

**No. 18846**

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**UNITED STATES OF AMERICA  
and  
EGYPT**

**Project Grant Agreement for industrial production (with  
annex). Signed at Cairo on 31 August 1978**

*Authentic text: English.*

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

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

**Accord de don pour un projet relatif à la production in-  
dustrielle (avec annexe). Signé au Caire le 31 août 1978**

*Texte authentique : anglais.*

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

PROJECT GRANT AGREEMENT<sup>1</sup> AMONG THE ARAB REPUBLIC OF EGYPT, THE UNITED STATES OF AMERICA AND THE MINISTRY OF INDUSTRY FOR INDUSTRIAL PRODUCTION

[Dated:] 31 August 1978

Project Number 263-0101

TABLE OF CONTENTS

PROJECT GRANT AGREEMENT

Article 1. The Agreement	Section 5.2. Elimination of subsidies
Article 2. The Project	Section 5.3. Proscribed sub-projects
Section 2.1. Definition of Project	Article 6. Procurement source
Section 2.2. Incremental nature of Project	Section 6.1. Foreign exchange costs
Article 3. Financing	Article 7. Disbursement
Section 3.1. The Grant	Section 7.1. Disbursement for foreign exchange costs
Section 3.2. Grantee resources for the Project	Section 7.2. Other forms of disbursement
Section 3.3. Project assistance completion date	Article 8. Miscellaneous
Article 4. Conditions precedent to disbursement	Section 8.1. Communications
Section 4.1. First disbursement	Section 8.2. Representatives
Section 4.2. Additional disbursement	Section 8.3. Standard Provisions Annex <sup>2</sup>
Section 4.3. Notification	Section 8.4. Investment guaranty Project approval
Section 4.4. Terminal date for conditions precedent	Annex 1. Project description
Article 5. Special covenants	
Section 5.1. Project evaluation	

A.I.D. PROJECT NUMBER 263-0101

PROJECT GRANT AGREEMENT<sup>1</sup> dated August 31, 1978, among the ARAB REPUBLIC OF EGYPT ("Grantee"), the MINISTRY OF INDUSTRY 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 Borrower of the Project described below and with respect to the financing of the Project by the Parties.

*Article 2. THE PROJECT*

*Section 2.1. DEFINITION OF PROJECT.* The Project, which is further described in annex 1, will consist of assistance to improve the institutional capability of the Ministry of Industry to manage the allocation of resources in the industrial sector, to improve the

<sup>1</sup> Came into force on 31 August 1978 by signature.

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

capability of the Ministry of Industry and of public sector industrial companies in the planning and implementation of projects, and to assist industrial firms to correct detrimental effects on the environment. Assistance for the Project will consist of this Grant and a Loan, the agreement for which shall be executed concurrently with this Agreement. These funds will be used to fund training, technical assistance, financing for plant, equipment and services needed to rehabilitate and modernize existing industrial facilities and environmental assistance for industrial firms. The Grantee will make available the funds under this Grant to the General Organization for Industrialization (“GOFI”) of the Ministry of Industry which will be the implementing agency for the Project. 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.

*Section 2.2. INCREMENTAL NATURE OF PROJECT.* (a) A.I.D.’s contribution to the Project will be provided in increments, the initial one being made available in accordance with section 3.1 of this Agreement. Subsequent increments will be subject to availability of funds to A.I.D. for this purpose, and to the mutual agreement of the Parties, at the time of a subsequent increment, to proceed.

(b) Within the overall Project assistance completion date stated in this Agreement, A.I.D., based upon consultation with the Grantee, may specify in Project implementation letters appropriate time periods for the utilization of funds granted by A.I.D. under an individual increment of assistance.

### 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 seven million five hundred thousand United States (“U.S.”) dollars (\$7,500,000) (“Grant”).

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

*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 twenty-one million Egyptian pounds (L.E. 21,000,000), including costs borne on an “in-kind” basis.

