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Project Grant Agreement

For

Technical Support for Sector Policy Reform

Dated **AUG 24**, 1992.

Between

The Arab Republic of Egypt ("Grantee")

And

The United States of America, acting through the  
Agency for International Development ("A.I.D.").

Article 1: The Agreement

The purpose of this Agreement is to set out the understandings of the parties named above ("Parties"), with respect to the undertaking by the Grantee of the Technical Support for Sector Policy Reform ("Project") described below and with respect to the financing of the Project by the Parties.

Article 2: Definition of Project

The Project, which is further described in Annex 1, has as its goal to assist the Government of Egypt ("GOE") to achieve its economic reform program, specifically those sector policy reforms related to the A.I.D. Cash Transfer for Sector Policy Reform. The Ministry of International Cooperation will be the main implementing organization for the Project, however, assistance will be provided under this Agreement to other relevant GOE organizations to assist these organizations in

accomplishing the policy reform measures under the Sector Policy Reform Program. The Project's purpose is to help the Grantee develop, carry out, monitor and evaluate its Sector Policy Reform Program. Annex 1, attached, amplifies the above definition of the Project. Within the limits of the above definition of the Project, elements of the amplified description stated in Annex 1 may be changed by written agreement of the authorized representatives of the Parties named in Section 8.2., without formal amendment of this Agreement.

Article 3: Financing

SECTION 3.1. The Grant. To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of this Agreement not to exceed Ten Million United States ("U.S.") Dollars (\$10,000,000) ("Grant").

The Grant may be used to finance foreign exchange costs, as defined in Section 6.1, and local currency costs, as defined in Section 6.2, of goods and services required for the Project.

SECTION 3.2. Grantee Resources for the Project.

The Grantee agrees to provide or cause to be provided for the Project all funds, in addition to the Grant, and all other resources required to carry out the Project effectively and in a timely manner.

SECTION 3.3. Project Assistance Completion Date.

(a) The "Project Assistance Completion Date" (PACD),

which is August 31, 1995, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the Project as contemplated in this Agreement.

(b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Grant for services performed subsequent to the PACD or for goods furnished for the Project, as contemplated in this Agreement, subsequent to the PACD.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters are to be received by A.I.D. or any bank described in Section 7.1 no later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to the Grantee, may at any time or times reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

#### Article 4: Conditions Precedent to Disbursement

SECTION 4.1. First Disbursement. Prior to any disbursement or to the issuance by A.I.D. of any commitment documents under this Agreement, the Grantee shall, except as the

Parties may otherwise agree in writing, furnish to A.I.D., in satisfactory form and substance, a statement of the names and titles of the persons authorized pursuant to Section 8.2 to act as the representatives of the Grantee, together with a specimen signature of each person specified in such statement.

SECTION 4.2. Notification. When A.I.D. has determined that the condition precedent specified above has been met, it will promptly notify the Grantee.

SECTION 4.3. Terminal Dates for Conditions Precedent. If the condition specified in Section 4.1 has not been met within 60 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to the Grantee.

Article 5: Special Covenants

SECTION 5.1. Payment by the Grantee of Taxes, Tariffs, Duties and Other Levies.

(a) This Agreement shall be free from any customs duties, taxes, social insurance assessments, and other levies imposed under laws in effect in the Arab Republic of Egypt. Specifically, (i) any contractor financed under the Grant, (ii) any personnel of any such contractor, (iii) any personal effects (including personal vehicles) of any such personnel, (iv) any equipment, materials or other property provided or used under the Grant, (v) any work or services performed under the Grant, or (vi) any transaction (including any commodity procurement)

financed under the Grant, shall be exempt from identifiable taxes, tariffs, duties or other levies (including social insurance assessments) imposed under the laws in effect in the Arab Republic of Egypt.

(b) If any taxes, tariffs, duties or other levies (including social insurance assessments) are imposed in violation of paragraph (a) of this Section 5.1, the Recipient GOE Organization shall, unless otherwise expressly provided in Project Implementation Letters, pay the same with funds other than those provided under the Grant. For purposes of Sections 5.1 and 5.2 of this Agreement, the Recipient GOE Organization is the organization to which such services or commodities are provided under this Grant.

