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U.S. ECONOMIC ASSISTANCE PROGRAM IN EGYPT

CONFORMED COPY

USAID Grant Agreement No. 263-K-640

RESULTS PACKAGE GRANT AGREEMENT

BETWEEN THE

ARAB REPUBLIC OF EGYPT

AND THE

UNITED STATES OF AMERICA

FOR

EGYPTIAN ENVIRONMENTAL POLICY PROGRAM

Dated: 17 JUN 1999

"Certified to be a true copy of the original document signed by Ambassador Daniel C. Kurtzer, and Mr. Zafer Selim El Bishri, Minister of State of International Cooperation."

JY

| FUNDS OBLIGATED | |
|-----------------------------------|------------------------------------|
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Results Package Grant Agreement

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USAID Grant No. 263-K-640

RESULTS PACKAGE GRANT AGREEMENT

For

Egyptian Environmental Policy Program

Dated: 17 JUN 1999

Between

The Arab Republic of Egypt ("ARE" or "GOE")

and

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

Article 1: Purpose.

The purpose of this Results Package Grant Agreement ("Agreement") is to set out the understanding of the parties named above (the "Parties") about the Results described below.

Article 2: Results.

Section 2.1: Results. The Results sought by this Agreement ("Results") are reduced generation of air pollution and improved management of natural resources for environmental sustainability.

Section 2.2. Annex 1, Amplified Description. Annex 1, attached, amplifies the above Results and describes the Indicators by which achievement of the Results will be measured. Within the limits of the above definition of the Results in Section 2.1, Annex 1 may be changed by written agreement of the authorized representatives of the Parties without formal amendment of this Agreement.

Article 3. Contributions of the Parties.

Section 3.1. USAID Contribution.

(a) The Grant. To help achieve the Results set forth in this Agreement, USAID, pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant to the Government of the Arab Republic of Egypt (GOE), under the terms of the Agreement, not to exceed Forty Five Million United States ("U.S.") Dollars (\$45,000,000) (the "Grant").

(b) Total Anticipated USAID Contribution. USAID's total anticipated contribution to achievement of the Results is One Hundred and Ten Million United States ("U.S.") Dollars (\$110,000,000), which will be provided in increments. Subsequent increments will be subject to the availability of funds to USAID for this purpose and to the mutual agreement of the Parties, at the time of each subsequent increment, to proceed.

Section 3.2. GOE Contribution.

The GOE agrees to provide or cause to be provided all funds, in addition to those provided by USAID and any other donor

identified in Annex 1, and all other resources required to achieve the Results effectively and in a timely manner on or before the Completion Date.

Article 4: Completion Date.

The Completion Date, which is September 30, 2002, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all the activities necessary to achieve the Results will be completed.

Article 5: Requirements Precedent to Disbursement.

Section 5.1. Requirements Precedent to First Disbursement.

Prior to the disbursement of any proceeds of the Grant, or to the issuance by USAID of documentation pursuant to which such disbursement may be made, the GOE shall, except as the Parties may otherwise agree in writing, furnish to USAID, in form and substance satisfactory to USAID:

(a) A statement of the names and titles of the persons authorized pursuant to Section 9.3 to act as the representatives of the GOE, together with a specimen signature of each person specified in such statement;

(b) a designation of the interest-bearing account to which the Grant proceeds are to be deposited, together with the GOE's certification that such bank account is established and will be maintained in the manner required by Article 8 of this Agreement;

(c) a statement of the means by which funds will be withdrawn from said bank account.

(d) evidence that an Executive Committee consisting of voting representatives from the Egyptian Environmental Affairs Agency (EEAA), Organization for Energy Planning (OEP), Tourist Development Authority (TDA), Ministry of International Cooperation (MIC), and a nonvoting representative of USAID and a chair appointed by EEAA, has been formally established and has commenced operation.

Section 5.2. Requirements Precedent to Performance Disbursements. Except as the Parties may otherwise agree in writing, prior to each disbursement of Grant funds pursuant to section 6.1 ("Performance Disbursement") or to the issuance by USAID of documentation pursuant to which such Performance Disbursement will be made:

(a) the requirements precedent set forth in Section 5.1 shall have been met;

(b) the GOE shall be determined by USAID to have made sufficient progress in its program towards achievement of the Results, which program will have been agreed to in writing by the GOE and USAID; and

(c) the GOE shall be in compliance with all provisions of this Agreement.

