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DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D.C. 20523

PROJECT PAPER

EGYPT: ROAD CONSTRUCTION EQUIPMENT GRANT

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT		<b>PROJECT PAPER FACESHEET</b>		1. TRANSACTION CODE <div style="border: 1px solid black; display: inline-block; padding: 2px;">A</div> A = ADD C = CHANGE D = DELETE		PP	
3. COUNTRY/ENTITY Egypt		4. DOCUMENT REVISION NUMBER <div style="border: 1px solid black; display: inline-block; padding: 2px;">1</div>		5. PROJECT NUMBER (7 digit) <div style="border: 1px solid black; display: inline-block; padding: 2px;">263-0004</div>		6. BUREAU/OFFICE A SYMBOL B CODE NE <div style="border: 1px solid black; display: inline-block; padding: 2px;">3</div>	
8. ESTIMATED FY OF PROJECT COMPLETION FY <div style="border: 1px solid black; display: inline-block; padding: 2px;">7</div> <div style="border: 1px solid black; display: inline-block; padding: 2px;">9</div>		7. PROJECT TITLE (Maximum 40 characters) <div style="border: 1px solid black; display: inline-block; padding: 2px;">Road Construction Equipment Grant</div>		9. ESTIMATED DATE OF OBLIGATION A INITIAL FY <div style="border: 1px solid black; display: inline-block; padding: 2px;">715</div> B. QUARTER <div style="border: 1px solid black; display: inline-block; padding: 2px;">5</div> C. FINAL FY <div style="border: 1px solid black; display: inline-block; padding: 2px;">716</div> (Enter 1, 2, 3, or 4)			

10. ESTIMATED COSTS (\$000 OR EQUIVALENT \$) -.065 ) \$14,000						
A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FY	C. L/C	D. TOTAL	E. FX	F. L/C	G. TOTAL
AID APPROPRIATED TOTAL	10,000		10,000	14,000		14,000
(GRANT)	( 10,000 )		( 10,000 )	( 14,000 )		( 14,000 )
(LOAN)						
OTHER U.S. 1.						
2.						
HOST COUNTRY						
OTHER DONOR(S)						
TOTALS	10,000		10,000	14,000		14,000

11. PROPOSED BUDGET APPROPRIATED FUNDS (\$000) 14,000									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. 1ST FY 75		H. 2ND FY 76		K. 3RD FY 77	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	I. GRANT	J. LOAN	L. GRANT	M. LOAN
(1) SA	930		890	10,000		4,000			
(2)									
(3)									
(4)									
TOTALS				10,000		4,000			

A. APPROPRIATION	N. 4TH FY 78		O. 5TH FY 79		LIFE OF PROJECT		12. IN-DEPTH EVALUATION SCHEDULED  <div style="border: 1px solid black; display: inline-block; padding: 2px;">MM YY</div>
	P. GRANT	Q. LOAN	R. GRANT	S. LOAN	T. GRANT	U. LOAN	
(1)					14,000		
(2)							
(3)							
(4)							
TOTALS					14,000		

13. DATA CHANGE INDICATOR - WERE CHANGES MADE IN THE PID FACESHEET DATA, BLOCKS 12, 13, 14, OR 15 OR IN PRP FACESHEET DATA, BLOCK 12? IF YES, ATTACH CHANGED PID FACESHEET

N/A - No PID or PRP

NO  
 YES

14. ORIGINATING OFFICE CLEARANCE				15. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION			
SIGNATURE Theodore H. Lustig				<div style="border: 1px solid black; display: inline-block; padding: 2px;">MM DD YY</div> <div style="border: 1px solid black; display: inline-block; padding: 2px; margin-left: 20px;">MM DD YY</div>			
TITLE Director, NE/CD		DATE SIGNED <div style="border: 1px solid black; display: inline-block; padding: 2px;">MM DD YY</div>					
		<div style="border: 1px solid black; display: inline-block; padding: 2px;">092076</div>		<div style="border: 1px solid black; display: inline-block; padding: 2px;">092176</div>			

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TO

Project Paper

EGYPT: ROAD CONSTRUCTION EQUIPMENT GRANT AMENDMENT

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B. Grant Authorization Amendment.....	1

