companies, will commodities be insured in the United States against marine risk with a company or companies authorized to do a marine insurance business in the U.S.?
4. FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.)
5. FAA Sec. 603. Is the shipping excluded from compliance with requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per centum of the gross tonnage of commodities

Procurement of commodities and services under the grant will be according to established A.I.D. Reg. 1 procedures.

The grant authorized procurement from the U.S. only, except as A.I.D. may otherwise agree.

Egypt does not discriminate against U.S. marine insurance companies.

No such procurement is contemplated.

It is not so excluded. A.I.D. Reg. 1, which is to be incorporated in the grant agreement, covers this requirement.

A.5. (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 that such vessels are available at fair and reasonable rates?

6. FAA Sec. 621. If technical assistance is financed, to the fullest extent practicable will such assistance, goods and professional and other services be furnished from private enterprise on a contract basis? If the facilities of other Federal agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

YES.

YES.

7. International Air Transport. Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will provision be made that U.S. carriers will be utilized to the extent such service is available?

YES.

8. Continuing Resolution Sec. 505. 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?

B. Construction

1. FAA Sec. 601(d). If capital (e.g., construction) project, are engineering and professional services of U.S. firms and their affiliates to be used to the maximum extent consistent with the national interests?

N.A.

8. 2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable? N.A.

3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million? N.A.

C. Other Restrictions

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

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

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

4. Continuing Resolution Sec. 514
If participants will be trained in the United States with funds obligated in FY 1981, has it been determined either (a) that such participants will be selected otherwise than by their home governments, or (b) that at least 20% of the FY 1981 fiscal year's funds appropriated for participant training will be for participants selected otherwise than by their home governments? (a) NO.
(b) YES.

C. 5. Will arrangements preclude use of financing:

a. FAA Sec. 104(f). To pay for performance of abortions as a method of family planning or to, motivate or coerce persons to practice abortions; to pay for performance of involuntary sterilization as a method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization?

YES.

b. FAA Sec. 620(g). To compensate owners for expropriated nationalized property?

YES.

c. FAA Sec. 660. To provide training or advice or provide any financial support for police, prisons, or other law enforcement forces, except for narcotics programs?

YES.

d. FAA Sec. 662. For CIA activities?

YES.

e. FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained.

Financing is not permitted for such purposes.

f. Continuing Resolution Sec. 504. To pay pensions, annuities retirement pay, or adjusted service compensation for military personnel?

YES.

g. Continuing Resolution Sec. 506. To pay U.N. assessments, arrearages or dues.

YES.

h. Continuing Resolution Sec. 507. To carry out provisions of FAA section 209(d) (Transfer of FAA funds to multilateral organizations for lending.)

YES.

i. Continuing Resolution Sec. 509. To finance the export of nuclear equipment fuel, or technology or to train foreign nationals in nuclear fields?

YES.

c.5. j. Continuing Resolution Sec. 510. Will assistance be provided for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights?

NO.

k. Continuing Resolution Sec. 516. To be used for publicity or propaganda purposes within U.S. not authorized by Congress?

NO.

UNCLASSIFIED
Department of State

INCOMING
TELEGRAM

PAGE 01 CAIRO 30419 241626Z 7153 056341 AID7011
ACTION AID-35

ACTION OFFICE THE EI-03
INFO NEOP-01 NEOP-02 C-01 CNL-02 CPP-01 CPS-02 RELO-01 MAST-01
/017 A4 824

INFO OCT-00 INR-10 EB-08 NEA-07 L-03 AMAD-01 /064 W
-----302727 241627Z /38

R 241352Z DEC 81
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 0688

UNCLAS CAIRO 30419

AIDAC

E.O. 12065: N/A
SUBJECT: 1982 COMMODITY IMPORT PROGRAM PAAD

1. FOR NE/EI/E GERALD GOWER.
2. FOLLOWING LETTER WAS RECEIVED FROM GOE TODAY
QUOTE:

DECEMBER 19TH, 1981

MR. DONALD S. BROWN
USAID DIRECTOR
AMERICAN EMBASSY
CAIRO, EGYPT

DEAR MR. BROWN,

WITH REFERENCE TO THE DRAFT OF THE FY 1982 COMMODITY
IMPORT PROGRAM DOCUMENT REFERRED TO IN YOUR LETTER
OF DECEMBER 14, 1981, AND AS PER OUR DISCUSSIONS
CONCERNING CERTAIN SLIGHT CHANGES IN THE WORDING
OF SOME ITEMS, YOU ARE KINDLY REQUESTED TO
PROCEED WITH THE NECESSARY MEASURES FOR OBTAINING
THE REQUIRED AUTHORIZATION FOR CONTRACTING THE
PROGRAM'S AGREEMENT WITHIN THE SPECIFIED AMOUNT
OF \$350 MILLION.

I TAKE THIS OPPORTUNITY NOT ONLY TO EXPRESS MY
APPRECIATION OF YOUR EFFORTS, AS WELL AS YOUR STAFF'S
FOR MOVING ON THIS MAJOR PART OF FY 1982 PROGRAM, BUT
ALSO TO EMPHASIZE THAT THIS ACCOMPLISHMENT REFLECTS,
TO A VERY GREAT EXTENT, OUR MUTUAL CONCERNS AND
INTERESTS. MEANWHILE, ALLOW ME TO REMIND YOU THAT
ACCORDING TO OUR TIME-SCHEDULE OF PERFORMANCE, WE
EXPECT TO BE ABLE TO CONTRACT THE CIP AGREEMENT
FOR FY 1982, SOMETIME IN JANUARY, 1982.

THANK YOU, WITH DEEPEST REGARDS,

SINCERELY YOURS,

S/T/FOUAD ISKANDAR
SENIOR UNDERSECRETARY OF
STATE FOR ECONOMIC COOPERATION
WITH U. S. A. END QUOTE.

3. PLEASE ADD TO PAAD WHICH IS NOW BEING
PROCESSED IN AID/W AS PART OF BASIC DOCUMENTATION.
ATHERTON

UNCLASSIFIED