No. 18101

UNITED STATES OF AMERICA
and
EGYPT

Agreement for sales of agricultural commodities under Public Law 480 Title I Program (with agreed minutes of 2 November 1978). Signed at Cairo on 8 November 1978

Authentic text: English.

Registered by the United States of America on 14 November 1979.

ÉTATS-UNIS D'AMÉRIQUE
et
ÉGYPTE

Accord relatif à la vente de produits agricoles conclu en application du titre I de la *Public Law* 480 (avec procès-verbal approuvé du 2 novembre 1978). Signé au Caire le 8 novembre 1978

Texte authentique : anglais.

Enregistré par les États-Unis d'Amérique le 14 novembre 1979.

AGREEMENT[1] BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE ARAB REPUBLIC OF EGYPT FOR SALES OF AGRICULTURAL COMMODITIES UNDER PUBLIC LAW 480 TITLE I PROGRAM

The Government of the United States of America and the Government of the Arab Republic of Egypt have agreed to the sales of agricultural commodities specified below. This agreement shall consist of the preamble, Parts I and III of the P.L. 480 Title I Agreement of June 7, 1974,[2] together with the following Part II:

PART II. PARTICULAR PROVISIONS

Item I. COMMODITY TABLE:

Commodity	*Supply Period (U.S. Fiscal Year)*	*Approximate Maximum Quantity (Metric Tons)*	*Maximum Export Market Value (Million Dollars)*
Wheat/Wheat Flour (Grain Equivalent Basis)	1979	1,500,000	214.0
		TOTAL	214.0

Item II. PAYMENT TERMS:

(Convertible Local Currency Credit)

1. Initial Payment—5 percent.
2. Currency Use Payment—None.
3. Number of Installment Payments—31.
4. Amount of Each Installment Payment—Approximately equal annual amounts.
5. Due Date of First Installment Payment—Ten years after date of last delivery of commodities in each calendar year.
6. Initial Interest Rate—2 percent.
7. Continuing Interest Rate—3 percent.

Item III. USUAL MARKETING TABLE:

Commodity	*Import Period (U.S. Fiscal Year)*	*Usual Marketing Requirements*
Wheat and/or Wheat Flour (Grain Equivalent Basis)	1979	2,000,000 Metric Tons

Item IV. EXPORT LIMITATIONS:

A. The export limitation period shall be Fiscal Year 1979 or any subsequent fiscal year during which commodities financed under this Agreement are being imported or utilized.

B. For the purpose of Part I, Article III A4, of the Agreement, the commodities which may not be exported are: for wheat/wheat flour—wheat, wheat flour, rolled wheat, semolina, farina or bulgur (or the same product under a different name).

[1] Came into force on 8 November 1978 by signature, in accordance with part III (A).

[2] United Nations, *Treaty Series*, vol. 953, p. 313.

Item V. SELF-HELP MEASURES:

A. In implementing these self-help measures specific emphasis will be placed on contributing directly to development progress in poor rural areas and enabling the poor to participate actively in increasing agricultural production through small farm agriculture.

B. The Government of Egypt agrees to undertake the following programs and to provide adequate financial, technical and managerial resources for their implementation:

1. To encourage establishment of self-sufficient private sector agricultural cooperatives and encourage their use of improved technologies. Emphasis should initially be placed on planning, management and training.
2. Construct modern storage facilities for agricultural commodities such as grains, tallow and fats, including specific quantitative targets for port areas, inland terminal locations, market towns and other storage as needed.
3. Further improvement of the present irrigation system through drainage, rehabilitation and better management of the existing water supply with special attention devoted to decreasing the salinity of the soils.
4. To have completed by September 30, 1979, a review and analysis of pricing policies for agricultural inputs, e.g., fertilizer, and for agricultural outputs that provides a basis for possible changes in the system of output incentives and in systems for the allocation and the use of inputs.
5. To develop firm plans by June 30, 1979, for improving the GOE's capacity within the agricultural sector for data collection, analyses and the use of results in planning developmental programs and in determining production, pricing and marketing policies.
6. Within the framework of the Five Year Plan to have completed for use in the 1980 budget process, a reassessment of agricultural sector investment levels with particular focus on investment level targets for improvement of existing agricultural lands as well as development of marginal lands. This includes, as part of this process, the study of alternative options for and use in those lands presently under cultivation such as use of improved seeds, fertilizers or a change in the cropping patterns, at the same time encouraging pilot projects in marginal lands not yet under cultivation.
7. Utilizing the results of the agricultural mechanization feasibility study, and other relevant information, that may be available, to undertake the initial steps for the formulation of a national agricultural mechanization policy which would encourage the identification, development and application of appropriate small farm machinery.
8. To undertake a comprehensive review of subsidies on food items with a view toward developing a plan by September 30, 1979, for gradual rationalization of subsidies that will protect lower income groups from harmful price increases on basic food items.
9. To undertake an analysis of the present public and private family planning program with the aim of identifying key bottlenecks and developing by September 30, 1979, a strategy for overcoming them.