(c) For purposes of this Section 5.1, (i) each reference to "contractor" shall be deemed to include any individual (who is not a citizen or permanent resident of the Arab Republic of Egypt) or organization (which is not organized or incorporated under the laws of the Arab Republic of Egypt) performing work or services, or supplying commodities, under any agreement financed under the Grant (including contracts, grants, cooperative agreements, subcontracts, and subagreements under grants and cooperative agreements); and (ii) each reference to "personnel" shall be deemed to include all individuals (whether contractors or employees of contractors) performing work or services, or supplying commodities, under any agreement referred to in the preceding clause who are not citizens or permanent residents of

the Arab Republic of Egypt, and all family members of such individuals.

**Section 5.2. Documentation Required for Duty-Free Importation of Commodities and Personal Effects.** The Recipient GOE Organization shall provide to the Egyptian Customs Authority letters of guarantee and any other documentation required for the duty-free importation of (i) equipment (including vehicles, materials and supplies (hereinafter collectively referred to as "commodities") financed under the Grant; (ii) commodities imported for use in connection with work or services to be performed under the Grant; and (iii) the personal effects referred to in clause (iii) of Section 5.1(a) hereof. Such letters of guarantee shall provide for payment by the Recipient GOE Organization, with funds other than those provided under the Grant, of all customs duties and other taxes imposed on such commodities and such personal effects which are not exempted from customs duties or re-exported.

**SECTION 5.3 Ratification.** The Grantee will take all necessary action to complete all legal procedures necessary to ratification of this Agreement and will notify A.I.D. as promptly as possible of the fact of such ratification.

Article 6: Procurement Source

**SECTION 6.1. Foreign Exchange Costs.** Disbursements pursuant to Section 7.1 will be used exclusively to finance the costs of goods and services required for the Project having their

source and origin in the United States (Code 000 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods or services) ("Foreign Exchange Costs"), except as A.I.D. may otherwise agree in writing, and except as provided in the Project Grant Standard Provisions Annex, Section C.1(b) with respect to marine insurance.

SECTION 6.2. Local Currency Costs. Disbursements pursuant to Section 7.2 will be used exclusively to finance the costs of goods and services required for the Project having their source and, except as the Parties may otherwise agree in writing, their origin in Egypt ("Local Currency Costs").

Article 7: Disbursement

SECTION 7.1. Disbursement for Foreign Exchange Costs.

(a) After satisfaction of the condition precedent stated in Section 4.1 hereof, the Grantee may obtain disbursements of funds under the Grant for the Foreign Exchange Costs of goods or services required for the Project in accordance with the terms of this Agreement, by such of the following methods as may be mutually agreed upon:

(1) by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, (A) requests for reimbursement for such goods or services, or, (B) requests for A.I.D. to procure commodities or services on Grantee's behalf for the Project; or,

(2) by requesting A.I.D. to issue Letters of Commitment for specified amounts (A) to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letters of Credit or otherwise, for such goods or services, or (B) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for such goods or services.

(b) Banking charges incurred by the Grantee in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless the Grantee instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Grant.

Section 7.2 Disbursement for Local Currency Costs.

(a) After satisfaction of condition precedent stated in Sections 4.1 hereof, the Grantee may obtain disbursements of funds under the Grant for Local Currency Costs required for the Project in accordance with the terms of this Agreement, by submitting to A.I.D., with necessary support documentation as prescribed in Project Implementation Letters, requests to finance such costs.

(b) The local currency needed for such disbursements may be obtained by acquisition by A.I.D. with U.S. dollars by purchase. The U.S. dollar equivalent of the local currency made available hereunder will be the amount of U.S. dollars required by A.I.D. to obtain the local currency.

SECTION 7.3. Other Forms of Disbursement. Disbursements of the Grant may also be made through such other means as the Parties may agree to in writing.

SECTION 7.4. Rate of Exchange. Except as may be more specifically provided under Section 7.2, if funds provided under the Grant are introduced into Egypt by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Grantee will make such arrangements as may be necessary so that funds may be converted into currency of the Arab Republic of Egypt at the daily average closing rate of exchange determined by the Free Market Central Chamber for the last business day immediately preceding the date of the conversion.

Article 8: Miscellaneous

SECTION 8.1. Communications. Any notice, request, document, or other communication submitted by A.I.D. or the Grantee to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such party at the following addresses:

To the Grantee:

Ministry of International Cooperation  
48-50 Abdel Khalik Tharwat Street  
Cairo, Egypt

To A.I.D.:

U.S. Agency for International Development  
106 Kasr El Aini Street  
9th Floor  
Cairo, Egypt

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

SECTION 8.2. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of Minister of State for International Cooperation and/or the Administrator of the Department for Economic Cooperation with U.S.A., and A.I.D. will be represented by the individual holding or acting in the office of Director, USAID, each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1 to revise elements of the amplified description in Annex 1. The names of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

SECTION 8.3. Language of Agreement. This agreement is prepared in both English and Arabic. In the event of ambiguity or conflict between the two versions, the English language version shall prevail.