*Section 3.3. PROJECT ASSISTANCE COMPLETION DATE.* (a) The “Project assistance completion date” (PACD), which is August 31, 1983, 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 the first disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

- (a) A statement of the names of the persons holding or acting in the offices of the Grantee specified in section 8.2 and of any additional representatives, together with a specimen signature of each person specified in such statement;
- (b) An executed contract acceptable to A.I.D. for the consulting services for the project with a firm acceptable to A.I.D.; and
- (c) Such other documentation as A.I.D. may require.

*Section 4.2. ADDITIONAL DISBURSEMENT.* Prior to any disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, for commodities or services for a specific sub-project, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

- (a) A complete application checklist acceptable to A.I.D. for each sub-project containing the following information:
  - (i) Description of the industrial firm which will implement the sub-project and be the recipient of a sub-grant ("Sub-grantee");
  - (ii) Description of the sub-project including technical, financial, cost, economic, environmental and social aspects;
  - (iii) Financial projections of the sub-grantee through the life of the sub-project;
  - (iv) A statement of the nature, cost and source of funding of technical assistance required to complete the sub-project;
- (b) A feasibility study of the sub-project to be conducted by the consultant funded under this Grant;
- (c) A Sub-grant Agreement acceptable to A.I.D. for the sub-project between the Grantee and the Sub-grantee;
- (d) Such other documentation as A.I.D. may require.

*Section 4.3. NOTIFICATION.* When A.I.D. has determined that the conditions precedent specified in sections 5.1 and 5.2 have been met, it will promptly notify the Grantee.

*Section 4.4. TERMINAL DATE FOR CONDITIONS PRECEDENT.* If all of the conditions specified in section 4.1 have not been met by January 31, 1979, 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 or 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. ELIMINATION OF SUBSIDIES.* The Grantee agrees to pursue its long-term policy of eliminating subsidies that hinder the development of the industrial sector. Grantee agrees to meet with A.I.D. from time to time regarding the implementation of this policy and to take into account A.I.D.'s observations on this subject as part of a continuing dialogue on the development of the industrial sector.

*Section 5.3. PROSCRIBED SUB-PROJECTS.* The Grantee agrees that no sub-grants will be made for sub-projects involving gambling facilities, public safety, military use items, weather modification, luxury consumer goods, and such other activities as A.I.D. may specify in implementation letters.

#### *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.

#### *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 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 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 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. 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 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 Economy and Economic Cooperation  
8, Adly St.  
Cairo, Egypt

or

General Organization for Industrialization  
6, Aga Khail St.  
Garden City  
Cairo, Egypt

To A.I.D.:

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 all purposes relevant to this Agreement, the Grantee will be represented by the individuals holding or acting in the offices of Minister of Economy and Economic Cooperation, Minister of Industry, Deputy Chairman of the General Authority for Arab and Foreign Investment and Free Zones and Vice-Chairman, GOFI, and A.I.D. will be represented by the individual holding or acting in the office of Director, U.S.A.I.D., 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 signature, 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) is attached and forms part of this Agreement.

*Section 8.4. INVESTMENT GUARANTY PROJECT APPROVAL.* Construction work to be financed under this Agreement is agreed to be a Project approved by the Arab Republic of Egypt pursuant to the Agreement between it and the United States of America on the subject of investment guaranties, and no further approval by the Arab Republic of Egypt will be required to permit the United States to issue investment guaranties under that agreement covering a contractor's investment in that Project.

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: [Signed]  
Name: Dr. HAMED EL SAYEH  
Title: Minister of Economy and Economic  
Cooperation

United States of America:

By: [Signed]  
Name: H. FREEMAN MATTHEWS  
Title: Chargé d'affaires a.i.