Item VI. ECONOMIC DEVELOPMENT PURPOSES FOR WHICH PROCEEDS ACCRUING TO IMPORTING COUNTRY ARE TO BE USED:

A. The proceeds accruing to the importing country from the sale of commodities financed under this agreement will be used for financing the self-help measures set forth in the Agreement and for the following economic development sectors: agriculture, nutrition and rural development.

B. In the use of proceeds for these purposes emphasis will be placed on directly improving the levels of the poorest of the recipient country's people and their capacity to participate in the development of their country.

IN WITNESS WHEREOF, the respective representatives, duly authorized for the purpose, have signed the present Agreement.

DONE at Cairo, in duplicate, this 8th day of November, 1978.

For the Government of the United States of America:	For the Government of the Arab Republic of Egypt:
[Signed — Signé][1]	*[Signed — Signé]*[2]

AGREED MINUTES ON THE NEGOTIATION OF THE U.S. FISCAL YEAR 1979 AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE ARAB REPUBLIC OF EGYPT, UNDER THE PROVISIONS OF TITLE I, PUBLIC LAW 480, OF THE UNITED STATES OF AMERICA

1. *Financial Terms.* Part II, Item II, of the proposed agreement provides for convertible local currency credit terms of 40 years credit, including a 10-year grace period, with an interest rate of 2 percent during the grace period and 3 percent thereafter. The terms are the same as were in the previous year agreement (FY 78).

2. *Commodity Composition.* As shown in Part II, Item I, of the FY 1979 agreement provides for 1,500,000 metric tons of wheat and wheat flour on a grain equivalent basis (which represents 1,000,000 metric tons of wheat and 375,000 metric tons of wheat flour) with a total export market value of dollars 185.0 million.

It was noted that the U.S. Government reviewed the Government of Egypt's (GOE) official request for other agricultural commodities to be supplied under the P.L. 480 Title I program for FY 1979. However, due to severe budget limitations and nonavailability of many of the commodities for P.L. 480 programing, the U.S. Government is able only to supply 1,500,000 metric tons of wheat/wheat flour (grain equivalent basis) in FY 1979.

The U.S. team advised GOE representatives that purchase authorizations will be issued separately for wheat and wheat flour in the amounts covered in the above paragraph.

3. *Usual Marketing Requirements (UMR's).* Part II, Item III, of the draft Title I program provides for a usual marketing requirement (UMR) of 2.0 million metric tons of wheat/wheat flour (grain equivalent basis), during fiscal year 1979. This is the same quantity as required in fiscal year 1978. The U.S. team noted that the wheat/wheat flour UMR is reviewed each year by supplier countries and that the five-year average would have required a higher UMR of 2.7 million metric tons for FY 79.

It was emphasized by the U.S. team that Egypt is expected to continue to maintain commercial imports and the UMR level at 2.0 million metric tons for FY 1979.

4. *Self-Help Measures and Use of Proceeds.* Sections 106(B) and 109(A) of P.L. 480 require (1) specific emphasis on implementation of self-help measures so as to contribute directly to development progress in poor rural areas and to enable the poor to participate actively in increasing agricultural production through small farm agriculture, and (2) use of proceeds for purposes which directly improve the lives of the poorest of the recipient country's people and their country. These new requirements are reflected in the agreement text of items V and VI of Part II of the Agreement.

5. *Special Notes.* The U.S. team noted that recent legislation and amendments to Title I, P.L. 480 financing regulations contain certain provisions affecting the development, implementation, and operation of P.L. 480 programs as follows:

Pursuant to the new legislative and regulatory requirements:

(*a*) Purchase authorizations will be issued under the agreement only after the Secretary of Agriculture has determined that (1) adequate storage facilities are available in the recipient country

[1] Signed by Hermann Fr. Eilts — Signé par Hermann Fr. Eilts.
[2] Signed by Nassef Tahoun — Signé par Nassef Tahoun.

at the time of export so as to prevent spoilage or waste of the commodity, and (2) the distribution of the commodity in the recipient country will not result in a substantial disincentive to domestic production.

