

No. 30572

**UNITED STATES OF AMERICA
and
EGYPT**

Program Grant Agreement for decentralization sector support (with annex). Signed at Cairo on 29 August 1982

Authentic text: English.

Registered by the United States of America on 2 December 1993.

**ÉTATS-UNIS D'AMÉRIQUE
et
ÉGYPTE**

Accord de don pour un programme de soutien de la décentralisation sectorielle (avec annexe). Signé au Caire le 29 août 1982

Texte authentique : anglais.

Enregistré par les États-Unis d'Amérique le 2 décembre 1993.

PROGRAM GRANT AGREEMENT¹ BETWEEN THE ARAB REPUBLIC OF EGYPT AND THE UNITED STATES OF AMERICA FOR DECENTRALIZATION SECTOR SUPPORT

Dated: August 29, 1982

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Program Budget

¹ Came into force on 29 August 1982 by signature.

² Not printed herein. For text, see United Nations, *Treaty Series*, vol. 1116, p. 119.

A.I.D. Program No. 263-K-605

Program Grant Agreement

Dated August 29, 1982

Between

The Arab Republic of Egypt ("Grantee")

And

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

Preamble

In order to achieve greater flexibility in the funding of decentralized development activities, the funds made available under this Agreement shall be available for the financing by the Parties of certain agreed-upon activities in the decentralization sector. Five previously existing projects are subsumed as activities under this Program. Additional activities may be added from time to time, as mutually agreed upon in Activity Protocols and as may be deemed necessary by the Grantee.

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 Program described below and with respect to the financing of the Program by the Parties.

Article 2: The Program

SECTION 2.1. Definition of Program. The Program consists of several activities to assist the Grantee to establish the institutional capacity to plan and implement the plans for local development at the national, governorate, district and village levels, and a national budget process allocating adequate funds to decentralization. The Program will emphasize the discretionary use of such funds for locally designed and approved development initiatives which will promote sustained economic growth and improvement in living standards. The Program will implement decentralized development activities as defined in "Activity Protocols" to be entered into by the Parties. The initial five Activity Protocols under the Program shall be entered into on the date of this Agreement. The following five Project Grant Agreements are hereby deleted in their entirety:

- A. Project Grant Agreement for Development Decentralization I dated May 29, 1978,¹ as amended on May 31, 1979, March 31, 1980, and August 19, 1981 - AID Project No. 263-0021;
- B. Project Grant Agreement for Basic Village Services dated August 31, 1980 - AID Project No. 263-0103;
- C. Project Grant Agreement for Provincial Cities Development dated September 22, 1981 - AID Project No. 263-0127;
- D. Project Grant Agreement for Decentralization Support Fund dated September 28, 1980 - AID Project No. 263-0143; and
- E. Project Grant Agreement for Neighborhood Urban Services dated August 19, 1981 - AID Project No. 263-0153.

The Parties may, from time to time, and as may be initiated by the Grantee, execute other Activity Protocols.

¹ United Nations, *Treaty Series*, vol. 1178, p. 97.

The Program is further described in the individual Activity Protocols which contain amplified descriptions of the above definition of the Program. Within the limits of the above definition of the Program, elements of the amplified descriptions contained in the Activity Protocols may be changed by written agreement of the authorized representatives of the Parties named in those Protocols, without formal amendment of this Agreement, provided that such changes are consistent with the provisions set forth herein.

SECTION 2.2. Incremental Nature of Program.

(a) A.I.D.'s contribution to the Program will be provided in increments. The initial increments have been previously made available in accordance with the Project Agreements listed in Section 2.1. The initial increment under the Program established by this Agreement is 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 Program Assistance Completion Date stated in this Agreement, A.I.D., based upon consultation with the Grantee, may specify in Program 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 Program, 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 Two Hundred Sixty-One Million Two Hundred Thousand ("U.S.") Dollars (\$261,200,000) and One Hundred Twenty Five Thousand Egyptian Pounds (LE 125,000).

