

No. 19206

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**UNITED STATES OF AMERICA  
and  
EGYPT**

**Project Grant Agreement for a Private Investment Encouragement Fund (with annexes). Signed at Cairo on 22 September 1979**

*Authentic text: English.*

*Registered by the United States of America on 30 October 1980.*

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**ÉTATS-UNIS D'AMÉRIQUE  
et  
ÉGYPTE**

**Accord relatif à l'octroi d'un don destiné à un Projet de fonds d'encouragement aux investissements privés (avec annexes). Signé au Caire le 22 septembre 1979**

*Texte authentique : anglais.*

*Enregistré par les États-Unis d'Amérique le 30 octobre 1980.*

# PROJECT GRANT AGREEMENT<sup>1</sup> BETWEEN THE ARAB REPUBLIC OF EGYPT AND THE UNITED STATES OF AMERICA FOR PRIVATE INVESTMENT ENCOURAGEMENT FUND

Dated: September 22, 1979

A.I.D. Project Number 263-0097

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PROJECT GRANT AGREEMENT dated September 22, 1979, 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 Project described herein, and with respect to the financing of the Project by the Parties.

<sup>1</sup> Came into force on 22 September 1979 by signature.

<sup>2</sup> For the text of the Standard Provisions Annex, see "Project Grant Agreement between the United States of America and Egypt for applied science and technology research, signed at Cairo on 29 March 1977", in United Nations, *Treaty Series*, vol. 1116, p. 97.

## Article 2. THE PROJECT

*Section 2.1. DEFINITION OF PROJECT.* The Project, which is further described in Annex 1, will assist in financing the foreign exchange and local currency costs of goods and services required for the Project as described in the following paragraph.

The Private Investment Encouragement Fund Project will assist Egypt to establish credit facilities for larger-sized private sector enterprises for the improvement of productive facilities and thereby increase the productivity of the private sector. The Project will establish a fund to provide medium- to long-term credit to such private sector enterprises. Of the authorized amount, an allocation of U.S. Dollars Thirty Million (\$30,000,000) will be made for the establishment and initial operation of the Fund, which will include a special allocation in the amount of U.S. Dollars Five Million (\$5,000,000) for sub-projects which will meet special employment generation and geographic location criteria, unless A.I.D. agrees otherwise. The remaining U.S. Dollars Three Million (\$3,000,000) of the authorized amount will be allocated for advisory services to be provided for the initial operation of the Fund, sub-project appraisal, training in project appraisal and studies of Egyptian long-term finance.

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 Thirty-three Million United States ("U.S.") Dollars (\$33,000,000).

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, except that unless the parties otherwise agree in writing Local Currency Costs financed under the Grant will not exceed the Egyptian Pound equivalent of Two Million Two Hundred Fifty Thousand United States Dollars (\$2,250,000).

*Section 3.2. GRANTEE RESOURCES FOR THE PROJECT.* (a) 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.

(b) The resources provided by Grantee for the Project will be not less than the Egyptian Pound equivalent of United States Dollars Two Hundred Thousand (\$200,000) including costs borne on an "in-kind" basis.

*Section 3.3. PROJECT ASSISTANCE COMPLETION DATE.* (a) The "Project Assistance Completion Date" (PACD), which is September 30, 1984 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 disbursements, 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. CONDITIONS PRECEDENT TO INITIAL DISBURSEMENT.* Prior to any disbursement or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee shall, except as the parties may agree otherwise in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

- (a) A statement of the names and titles with specimen signatures of the person or persons who will act as the representatives of the Grantee.
- (b) An acceptable contract for Project Consulting Firm Services for the Project.
- (c) Such other documentation as A.I.D. may require.

*Section 4.2. CONDITIONS PRECEDENT TO ADDITIONAL DISBURSEMENT.* Prior to any disbursement or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made for establishment of the Private Investment Encouragement Fund, the Grantee shall, except as the parties may agree otherwise in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

- (a) An implementation plan for the Fund developed jointly with the Project Consulting Firm for administration and implementation of the Fund. The plan shall include project eligibility and appraisal criteria, including a mechanism to ensure that environmental concerns are taken into account; a description of procurement procedures consistent with A.I.D. regulations to be required for all Project-financed procurement of commodities, equipment, services, etc.; and Fund contribution criteria.
- (b) Evidence of formal establishment of the Fund and affiliation of the Fund with an Agency of the Government of Egypt to include: (1) a commitment by the Agency to furnish a structure or facility to house the fund; (2) establishment of a special section within the Agency to be adequately staffed, and (3) evidence of establishment of an organizational plan for the Fund including delineation of operational responsibilities.
- (c) Evidence of establishment of an Advisory Board to the Fund together with an acceptable procedure for the review and monitoring responsibilities agreeable to the Grantee, its implementing agency, and A.I.D.
- (d) Such other information and documents as A.I.D. may reasonably require.

