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U.S. ECONOMIC ASSISTANCE PROGRAM IN EGYPT

CONFORMED COPY

USAID Grant Agreement No.263-K-644

SECOND AMENDMENT

TO

RESULTS PACKAGE AGREEMENT

BETWEEN

THE ARAB REPUBLIC OF EGYPT

AND THE

UNITED STATES OF AMERICA

FOR

DEVELOPMENT SUPPORT PROGRAM II

Dated: 20 MAR 2005

"Certified to be a true copy of the original document signed by Dr. Kenneth C. Ellis, Director USAID/Egypt, and Fayza Aboulnaga, Minister of International Cooperation."

Karen Hunter
Legal Advisor

FUNDS AVAILABLE

Date 3/20/05 By Hale 3/20/05

Second Amendment, dated 20 MAR 2005 to the Results Package Grant Agreement (Grant Agreement), dated September 30, 2001, between the Arab Republic of Egypt ("A.R.E." or "Grantee") and the United States of America, acting through the United States Agency for International Development ("USAID")(collectively, the "Parties") for the Development Support Policy Program II.

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

A. Article 3, Section 3.1 is amended by deleting "Three Hundred Fifty Million United States ("U.S.") Dollars ($350,000,000)" and substituting "Four Hundred Fifty Million United States ("U.S.") Dollars ($450,000,000)" therefor.

B. Article 3, Section 3.2 is amended by deleting "One Billion, Two Hundred Million United States Dollars ($1,200,000,000)" and substituting "One Billion, Two Hundred Fifty Million United States ("U.S.") Dollars ($1,250,000,000)" therefor.

C. Article 5, Section 5.3 is amended by deleting "September 30, 2007" and substituting "September 30, 2009" therefor.

D. Article 8, Section 8.2 is amended by:

1. Deleting from the first sentence "Minister of State for Foreign Affairs and/or the Administrator of the Department for Economic Cooperation with U.S.A., International Cooperation Sector, Ministry of Foreign Affairs" and substituting "Minister of International Cooperation and/or the Administrator of the Department for Economic Cooperation with U.S.A." therefor.

2. Adding the following sentence after the end of the first sentence: "However, the individual holding or acting in the office of the Minister of International Cooperation, by written notice, shall be entitled to designate representatives for all purposes."

E. Annex I to the Grant Agreement is deleted in its entirety and replaced with Annex I to the Grant Agreement, attached hereto.

SECTION 2. Language of Amendment. This Amendment is prepared in both English and Arabic. In the event of ambiguity or conflict between the two versions, the English language version will prevail.

SECTION 3. Except as specifically amended or modified herein, the Grant Agreement shall remain in full force and effect in accordance with all of its terms.

SECTION 4. Effectiveness. This Amendment shall enter into force when signed by both parties hereto.

SECTION 5. Ratification. The A.R.E. will take all necessary action to complete all legal procedures necessary for ratification of this Amendment and will notify USAID as promptly as possible of the fact of such ratification.

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

ARAB REPUBLIC OF EGYPT

BY: _____

NAME: Fayza Aboulnaga

TITLE: Minister of International Cooperation

UNITED STATES OF AMERICA

BY: _____

NAME: Kenneth C. Ellis

TITLE: Director, USAID/Egypt

Annex 1

Amplified Description

I. Introduction.

This Annex 1 to the Agreement between the A.R.E. and USAID for the Development Support Program II (DSP II) describes the program to be supported and the results to be achieved with the funds obligated herein. Nothing in this Annex 1 shall be construed as amending any of the definitions or terms of the Agreement.

II. Background.

The A.R.E. is undertaking its own program of economic policy reform that aims to increase productive private sector employment through increased trade and investment. DSP II continues efforts, through prior policy reform programs and other policy-related activities, to encourage and support the A.R.E. economic policy reform program. The provision of the cash transfer to be provided under the DSP II is the primary element of this Grant Agreement.

The DSP II is directed at achieving USAID/Egypt's overall goal of "a globally competitive economy benefiting Egyptians equitably." DSP II consists of a group of policy reform objectives and areas that are intended to help achieve the Strategic Objective 16 (SO 16) of "environment for trade and investment strengthened." This SO is intended to generate broad-based increases in family income, thus directly reducing poverty and enabling the gradual removal of consumer subsidies that currently preclude market prices from allocating goods and services in a sufficient manner. Accordingly, the main purpose of DSP II is to support the A.R.E.'s on-going policy reform agenda to encourage and support private sector development through increased trade and investment.

III. Funding.

The Illustrative Financial Plan for DSP II is set forth in Attachment 1 to the Amplified Description. It is anticipated that annual obligations of up to $200 million will be made to this program starting in FY 2001, for a total estimated USAID contribution of up to $1.25 billion.

IV. Results to be Achieved.

DSP II is one of several USAID-funded programs designed to achieve SO 16's goal of strengthening Egypt's environment for trade and investment. The specific result sought by DSP II is to improve policy framework for trade and investment. This will be achieved by focusing on areas such as the financial sector, trade and customs reforms. USAID intends to provide, through separate agreements, technical assistance, research and other support, to assist the A.R.E in implementing its economic policy reform program. USAID and the A.R.E. will use the following indicators to measure the accomplishment of this result:

- Non-petroleum exports and imports of goods as a percent of GDP;
- Progress toward WTO compliance;
- Value of sales proceeds from Privatized Law 203 (for the year 1991) companies and joint venture firms;
- The lag time for the publication of the National Accounts data;
- Selected laws and decrees passed and implemented;
- The ratio of direct tax collections to total tax excluding customs revenue; and,
- Time for customs clearance of imported goods reduced.
- Share of loans outstanding from private banks in total loans outstanding from the banking sector; and
- Share of non-performing bank loans in total loans.

V. Activities.

DSP II will provide disbursements of up to $200 million annually over six years, depending on the A.R.E.'s progress towards implementing its economic policy reforms.

VI. Roles and Responsibilities.

The Ministry of International Cooperation, Department for Economic Cooperation With U.S.A., will be the overall representative of the A.R.E. for the program.

For USAID, the Economic Growth Directorate, Policy and Private Sector Office (EG/PPS) will monitor the implementation of this activity on behalf of the U.S. Government.

Development Support Program II
(DSP II)
USAID GRANT NO. 263-K-0644

Illustrative Financial Plan ($000)

Element	Previous Obligation	This Obligation	Total Obligations	Anticipated Future Obligations	Planned Total Funding
Cash Transfer	350,000	100,000	450,000	800,000	1,250,000