SECTION 8.4. Standard Provisions Annex. A "Project Grant Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

SECTION 8.5. Effective Date. This Agreement shall enter into force when signed by both Parties hereto.

IN WITNESS WHEREOF, the Grantee and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

ARAB REPUBLIC OF EGYPT

BY :   
NAME : Dr. Maurice Makramallah  
TITLE : Minister of State for International Cooperation

UNITED STATES OF AMERICA

BY :   
NAME : Robert H. Pelletreau  
TITLE: American Ambassador

ARAB REPUBLIC OF EGYPT

BY :   
NAME : Dr. Hassan Selim  
TITLE : Administrator of the Department for Economic Cooperation with U.S.A.

UNITED STATES OF AMERICA

BY :   
NAME : Henry H. Bassford  
TITLE: Director, USAID/Egypt

PROJECT DESCRIPTION

In order to meet the GOE's agenda of policy reform measures, as described in the Cash Transfer for Sector Policy Reform Program, a three year program of technical assistance will be financed under this Project. The purpose of this \$10 million Technical Support for Policy Reform Project is to help develop, carry out, monitor and evaluate the Government's Sector Policy Reform Program.

The Project consists primarily of specialized technical services to Egyptian policymakers in the four sectors being addressed: financial, fiscal, trade and privatization. Individuals or teams will provide specialized expertise tailored to the particular needs of the ministry or agency involved in the reform measures being carried out, including the design of implementation plans, assistance in appropriate studies, surveys or analyses, related information management services, and monitoring. In addition to the sector-oriented technical assistance, the Project will finance a limited amount of staff support for the Ministry of International Cooperation to ensure that it has available the resources necessary to carry out its role as the GOE implementing agency. This includes responsibility for monitoring and reporting to AID: (1) progress in carrying out reform measures; (2) disposition of Grant proceeds; and (3) uses of the local currency deposits. Finally, the Project will finance the necessary evaluations and audits for both the Sector Policy Reform Cash Transfer and Project.

Both long term and short term technical assistance will be required over the life of the project. Of the four sectors addressed under the GOE's Sector Policy Reform Program, technical assistance furnished under this Project will focus most heavily on the financial and trade sectors. Areas in the financial sector that will be examined include regulatory systems applied to commercial lending and interest rates, a legal structure for securities market operations, and mechanisms for strengthening the banking sector. In the trade sector, a study of the regulations and procedures governing private sector export activities will be undertaken and examination of the collective effect of business laws governing licencing and registration. An illustrative list of the level and type of TA required is contained in the cost estimate table below.

With the exception of the staff support for MIC, which will be financed with local currency, procurement will be by direct AID contract. Pursuant to Section 3.2 of the Grant Agreement, any additional Grantee resources for the Project may be provided from the Special Account.

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ILLUSTRATIVE COST ESTIMATES  
(LOP)

	<u>Long Term</u> <u>(Person Yrs)</u>	<u>Short Term</u> <u>(Person Mos)</u>	<u>LOP</u> <u>\$000</u>
<b>TECHNICAL ASSISTANCE</b>			
<b>A. <u>Financial Sector</u></b>			3840
1. Banking	3		
2. Monetary (ST monetary and banking experts)	3	24	
3. Capital markets (ST capital markets experts)	3	36	
4. Market information	2		
<b>B. <u>Fiscal Sector</u></b>			1920
1. Public expenditure	3		
2. Cost control (ST experts, e.g. data publication)	3	24	
<b>C. <u>Trade Sector</u></b>			1920
1. Export policy	3		
2. Tariff (ST tariff and export policy experts)	3	24	
<b>D. <u>Privatization</u></b>			
<b>E. <u>MIC Support</u></b>			
1. Program Manager	(3)		700
2. Economist	(3)		
3. Support Staff	(3)		
4. ST assistance		24	
<b>F. <u>Contingency</u></b>			500
COMMODITIES**			600
EVALUATION AND AUDIT			520
<hr/>			
LOP Total	23 yrs*	132 mos.	10,000

\* Does not include the 9 person years of FSN staff support for the MIC to carry out and monitor Program activities.

\*\* Computer hard and soft ware, information management equipment as needed.

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