*Section 4.3. CONDITIONS PRECEDENT TO LONG-TERM FINANCE STUDIES.* Prior to any disbursement or to the issuance of documentation pursuant to which disbursement will be made for any long-term finance studies, the cooperating country shall furnish, in form and substance satisfactory to A.I.D., an acceptable contract for the conduct of such studies with a consulting firm.

*Section 4.4. NOTIFICATION.* When A.I.D. has determined that the conditions precedent specified in Sections 4.1, 4.2 and 4.3 have been met, it will promptly notify the Grantee.

*Section 4.5. TERMINAL DATE FOR CONDITIONS PRECEDENT.* If all of the conditions specified in Section 4.1 have not been met within 90 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 Grantee.

#### *Article 5. SPECIAL COVENANTS*

*Section 5.1. PROJECT EVALUATION.* The Parties agree to establish an evaluation program as part of the Project. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Project and at one or more points thereafter:

- (a) Evaluation of progress toward attainment of the objectives of the Project;
- (b) Identification and evaluation of problem areas of constraints which may inhibit such attainment;
- (c) Assessment of how such information may be used to help overcome such problems; and
- (d) Evaluation, to the degree feasible, of the overall development impact of the Project.

*Section 5.2. EXECUTION OF THE PROJECT.* The Grantee shall:

- (a) Discuss with A.I.D. means to improve the availability in Egypt of long-term financing facilities to be available to the private sector, including appropriate institutional arrangements to achieve this objective.
- (b) Cause the Project to be carried out in conformance with all plans, specifications, and [with] all modifications therein approved by A.I.D. pursuant to the Agreement, including the provision, on a timely basis, of necessary local currency and in-kind support as specified in the Agreement and its annexes.
- (c) Shall provide, in addition to the assistance received under this Grant, all funds necessary to carry out the Project and shall endeavor to secure supplementary participating funds from other sources in Egypt to assist the Project to achieve its goal.
- (d) Require the Fund to enter into an acceptable formal arrangement between the Fund and a participating bank or banks for all transactions that the bank will arrange and administer on behalf of the Fund.

*Section 5.3. INSTITUTIONALIZATION OF THE FUND.* The Grantee during the life of the Project shall exercise its best efforts to develop and establish an institution which shall have the long-term capability of carrying on private investment encouragement activities consistent with the concepts contained in this Project.

### 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 A.I.D. may otherwise agree in writing, their origin in Egypt.

### Article 7. DISBURSEMENT

*Section 7.1. DISBURSEMENT FOR FOREIGN EXCHANGE COSTS.* (a) After satisfaction of conditions precedent, 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 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 in 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 Grantee in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless 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 conditions precedent, 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 supporting 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. 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 highest rate of exchange prevailing and declared for foreign exchange currency by the competent authorities of the Arab Republic of Egypt.

*Section 7.4. OTHER FORMS OF DISBURSEMENT.* Disbursements of the Grant may also be made through such other means as the Parties may agree to in writing.

*Article 8. MISCELLANEOUS*

*Section 8.1. COMMUNICATIONS.* Any notice, request, document, or other communication submitted by either Party 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:

Mail address:

Ministry of Economy  
Cairo, Egypt

To A.I.D.:

Mail address:

A.I.D.  
U.S. Embassy  
Cairo, Egypt

Alternate address for cables:

A.I.D.  
U.S. Embassy  
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 the purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of Minister of Economy, Foreign Trade and Economic Affairs, and A.I.D. will be represented by the individual holding or acting in the office of Director, U.S.A.I.D., Cairo, Egypt, 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. STANDARD PROVISIONS ANNEX.* A "Project Grant Standard Provisions Annex" (Annex 2)<sup>1</sup> is attached to and forms part of this Agreement.

<sup>1</sup> See footnote 2, p. 294 of this volume.