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 Program, except that, unless the Parties otherwise agree in writing, Local Currency Costs financed under the Grant will not exceed the total U.S. Dollars made available for such purpose as set forth in the Activity Protocols entered into pursuant to this Program Agreement.

Annex 1, attached, sets forth the budgetary allocation of the funds made available under each Activity Protocol concluded hereunder. Within the limits of the Grant as set forth above, Annex 1 may be changed by the authorized representatives of the Parties named in Section 8.2, without formal amendment of this Agreement provided that funds previously granted by A.I.D. for the five existing activities listed below shall not be reduced below the amounts previously stated in the Project Grant Agreements covering such activities as follows:

- a. Development Decentralization I - Twenty-Six Million Two Hundred Thousand U.S. Dollars (\$26,200,000) and One Hundred Twenty-five Thousand Egyptian Pounds (LE 125,000);
- b. Basic Village Services - Seventy Million U.S. Dollars (\$70,000,000);
- c. Provincial Cities Development - Twenty Million U.S. Dollars (\$20,000,000);
- d. Decentralization Support Fund - Fifty Million U.S. Dollars (\$50,000,000); and
- e. Neighborhood Urban Services - Twenty Million U.S. Dollars (\$20,000,000).

SECTION 3.2. Grantee Resources for the Program.

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

(b) The resources provided by the Grantee for the Program will be as specified in Activity Protocols entered into pursuant to this Program Agreement.

SECTION 3.3. Program Assistance Completion Date.

(a) The "Program Assistance Completion Date" (PACD), which is June 30, 1987, 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 Program as contemplated in this Agreement. Notwithstanding the above PACD, each Activity Protocol shall have an "Activity Assistance Completion Date" (AACD), as specified in the respective Activity Protocol.

(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 Program, as contemplated in this Agreement, subsequent to the PACD.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Program 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 Program Implementation Letters, were not received before the expiration of said period.

Article 4: Conditions Precedent to Disbursement.

SECTION 4.1. First Disbursement of Funds Made Available Under Section 3.1. Prior to any disbursement of funds made available under Section 3.1, other than from funds already made available up until the date of this Agreement, or to the issuance of any commitment documents under this Program Agreement with respect to such funds, the Grantee shall, except as the Parties may otherwise agree in writing, furnish to A.I.D. in satisfactory form and substance:

(a) A statement of the names 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; and

(b) Evidence of the establishment of a committee ("Sector Steering Committee") charged with the assessment and direction of this Program and to be served by a technical secretariat charged with the collection and analysis of baseline data against which budget and implementation decisions may be determined by the Sector Steering Committee for the total Program.

SECTION 4.2. Disbursement Under Activity Protocols. Prior to an initial disbursement or to any subsequent disbursement or to the issuance of any commitment documents for any Activity which is a part of this Program, the Grantee shall, except as the Parties may otherwise agree in writing, satisfy the conditions set forth in the respective Activity Protocol.

SECTION 4.3. Notification. When the conditions precedent specified in the preceding sections have been met, A.I.D. will promptly notify the Grantee.

SECTION 4.4. Terminal Dates for Conditions Precedent. If all of the conditions specified in Section 4.1 have not been met within 60 days from the date of this Agreement, or such later date as the Parties may

agree to in writing, A.I.D. may terminate this Agreement by written notice to Grantee.

Article 5: Special Covenants.

SECTION 5.1. Program Evaluation. The Parties agree to establish an evaluation plan as part of the Program. Except as the Parties otherwise agree in writing, the evaluation plan will include, during the implementation of the Program and at one or more points thereafter:

(a) evaluation of progress toward attainment of the objectives of the Program;

(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 Program.

SECTION 5.2. Semiannual Assessments. The Parties agree that at least semiannual assessments of the decentralization portfolio will be made by the Sector Steering Committee to determine the status of implementation of the individual Program activities, the Portfolio as a whole, and its relevance, to the overall decentralization Program. Based on its assessment, the Committee will recommend modifications, funding actions and other activities as may be necessary. The Grantee and A.I.D. will study the Sector Steering Committee's recommendations for resolving funding and implementation issues.