PROJECT PAPER

EGYPT: ROAD CONSTRUCTION EQUIPMENT GRANT AMENDMENT

SUMMARY AND RECOMMENDATIONS

1. Grantee: The Government of the Arab Republic of Egypt.  
Implementation Agency: Ministry of Housing and Reconstruction.
2. Amount : \$4,000,000 (Four Million Dollars) grant amendment bringing the total to \$14,000,000 (Fourteen Million Dollars).
3. Terms : Grant
4. Description of Project: This grant amendment will finance cost increases and additional equipment required for the repair of existing roads, highways and city streets and construction of new roads, highways and city streets in the reconstruction of the Suez Canal area.
5. Purpose: To assist the Government of Egypt in its efforts to rehabilitate the Suez Canal area.
6. Mission Views: The USAID Mission strongly supports the grant amendment here proposed.
7. Recommendation: Authorization of a grant amendment of \$4,000,000 (Four Million Dollars) for use under the same terms and conditions specified in the original grant agreement.

I. BACKGROUND

1.01. In FY 1975 A.I.D. provided \$251 million to Egypt, including \$53.5 million in grants for Suez Canal area reconstruction and development. The \$10 million Road Construction Equipment Grant 263-12-004, which was signed in May 1975, was part of this FY 1975 Suez area reconstruction program. The purpose of the grant was to finance the foreign exchange costs of equipment and related spare parts required by the Government of Egypt for reconstruction of roads and related structures in the Suez Canal area.

1.02. On June 30, 1976, the President signed into law the Security Supporting Assistance bill which provided \$695 million for Egypt for FY 1976 and \$100 million for the transitional quarter (July 1 through September 30, 1976).

1.03. This paper provides the justification for the utilization of \$4 million of the \$100 million in transitional quarter funds to increase the FY 1975 Road Construction Equipment Grant. It will update the original project paper but will not duplicate information previously provided.

## II. JUSTIFICATION

### A. Status of Grant 263-12-004

2.01 Under the \$10 million grant of FY 1975, the Ministry of Housing and Reconstruction tendered for equipment estimated at the amount of the grant. Six asphalt plants were withdrawn from bidding before the opening date and, after bid reviews, the Ministry made awards on about \$6.6 million worth of equipment. Withheld from award were trucks, large bulldozers and rollers as not appropriate for the Ministry's needs at that time. Awards were made as follows:

Asphalt Finishers	12	Blaw Knox	\$1.0
Rollers 5 Ton	12	Dynapac	.4
Rollers 10 Ton	12	Dynapac	.5
Static Rollers	12	Galion	.3
Graders	12	Galion	.4
Loaders	12	Clark	.8
Rock Crushing Plants	4	Barber Greene	2.0
Tipper Trucks	48	Int'l. Harvester	<u>1.2</u>
TOTAL			\$6.6

### B. The Proposed Grant Increase

2.01. Before retendering for the balance of equipment needs, the Ministry reassessed equipment requirements for Canal reconstruction and concluded that in addition to the six asphalt plants within the original tender, it had priority needs for 10 portable rock crushing plants, 20 dry bulk cement vehicles and 20 small (170 horsepower) bulldozers. All new items are identified by the Ministry as important equipment for the reconstruction program for highways, municipal streets, and manufacturing and port areas in the Canal.

2.02. USAID has concluded that the Ministry's request is justified. AID/W estimates for the proposed equipment requirements are:

<u>Item</u>	<u>Quantity</u>	<u>Estimated F.O.B. Amount (Millions U.S.\$)</u>
Asphalt Plants	6	\$3.2
Bulldozers	20	1.8
Bulk Cement Vehicles	20	1.0
Portable Crushing Plants	10	<u>2.0</u>
Subtotal		\$8.0
Plus F.O.B. Value of Awards to Date		<u>\$6.6</u>
TOTAL		\$14.6
Less Current Grant Amount		<u>\$10.0</u>
Additional Funding Required		\$ 4.6

2.03. USAID has been informed of these estimates and they are presently working with the Ministry to adjust the number of vehicles to meet the total availabilities provided by the \$4 million add-on. Final adjustments will be made after prices are established.