IN WITNESS WHEREOF, the Grantee and the United States of America, each acting through its duly authorized representatives, 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: [Signed]

Name: Dr. HAMED EL SAYEH

Title: Minister of Economy, Foreign Trade and Economic Affairs

United States of America:

By: [Signed]

Name: DOUGLAS J. BENNET, Jr.

Title: Administrator, A.I.D.

## ANNEX 1

### PROJECT DESCRIPTION

The project will establish a Fund to provide medium- to long-term credit and equity to private sector companies to finance new productive facilities and expansion and modernization of existing production facilities. The Fund will be a co-financier and will hold in its portfolio the longer maturities whereas Participating Banks will hold the shorter maturities. Participating Banks will manage Fund investments as agent. In addition, the project will develop institutional capabilities through advisory services for project implementation, project appraisal, and a training program in project appraisal.

Project elements will:

- Encourage financial institutions to undertake longer-term investments, using Fund assets;
- Encourage financial institutions to collaborate more closely, including commercial banks, investment/development banks, insurance companies, pension funds, etc., to draw on each institution's unique financing capabilities;
- Establish a Fund for Repayments for future projects, although this Fund for Repayments will not be large for over a decade;
- Train bank officers and others in appraisal of investment projects;
- Establish a design for a training program in project appraisal taught by Egyptians in Egypt; and
- Encourage use of Egyptian consultants and experts in project appraisal teams, when financial institutions lack a special expertise, usually in technical fields.

A.I.D. will create the proposed Fund by a grant to the Government of Egypt. The Ministry of Economy, Foreign Trade and Economic Affairs will be the implementing Ministry. The Ministry will establish a special section for the Fund to be adequately staffed. This staff will be paid from Fund earnings and will have responsibility for the following activities:

- Promotion of the Fund with potential Participating Banks.
- Preliminary screening and pre-selection, in conjunction with USAID, of projects proposed by interested Participating Banks.
- Organization and provision of local or foreign consulting assistance to a Participating Bank when requested or when deemed necessary. Such assistance may be required by some banks in the area of project appraisal or to review questions relating to specialized marketing or product issues.
- Final review and approval of sub-project proposals; USAID will also review sub-projects until the Fund gains sufficient experience.



- Liaison with Participating Banks to ensure appropriate reporting on Fund investments. Semi-annual reports should generally be considered sufficient.
- Organization and management of Fund-sponsored training programs for Participating Bank staff.

Also, an Advisory Board to the Fund will be created to review and monitor the implementation of the Fund, and report its findings and recommendations to the Ministry. This would enable the Ministry to ensure that the Fund is responsibly managed without the need for an expensive complement of permanent staff. This board should be limited to four or five individuals drawn from the highest professional levels of banking, finance, government and business circles in Egypt. Its function should be exclusively advisory in nature; the Ministry of Economy would retain full authority to accept or reject the findings and/or recommendations of the Board.

A principal-agency relationship will be established between the Fund and a Participating Bank to administer Fund investments. This relationship will invest the Participating Bank with authority to manage the Fund's contribution to a particular sub-project, whether a loan or an equity participation. The responsibilities, obligations, rights and privileges of both parties will be defined in a written agreement. The Participating Bank as agent will assume responsibilities of disbursements, collections, sale of equity, and reporting.

Five Million Dollars of the Fund will be primarily directed towards employment generation activities located outside of major cities in Egypt.

In addition, the Grantee will discuss with A.I.D. means to improve the availability in Egypt of long-term financing facilities to be available to the private sector, including appropriate institutional arrangements to achieve this objective.

#### ATTACHMENT 1 TO ANNEX 1

##### *Financing plan—A.I.D. grant*

(Figures in thousands of dollars or equivalent)

	Dollars	Local currency (dollars converted)	Investors/ banks	GOE	Total sources
(a) Sub-project investments . . . . .	\$28,550	\$1,200	\$45,000	0	\$75,000
(b) Consulting services:					
(i) Project implementation ad- visor . . . . .	250	50	—	\$200	500
(ii) Appraisal consultants . . . . .	600	600	—	—	1,200
(iii) Training program . . . . .	350	150	—	—	500
(c) Long-term finance study . . . . .	600	—	—	—	600
(d) Escalation and contingency . . . . .	400	—	—	—	400
TOTAL	31,000	2,000	45,000	200	78,200