Ministry of Industry:

By: [Signed]  
Name: AHMED EZZ EL-DIN HELAL  
Title: Minister of Industry

## ANNEX 1

## PROJECT DESCRIPTION

The purpose of the Project is to improve the institutional capability of the Ministry of Industry to rationalize the industrial sector, primarily its method of allocating resources; and to improve the capability of the Ministry of Industry and the public sector industrial companies in the planning and implementation of projects. A secondary purpose will be to reduce the detrimental environmental effect of many industrial firms.

The Project will have four elements:

1. *Training.* Courses will be held in Egypt primarily in project analysis with concentration on economic and financial analysis and secondly on project management (use of CPM/Pert, contract management). The courses will be a period of approximately four weeks each. Class size will be limited to approximately 25 persons. Approximately eight courses will be held in the first year. The course content will include the underlying theory of project analysis and the application of that analysis to current and planned investments. Participants will include employees of GOFI and the financial/planning managers of the public sector companies.

2. *Technical assistance.* Individual firms will be provided assistance in their planning and design of projects, through the preparation of a complete feasibility study. Other firms will be given assistance in the elimination of production bottlenecks, production techniques and the improvement of product quality.

3. *Capital plant.* Financing will be provided for plant equipment and services needed to rehabilitate and modernize existing industrial facilities, and the completion of projects or expansions already underway. The individual sub-projects will be selected from the list of projects included in the Five-Year Plan. Selection procedures for sub-projects shall be set forth in implementation letters. It is anticipated that the average sub-project financing requirement will be \$4 to \$5 million. No sub-projects requiring over \$10 million will be financed, and usually the financing will be over \$2 million. Most of the sub-projects will meet the first priority of the Five-Year Plan, i.e., projects for replacement and maintenance of existing or obsolete facilities. A smaller number of sub-projects will meet the second priority of the Five-Year Plan, i.e., completion of projects already underway but requiring additional materials and services.

4. *Environmental improvements.* Financing will be provided to assist industrial concerns eliminate environmental hazards both in the plant and external to the plant.

A.I.D. funding for the Project will be provided for in this Grant Agreement and in a Loan Agreement to be signed concurrently. The grant element of the Project will be used for (i) training, (ii) technical assistance in project preparation and (iii) equipment and services for environmental improvements. The loan element will be used for (i) equipment and services for rehabilitation, replacement and completion of projects and (ii) technical assistance for production planning, improvement of production techniques and product quality.

## ATTACHMENT 1 TO ANNEX 1

## PROJECT FINANCIAL PLAN

	<i>Foreign exchange</i>		<i>Egyptian pounds (in U.S. dollars) (000)</i>	<i>Total (000)</i>
	<i>Loan</i>	<i>Grant</i>		
Application				
Training .....		250	250	500
Technical assistance project design/study .....		2,176	544	2,720
Sub-Projects—Production:				
Capital equipment .....	50,000		40,000	90,000
Services .....	12,500		3,125	15,625

	<i>Foreign exchange</i>		<i>Egyptian pounds</i> (in U.S. dollars) (000)	<i>Total</i> (000)
	<i>Loan</i>	<i>Grant</i>		
<b>Sub-projects—Environment:</b>				
Capital equipment .....		4,500	1,500	6,000
Services .....		474	118	592
Evaluation .....		100	100	200
	<u>62,500</u>	<u>7,500</u>	<u>45,637</u>	<u>115,637</u>
<b>Source</b>				
USAID Loan .....	62,500			62,500
USAID Grant .....		7,500		7,500
GOE Budget .....			894	894
Internally Generated Company Funds .....			44,743	44,743
	<u>62,500</u>	<u>7,500</u>	<u>45,637</u>	<u>115,637</u>
FY 1978 Program	42,500	7,500	32,387	52,387
FY 1979 Program <sup>(1)</sup>	20,000	—	13,250	33,250
	<u>62,500</u>	<u>7,500</u>	<u>45,637</u>	<u>115,637</u>

<sup>(1)</sup> Subject to availability of funds for the Project and to the mutual agreement of the Parties to proceed.