2.04. All contracts previously awarded have been on an F.O.B. basis with the Egyptian government bearing the ocean freight costs. However, under the original grant, and this amendment, the government may choose to finance ocean freight on U.S. carriers for this equipment. If they do so, adjustments would be necessary in numbers of items purchased. These decisions will be made during the implementation period.

### III. GRANT ADMINISTRATION

3.01. Procurement under the Grant is restricted to U.S. source and origin and will take place under formal competitive bid procedures in accordance with A.I.D. Handbook 11. IFB terms and conditions including technical specifications for equipment will be reviewed by AID/W prior to publication. We expect that the remaining procurement will progress rapidly and with less trouble than was experienced in the initial tender. The Ministry of Housing and Reconstruction has become much more familiar with A.I.D. requirements in the design of technical specifications and in the evaluation of bids. A.I.D. will monitor, through its staff in Cairo, the procurement, shipping, arrival, passage through port customs, inland transportation and assignment to construction groups of the equipment and materials financed under this grant. Such monitoring will be on a periodic basis. The terminal disbursement date for the project is May 1978, and we believe that the Ministry of Housing and Reconstruction could complete its procurement of all items, including those being financed under this \$4 million grant amendment, by that date.

ANNEXES

TO

Project Paper

EGYPT: ROAD CONSTRUCTION EQUIPMENT GRANT AMENDMENT

	<u>No. of Pages</u>
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CHECKLIST OF STATUTORY CRITERIA

The following abbreviations are used:

FAA - Foreign Assistance Act of 1961, as amended.

FAA, 1973 - Foreign Assistance of 1973.

ISAA, 1976 - International Security Assistance and Arms Export Control Act of 1976

App. - Foreign Assistance and Related Programs Appropriation Act, 1976, and the period ending September 30, 1976.

MMA - Merchant Marine Act of 1936, as amended.

COUNTRY PERFORMANCE

Treatment of U.S. Citizens and firms.

1. FAA § 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) a such citizen has exhausted available legal remedies and (b) debt is not denied or contested by such government?  
None of the known claims of any U.S. citizen asserted against the GOE meets the criteria of this section. In any event, Egypt has agreed to participate in a Joint Commission to consider debts of Egypt to U.S. citizens and will seek to negotiate settlement of such debts.
2. FAA § 620(e)(1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect or 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 Egypt's agreement to establish a Joint Commission to discuss compensation of American nationals constitutes taking appropriate steps for the purpose of this section.
3. FAA § 620(o). Fisherman's Protective Act § 5. If country has seized, or imposed any penalty or sanction against, any U.S. fishing vessel on account of its fishing activities in international waters,  
No instance of any such seizure or imposition of such penalty or sanction is now known.

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

a. Not Applicable.

b. has complete denial of assistance been considered by A.I.D. Administrator?

b. Not Applicable.

Relations with U.S. Government and Other Nations

4. FAA § 620(a). Does recipient country furnish assistance to Cuba or fail to take appropriate steps to prevent ships or aircraft under its flag from carrying cargoes to or from Cuba.

No instance of any such present course of conduct is known.

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

The Secretary of State has determined that Egypt is not controlled by the international communist movement.

6. FAA § 620(f). Is recipient country a Communist country?

No.

7. FAA § 620(1). 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 not determined that the recipient country is involved in such conduct.

8. FAA § 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, in accordance with the requirement of section 620(j) has considered terminating assistance to Egypt and has determined that no sufficient reason exists not to furnish the assistance.

9. FAA § 620(1). If the country has failed to institute the investment guaranty program for the specific risks of expropriation, in convertibility or confiscation, has the A.I.D. administration within the past year considered denying assistance to such government for this reason?

Egypt has reactivated its Investment Guaranty Agreement with the U.S.

10. FAA § 620(n). Does recipient country furnish goods to North Viet-Nam or permit ships or aircraft under its flag to carry cargoes to or from North Viet-Nam?

The recipient country is not known to be engaged in such a course of conduct.

11. FAA § 620(g). Is the government of the recipient country in default on interest or principal of any A.I.D. loan to the country?

No such default exists. Reconciliation is taking place between the books of AID and the Government of Egypt in regard to several very minor amounts.