(*b*) Purchase of food commodities under the agreement must be made on the basis of invitations for bid (IFB) publicly advertised in the United States and on the basis of bid offerings which must conform to the IFB. Bid offerings must be received and publicly opened in the United States. All awards under IFB's must be consistent with open, competitive and responsive bid procedures.

(*c*) The terms of all IFB's (including IFB's FOB ocean freight) must be approved by the General Sales Manager, USDA, prior to issuance.

(*d*) Commissions, fees or other payments to any selling agent are prohibited in any purchase of food commodities under the agreement.

(*e*) If the Government of Egypt nominates a purchasing agent and/or shipping agent to procure commodities or arrange ocean transportation under the agreement, the GOE must notify the General Sales Manager/USDA in writing of such nomination and provide along with the notification a copy of the proposed agency agreement. All purchasing and shipping agents must be approved by the General Sales Manager's Office in accordance with new regulatory standards designed to eliminate certain potential conflicts of interest.

6. *Instructions and Authority.* During the negotiations, the Egyptian team gave assurances that arrangements have been made to relay to its Washington Embassy all instructions, information, and authority necessary to enable timely implementation of the agreement, including:

(*a*) Commodity specifications;

(*b*) Contracting and delivery periods;

(*c*) Names and addresses of U.S. and foreign banks handling transactions (letters of credit for commodity and freight);

(*d*) Authority to request and sign purchase authorizations and other necessary documents;

(*e*) Complete instructions/information/authority regarding arrangements for purchasing commodities and contracting for freight (including the appointment of purchasing and/or shipping agents if applicable);

(*f*) Instructions to contact the Program Operations Division, Office of the General Sales Manager, USDA, regarding the foregoing.

7. *Letters of Credit.* The U.S. team informed GOE representatives that freight letters of credit often are not opened by time of loading at the U.S. port, which is contrary to the intent of the purchase authorization. As a result, there have been costly claims and carrying charges by vessel owners for demurrage. Delays in opening letters of credit and settlement of the final 10 percent of freight results in higher commodity prices and higher freight rates.

U.S. representatives recommended that the GOE consider providing funds and authorizing the Egyptian Embassy, Washington, to open letters of credit in Washington, D.C., to cover both freight and commodity costs. However, Egyptian representatives stated that this was not possible because the banking regulations do not permit this at this time. Also, they believe it is more expeditious to open letters of credit from Cairo. GASC has provided written assurance that appropriate measures shall be taken to ensure that operable letters of credit for both commodity and freight will be opened on time, and confirmed by designated U.S. banks immediately after contracting under each purchase authorization is concluded, and before vessels arrive at loading ports.

With particular regard to ocean freight, GOE representatives were advised that letters of credit for 100 percent of the ocean freight charges must be opened in favor of the supplier of the ocean transportation prior to the vessel's presentation for loading.

8. *Reporting Requirements.* GASC representatives declared they were well aware of their responsibilities for submission of timely reports on compliance, arrival and shipping information (ADP sheets), self-help and use of sales proceeds, as required under the provisions of the agreement.

9. *Identification and Publicity.* GOE representatives were reminded that Part I, Article III (I), of the Title I Agreement provides that the government of the importing country shall undertake such measures for identification and publicity of commodities to be received, as may be mutually agreed, prior to their delivery. This is as provided for in Section 103 (I) of P.L. 480.

10. *Food for Development.* U.S. representatives explained that the P.L. 480 *Food for Development* (Title III) request for FY 1979 was being reviewed in Washington but the review would not be completed before signing of Title I, P.L. 480 agreement. Because Title III has not been approved, Purchase Authorizations would be issued initially only for $170.0 million and $15.0 million would be held aside in the event the proposed basic village services project under a *Food for Development* program (Title III) is approved.

11. *Outstanding Payments.* At present, GASC has arranged payment of 100 percent of the letters of credit for all shipments which have been unloaded, except for the vessel the *Evangelistria.* GASC stated it would release the remaining payments for the vessels *Nancy Lykes* and *Antigone* as soon following their discharge as it can be determined that necessary costs related to insect infestation could be covered by extension of the performance bonds. The *Evangelistria* presents a more complex problem. GASC stated it would release the remaining payment if the supplier would extend the performance bond and enter into three-way negotiations with the vessel owners for settlement of the dispute.

DONE in Cairo this day of November, 1978.

Representing the Government
of the United States of America:

[*Signed*]

JAMES E. ROSS
Agricultural Attaché
American Embassy
Cairo

Representing the Government
of the Arab Republic of Egypt:

[*Signed*]
2/11/1978

IBRAHIM DARWISH
Deputy Chairman
General Authority for Supply Commodities
Ministry of Supply
Cairo