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 Program 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 Program 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 Program 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 conditions precedent, the Grantee may obtain disbursements of funds under the Grant for the Foreign Exchange Costs of goods or services required for the Program 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 Program 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 Program; 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 Program in accordance with the terms of this Agreement, by submitting to A.I.D., with necessary supporting documentation as prescribed in Program 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 highest rate of exchange prevailing and declared for foreign exchange currency by the competent authorities of the Arab Republic of Egypt.

Article 8: Miscellaneous

SECTION 8.1. Communications. Any notice, requests, 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:

Ministry of Investment
and International Cooperation
Department of Economic Cooperation
with U.S.A.
8 Adly Street
Cairo, Egypt

To A.I.D.:

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

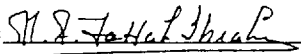
All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

SECTION 8.2. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individual, holding or acting in the office of the Deputy Prime Minister for Economic and Financial Affairs and Minister of Investment and International Cooperation 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 3.1 to revise elements of the Program budget 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. In addition, each Activity Protocol shall specify the representatives of the Parties to such protocol and the scope of their authority.

SECTION 8.3. Standard Provisions Annex. A "Program Grant Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.¹

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 : Mr. M. A. Fattah Ibrahim

TITLE: Deputy Prime Minister for
Economic and Financial Affairs
and Minister for Investment
and International Cooperation

BY : 

NAME : Fouad Lekandat

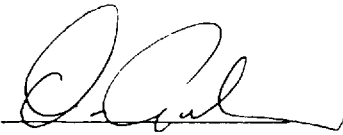
TITLE: Administrator of the Department
for Economic Cooperation
with U.S.A.

United States
of America:

BY : 

NAME : Henry Precht

TITLE: Charge d'Affaires a.i.

BY : 

NAME : Owen Cylke

TITLE: Acting Director,
USAID/Cairo

¹ See footnote 2, p. 82.

ANNEX I

Program Number 263-K-605

DECENTRALIZATION PROGRAM AND ACTIVITY BUDGETS

(Figures are in millions of dollars or Egyptian pounds)

PROGRAM/ACTIVITY	CONTRIBUTIONS FROM:						Maximum of currently obligated U.S.\$ convertible to Egyptian pounds.
	AID Before FY 82 ^{1/}	AID FY 82	AID After FY 82 ^{2/}	AID TOTAL	TITLE III	G.O.F.	
<u>605 : Decentralization Sector Program</u>	\$	\$	\$	\$	LE	LE	\$
<u>Activities:</u>							
605.1 Development Decentralization I	26.20 ^{4/}	---	---	26.20 ^{4/}	---	4.40	19.70 (75%)
605.2 Basic Village Services	70.00	30.00	45.00 (45.00)	145.00	75.00	38.40	84.15 (84%)
605.3 Provincial Cities Development	20.00	---	55.00 (31.60)	75.00	---	20.90	7.80 (30%)
605.4 Decentralization Support Fund	50.00	25.00	25.00 (---)	100.00	---	16.60	5.00 (6%)
605.5 Neighborhood Urban Services	20.00	16.50	52.50 (52.50)	89.00	---	9.73	30.90 (84%)
605.6 Other ^{5/}	---	3.50	16.50 (---)	20.00	---	---	---
Total	186.20	75.00	194.00 (129.10)	455.20	75.00	90.03	147.55 (87%)

^{1/} Minimum AID contributions granted under previous authorizations per Section 2.1 of the Program Agreement

^{2/} A.I.D.'s contribution to the total Activity will be provided in increments, 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. The figures in brackets in this column are the proposed maximum dollars convertible to Egyptian pounds.

^{3/} GOE contributions will be in LE. Dollar figures shown in earlier agreements have been converted at the exchange rate of LE 0.83 = US\$ 1.00 (8/82), for the purpose of this Agreement.

^{4/} 125,000 US-owned Egyptian pounds also obligated under this activity.

^{5/} To be agreed upon in future Activity Protocol(s).

[Footnotes in the original.]