12. FAA § 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?

\_\_\_\_\_ Egypt severed diplomatic relations with the U.S. in 1967. Diplomatic relations have now been resumed. New bilateral assistance agreements have been entered into since such resumption.

13. FAA § 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget?

\_\_\_\_\_ Egypt has paid all of its outstanding U.N. obligations.

14. FAA § 481. Has the government of recipient country 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.

15. FAA § 659. If (a) military base is located in recipient country, and was constructed or is being maintained or operated with funds furnished by U.S., and (b) U.S. personnel carry out military operations from such base, has the President determined that the government of recipient country has authorized regular access to U.S. correspondents to such base?

There is no military base in Egypt within the definition of this section.

### Military Expenditures

16. FAA § 620(s). What percentage of country budget is for military expenditures? How much of foreign exchange resources spent on military equipment? How much spent for the purchase of sophisticated weapons systems? (Consideration of these points is to be coordinated with the Bureau for Program and Policy Coordination, Regional Coordinators and Military Assistance Staff (PPC/RC).)

The President has taken into account each of the listed considerations as to current military expenditures by the GAO and has determined that these do not inhibit economic aid to Egypt but rather that the projected program contributes to the underlying intent of the FAA which seeks to reduce arms costs and to stimulate economic development.

### CONDITIONS OF THE GRANT

#### General Soundness

17. FAA § 611(a)(1). Prior to signing of grant will there be (a) engineering, financial, and other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the United States of the assistance?
18. FAA § 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 the purpose of the grant.

The necessary plans and cost estimates are completed.

No further legislative action is required to implement the program than confirmation action pertaining to the signed agreement amendment.

19. FAA § 611(e). If grant is for Capital Assistance, and all U.S. assistance to project now exceeds \$1 million, has Mission Director certified the country's capability effectively to maintain and utilize the project?

The Director for the U.S.A.I.D. Mission to Egypt has so certified.

Grant's Relationship to Achievement of Country and Regional Goals

20. FAA § 601(a). Information and conclusions whether grant 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.

The grant will increase the flow of international trade and improve technical efficiency of industry, agriculture and commerce.

21. FAA § 619. If assistance is for newly independent country; is it furnished through multilateral organizations or plans to the maximum extent appropriate?

Egypt is not a newly independent country.

Grant's Effect on U.S. and A.I.D. Program

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

The funds expended are for equipment from private U.S. concerns.

23. FAA § 601(d). If a capital project, are engineering and professional services of U.S. firms and their affiliates used to the maximum extent consistent with the national interest? N/A
24. FAA § 602. Information and conclusion whether U.S. small business will participate equitably in the furnishing of goods and services financed by the loan. Procurement of equipment will be pursuant to established AID regulations.
25. FAA § 620(h). Will the grant promote or assist the foreign aid projects or activities of the Communist-Bloc countries? No.
26. FAA § 621. If Technical Assistance is financed by the , information and conclusion whether such assistance will be furnished to the fullest extent practicable as goods and professional and other services from private enterprise on a contract basis. If the facilities of other Federal agencies will be utilized, information and conclusion on whether they are particularly suitable, are not competitive with private enterprise, and can be made available without undue interference with domestic programs. N/A

Grant's Compliance with Specific Requirements

27. FAA § 660. Will grant be used to finance police training or related program in recipient country? No.

28. FAA § 114. Will grant be used to pay for performance of abortions or to motivate or coerce persons to practice abortions? No.
29. FAA § 604(a). Will all commodity procurement financed under the loan be from the United States except as otherwise determined by the President? Yes.
30. FAA § 604(b). What provision is made to prevent financing commodity procurement in bulk at prices higher than adjusted U.S. market price? Commodity procurement in bulk is not to be financed.
31. FAA § 604(d). If the cooperating country discriminates against U.S. marine insurance companies, will the grant agreement require that marine insurance be placed in the United States on commodities financed by the loan? Yes.
32. FAA § 604(e). 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? There will be no such procurement.
33. FAA § 608(a). Information on measures to be taken to utilize U.S. Government excess personal property in lieu of the procurement of new items. Consideration will be given to the use of excess property when practical.
34. FAA § 611(b), App. § 101. If grant finances water or water-related land resource construction project or program, is there a benefit-cost computation made, insofar as practicable, in accordance with the procedures set forth in the Memorandum of the President dated May 15, 1962? No water-related land resource is to be financed.

35. FAA § 611(c). If contracts for construction are to be financed, what provision will be made that they be let on a competitive basis to maximum extent practicable? N/A
36. FAA § 612(b); § 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. N/A
37. Section 30 and 31 of PL 93-189 (FAA of 1973). Will any part of the grant be used to finance directly or indirectly military or paramilitary operations by the U.S. or by foreign forces in or over Laos, Cambodia, North Vietnam, South Vietnam, or Thailand? No.
38. Section 37 of PL 93-189 (FAA of 1973); App. § 111. Will any part of this grant be used to aid or assist generally or in the reconstruction of North Vietnam? No.
39. FAA § 612(d). Does the United States own excess foreign currency and, if so, what arrangements have been made for its release? N/A
40. FAA § 620(g). What provision is there against use of subject assistance to compensate owners for expropriated or nationalized property? N/A
41. FAA § 620(k). If construction of productive enterprise, will aggregate value of assistance to be furnished by the United States exceed \$100 million? N/A

42. FAA § 636(i). Will any grant funds be used to finance purchase, long-term lease, or exchange of motor vehicle manufactured outside the United States, or any guaranty of such a transaction? No.
43. FAA § 502B. (a) Has it been determined that the recipient country has been engaged in a consistent pattern of gross violations of internationally recognized human rights? (b) If so, have resulting statutory provisions been complied with? No.
44. FAA § 620A. Has the recipient country aided or abetted international terrorists by granting them sanctuary from prosecution? No.
45. FAA § 669. Has the recipient country received or delivered nuclear reprocessing or enrichment equipment, materials or technology not subject to multilateral and International Atomic Energy Authority countries? No.
46. ISAA, 1976 § 404. Does the assistance have the purpose or effect of promoting or augmenting the capacity of any nation, group, organization, or individual to conduct military or paramilitary operations in Angola? No.
47. ISAA, 1976 § 406. Does the assistance furnish military or security supporting assistance, military education or training, or credits or loan guarantees under the Arms Export Control Act to Chile? No.
48. ISAA, 1976 § 607. Has information been received which substantiates that officials of the recipient country have received illegal or otherwise improper payments from U.S. corporations, or extorted or attempted to extort money or other things of value in return for permitting a U.S. corporation or citizen to conduct business in that country? No.

49. App. § 103. Will any grantfunds be used to pay pensions, etc., for military personnel? No.
50. App. § 106. Will any grantfunds be used to pay UN assessments? No.
51. App. § 107. Will any of grantfunds be used to carry out provisions of FAA §209(d)? No.
52. App. § 108. Does the activity provide assistance to the Democratic Republic of Vietnam (North Vietnam), South Vietnam, Cambodia or Laos? No.
53. App. § 109. Does the activity finance directly or indirectly military assistance to Angola? No.
54. App. § 110. Will the activity finance, directly or indirectly, the planning or carrying out of any assassination, any foreign political activity, or any other action influencing a foreign election in peace time? No.
55. App. § 501. Will any grant funds be used for publicity or propanganda purposes within the United States not authorized by Congress? No.
56. App. § 506. Is the recipient country in default in excess of one year of principal or interest on any loan made by the U.S. pursuant to a program funded under this Act? No.
57. MMA § 901.6; FAA § 640C. (a) Compliance with requirement that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed with funds made available under this loan shall be transported on privately owned U.S.-flag commercial vessels to the extent that such vessels are available at fair and reasonable rates. Yes.

AMENDMENT  
TO  
GRANT AUTHORIZATION

Egypt: Construction Equipment and Materials Grant

Provided from: Foreign Assistance Act, Section 532  
("Security Supporting Assistance Funds")

The operative paragraphs of the Grant Authorization to Egypt for Construction Equipment and Materials approved April 21, 1975 are hereby deleted and the following are substituted therefore:

- (1) Pursuant to the authority vested in the Administrator, Agency for International Development ("A.I.D.") by the Foreign Assistance Act of 1961, as amended, ("the Act"), and the delegations of authority issued thereunder, I hereby authorize the establishment of a grant ("the Grant"), pursuant to Part 2, Chapter 2, Section 532, Security Supporting Assistance Funds, of said Act, to the Government of the Arab Republic of Egypt ("the Government"), of not to exceed Fourteen Million United States Dollars (\$14,000,000) to assist in financing the foreign exchange costs of construction equipment and spare parts required by the Government in its reconstruction efforts in the Suez Canal area. The Grant shall be subject to the following terms and conditions:
  - (a) Unless A.I.D. otherwise agrees in writing, goods and services financed under the Grant shall have their source and origin in the United States of America.
  - (b) The Grant shall be subject to such other terms and conditions as A.I.D. may deem advisable.

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Daniel Parker

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Date

UNCLASSIFIED

DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
Washington, D.C. 20523

PROJECT PAPER

EGYPT: CONSTRUCTION EQUIPMENT GRANT  
\$10.0 Million

Proposal and Recommendations  
for the Review of the  
NESA Bureau Advisory Committee  
Bureau for Near East and South Asia

UNCLASSIFIED

PROJECT PAPER

A. SUMMARY AND RECOMMENDATIONS

1. Grantee: The Government of the Arab Republic of Egypt  
Implementation Agency: Ministry of Housing and Reconstruction
2. Amount: Not to exceed \$10 million
3. Terms: Grant
4. Description of Project: This grant will finance a portion of the construction equipment required for the repair of existing roads, highways and city streets and construction of new roads, highways and city streets in the reconstruction of the Suez Canal area.
5. Purpose: To assist the Government of Egypt in its efforts to rehabilitate the Suez Canal area.
6. Estimated Cost: Up to \$10 million
7. Mission Views: Both the USAID Mission and the American Embassy strong support the grant here proposed.
8. Recommendation: Authorization of a grant of \$10 million for use as detailed in the attached draft grant Authorization.

B. SECTION 1 BACKGROUND

1. Political and Economic Considerations: Egypt has a decisive role in Middle East affairs. Thus, the approach Egypt takes toward the resolution of the conflicts that have kept the area unsettled for many years is critical to the U.S. interest in achieving a just and permanent peace settlement between the Arab states and Israel. Egypt clearly wishes to refocus its attention on reconstruction, economic stability and growth. The objective of U.S. assistance is to support that effort in a way which will permit Egypt to meet the aspirations of her people through peaceful means.

The ultimate success of U.S. efforts to achieve a just and lasting peace in the Middle East will depend to a great extent on the continuing development of a U.S.-Egyptian relationship which produces mutual confidence. President Sadat and the Egyptian Government have been highly responsive to U.S. diplomatic efforts thus far. This responsiveness has been reflected in Egypt's acceptance of such major U.S.-backed initiatives as the October 22, 1973 ceasefire, the November 11, 1973 Six-Point Agreement between Egypt and Israel, the convening of the Geneva Middle East Peace Conference in December 1973, and the Egyptian-Israeli agreement of January 18, 1974 on disengagement and separation of forces along the Suez front. President Sadat was also a leading advocate in Arab circles on behalf of the lifting of the oil embargo by Arab oil producers. The Egyptian Government has continued to play a constructive role in support of progress toward disengagement between Syria and Israeli forces. The United States and Egypt resumed diplomatic relations on February 28, 1974 following a six and one-half year break. President Sadat's position domestically within Egypt and his leadership role in the Arab world in general will be closely linked with the success or failure of his dual policy of Middle East accommodation and friendship with the United States. Any setbacks to this policy are likely to be sized upon by extremists in the Arab world opposed to peace and an increased U.S. role in the area.

In an effort to support U.S. diplomacy with respect to Egypt and a Middle East settlement in a concrete manner, the U.S. announced on March 18 that it had agreed to assist Egypt in sweeping mines from the Suez Canal and in providing training and technical advice to Egyptian personnel engaged in removal of other unexploded ordnance. The U.S. also agreed to finance removal of sunken wrecks from the Canal. The reopening of the Canal is viewed as a logical sequel to the Egyptian-Israeli military disengagement and separation of forces, which has now been implemented. It will contribute to development of normal civilian activities, including encouraging reconstruction of the cities along the Canal. Progress along these lines will augment the state in peace.

The needs for social and economic development are extensive and far beyond the capacity of any one foreign donor. Thus, Egypt must rely on broad external support. In this situation, it is in the U.S. interest to demonstrate its serious concern for Egypt's development as well as

our conviction that such development is of major interest to others, hopefully leading in due course to the formation of a coordinated approach to Egypt's needs.

2. General: Following the October 1973 conflict, and the withdrawal of Israeli troops, the Government of Egypt initiated the reconstruction of the Suez Canal Region. Damage was extensive in the region and the Government, while taking steps to reconstruct and rehabilitate most needed facilities for the populace, hired the services of TAMS, a U.S. firm, to develop the terms of reference for the development of area Master Plans for reconstruction. That task has been completed and detailed planning contracts have been let to a combination of American and Scandinavian firms. It is estimated that the total Egypt program for reconstruction and proposed development will include repair and construction of 90,000 housing units, numerous industrial plants, and public utilities, railroads, and an extensive highway and city streets program. Very little maintenance of the road system has been done since 1967.

Given the enormity of the total reconstruction task and the several billion dollars that this work will require, it is clear that Egypt is unable to finance this effort by itself. Iran has announced its intentions to finance up to \$250 million in projects for the Reconstruction Area and other donors can be expected to offer additional assistance as planning for the new cities is completed. However, there remains a large gap between need and anticipated foreign financing and Egypt, with a present balance of trade and services deficit amounting to approximately \$1 billion annually, is unable to close this gap with its own resources. The U.S. financing of equipment under this grant will help the Egyptians to move forward on the basic infrastructural aspects of the Reconstruction effort in a more rapid manner than would otherwise be possible.

## SECTION 2 PROJECT ANALYSIS

1. Description: To provide equipment and spare parts for the repair, replacement and construction of highways, roads and city streets and for other construction activities in the reconstruction of the Suez Canal Area. The equipment and materials required are : bulldozers, dump trucks, graders, pavement breakers, air compressors, drilling machines, rock crushers, asphalt mixing plants, finishers, rollers and spare parts and similar equipment and materials.

2. Need for Equipment: Egypt is in vital need of the construction equipment to be financed by this grant to help implement the roads and highway segments of the area reconstruction plans. The bulk of the highway and road work (repairs, reconstruction and construction) will be carried out by the Ministry of Housing and Reconstruction (MHR) through construction groups under the administration of the Ministry.

3. Present Equipment: Two AID equipment engineers visited Egypt on separate occasions to, review the quantity and condition of heavy construction equipment presently at the disposal of the MHR. Their findings indicate that much of the equipment presently held is beyond

economic useful life and unsatisfactory to meet their requirements in the reconstruction plans. The Ministry of Reconstruction has on order \$25 million worth of heavy construction equipment financed from its own foreign exchange.

Our engineers, after having reviewed present equipment in the field and that on order, determined that the equipment needs to carry out the reconstruction program are well in excess of that proposed to be financed by this grant. The AID engineers, in consultation MHR officials, have established a list of equipment proposed for AID financing. (See ANNEX A ) Our selection of equipment was based on the present MHR equipment holding and designed to support and supplement the previously mentioned new equipment on order. The total cost of \$10 million for this equipment includes freight, spare parts, and equipment related training to be provided by the manufacturers. The AID engineers have determined this equipment will provide the GOE contractors with a sound nucleus around which they can update their equipment inventory.

4. MHR Capability for Utilization and Maintenance: In addition to developing equipment requirements, the AID engineers also addressed the issue of MHR technical capacity and maintenance capability for utilizing the equipment. The two engineers independently concluded that such mechanical skills required to utilize, operate and maintain heavy construction equipment exists. In fact, one of the larger MHR construction groups maintains a large machine shop in which the capability exists to produce and machine castings for installation required for maintaining the old equipment on hand.

However, to effectively maintain the new equipment financed under this grant, a program of familiarization training is recommended to acquaint key supervisory technicians with the maintenance peculiarities of the new machinery. To take advantage of the equipment maintenance training schools offered free of charge at the factory by the major heavy equipment manufacturers, the MHR has requested a training program be established to provide key personnel with the required training. AID fully supports the MHR request. The related travel and per diem costs for such training would be eligible for funding under the upcoming Technology Transfer and Participant Training Grant.

5. Spare Parts: As in most developing countries, the problem of nonavailability of foreign exchange to purchase spare parts exists in Egypt. Heretofore, each construction group maintained its own spare parts inventory, thus resulting in the expected duplication and shortages of certain parts. Commencing with the procurement of parts to be financed by this grant, the Ministry of Reconstruction proposes to centralize the spare parts inventory and utilize a formal requisition procedure. We expect that the GOE will in future use resources now available to it for the purchase of additional spare parts as they are needed. The AID Commodity Import Program is one of the funding sources which could be used for this purpose.

### SECTION 3. PROJECT IMPLEMENTATION

1. Implementation Plan: The implementing agency will be the Ministry of Reconstruction. All equipment and services, including shipping, financed under this grant will be of U.S. source and origin (A.I.D. Geographic Code 000). During the last engineer's TDY visit to Egypt, equipment list was agreed to and technical specifications to be included in the IFB were drafted. A.I.D. will as necessary provide assistance to the MRR to complete and approve the IFB for issuance. Given the current market situation of heavy construction equipment, it is anticipated that disbursements under this grant will in all likelihood extend to three years.

Since the reconstruction is well underway and can be expected to consume ten to twenty years, equipment arriving in Egypt will be utilized immediately. The Ministry of Reconstruction will be responsible for clearing the equipment through port customs inland transportation, and assignment to construction groups. The assignment of equipment will be made according to the Ministry's present practices.

2. Monitoring: A.I.D. will monitor, through its staff in Cairo, the procurement, shipping, arrival, passage through port customs, inland transportation and the assignment to construction groups of the equipment and materials financed under this grant. AID expects that such monitoring will be on a periodic basis and will be supplementary to shipping and arrival reports to be required of the Ministry of Reconstruction based on an adequate arrival accounting system.

Proposed List of Construction Equipment to be Procured

<u>Item</u>	<u>Number of Units</u>
1. Asphalt mixing plant, 100 tons (batch)	6
2. Finisher, 3 to 5 m	12
3. Tandem vibrating roller, 5 ton	12
4. Tandem vibrating roller, 10 ton	12
5. Tandem static roller, 15 ton	12
6. Grader, 150 HP (14G)	12
7. Bulldozer, 300 HP (D-8)	6
8. Loader, 3m <sup>3</sup> (977 track 950)	12
9. Crusher, 100 m <sup>3</sup> per hour	3
10. Compressors (CM-350)	3
11. Drilling Machines (Wagon Type)	6
12. Tipper, 10 ton	60
13. Dumper, 20 ton	30
14. Breakers, sheep foot rollers, etc.	

NB: Total value of above equipment is estimated at 10 million U.S. dollars.

DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D. C. 20523

OFFICE OF  
THE ADMINISTRATOR

GRANT AUTHORIZATION

Provided from: FAAct Section 532 ("Security Supporting  
Assistance Funds")  
(Egypt: Construction Equipment and Materials Grant)

Pursuant to the authority vested in the Administrator, Agency for International Development ("A.I.D.") by the Foreign Assistance Act of 1961, as amended, ("the Act"), and the delegations of authority issued thereunder, I hereby authorize the establishment of a grant ("the Grant"), pursuant to Part 2, Chapter 2, Section 532, Security Supporting Assistance Funds, of said Act, to the Government of the Arab Republic of Egypt ("the Government"), of not to exceed Ten Million United States Dollars (\$10,000,000) to assist in financing the foreign exchange costs of equipment and spare parts required by the Government in its reconstruction efforts in the Suez Canal area. The Grant shall be subject to the following terms and conditions:

- (a) Unless A.I.D. otherwise agrees in writing, goods and services financed under the Grant shall have their source and origin in the United States of America.
- (b) The Grant shall be subject to such other terms and conditions as A.I.D. may deem advisable.

\_\_\_\_\_  
Administrator  
Agency for International Development

\_\_\_\_\_  
Date