Section 5.3. Notification. USAID will promptly notify the GOE when USAID has determined that the Requirements Precedent specified above have been met.

Section 5.4. Terminal Dates for Requirements Precedent.

(a) The terminal date for meeting the requirements specified in Section 5.1 is Ninety (90) days from the date of this Agreement or such later date as USAID may agree to in writing before or after the above terminal date. If the Requirements Precedent in Section 5.1 have not been met by the above terminal date, USAID, at any time, may terminate this Agreement by written notice to the GOE.

(b) The terminal date for meeting the requirements specified in Section 5.2 is 18 months from the date of this Agreement or such later date as USAID may agree to in writing by Implementation Letter before or after the above terminal date. If the requirements precedent in Section 5.2 have not been met by the above terminal date, USAID, at any time, may terminate this Agreement by written notice to the GOE.

Article 6: Disbursement

Section 6.1. Performance Disbursement. At such times as the Parties may mutually agree, and upon satisfaction each such time of the Requirements Precedent set forth in Section 5.2 of this Agreement, USAID will deposit, from Grant proceeds, a Performance Disbursement in the bank account or accounts designated by the GOE, pursuant to Section 5.1(b) in the amounts agreed by USAID.

Section 6.2. Date of Disbursement. Each disbursement will be deemed to occur on the date USAID makes such deposit, in accordance with Section 6.1.

Section 6.3. Terminal Date for Disbursements. No disbursements of Grant proceeds by USAID shall be made after September 30, 2002, except as USAID may otherwise agree in writing.

Article 7: Use of Grant Proceeds

Section 7.1. Agreed Uses. The Parties agree that the Grant proceeds will be used, subject to the restrictions of Section 8.2, below, and to such elaboration as may be provided in Implementation Letters, for any or all of the following:

(a) to purchase equipment or commodities of U.S. source and origin, as defined by USAID; and

(b) to repay debts of the GOE, either owed to or guaranteed by the United States of America; Provided, however, that Grant proceeds used for the purpose stated in Section 7.1(b) hereof shall not exceed twenty-five percent (25%) of the total amount of Grant proceeds provided to the GOE by USAID under the terms of this Agreement.

Article 8: Special Covenants.

Section 8.1. Accounting for Grant Proceeds. The Parties agree on the following applicable procedures:

(a) Grant proceeds will be deposited into an interest-bearing bank account established by the GOE solely for the receipt of this Cash Disbursement assistance from USAID, together with any interest earned on such Grant proceeds. Such proceeds may not be commingled with other funds from whatever source. Any interest earned on such account will be treated as though it were principal (i.e., Grant proceeds) received under the terms of this Agreement.

(b) The GOE will maintain documents, in accordance with generally accepted accounting principles and practices, concerning the dollar bank account and the use of Grant proceeds, and will make such documents available for periodic reviews and annual audit by USAID or its designees for the period of the Grant and up to three years following the date of the last disbursement from the account referred to in Section 8.1(a).

Section 8.2. Prohibited Uses; Replenishment of Proceeds.
Grant proceeds may not be used to finance the import of ineligible commodities including military or paramilitary equipment, surveillance equipment, abortion equipment, luxury goods and gambling equipment, or weather modification equipment; nor may Grant proceeds be used for purposes other than those authorized pursuant to Section 7.1. The GOE agrees to redeposit to the bank account described in Section 8.1 of this Agreement U.S. Dollars equal to the amount of any Grant proceeds used for purposes prohibited under this Section, plus any interest that would have been otherwise earned on such proceeds, and to treat

such redeposited amounts as though they were principal (i.e., Grant proceeds) and interest received under the terms of this Agreement.

Section 8.3. Local Currency Account

(a) The GOE will establish a separate non-interest bearing account (the "Local Currency Account") in the Central Bank of Egypt, and will deposit into such account currency of the Arab Republic of Egypt, equivalent to the amount of Grant proceeds utilized by the GOE or any authorized agency thereof, to purchase or import commodities or equipment eligible under Section 7.1(a) of this Agreement. Such funds, so deposited to the Local Currency Account, shall not be commingled with any other funds from whatever source.

(b) The GOE shall make such deposits to the Local Currency Account as required by Section 8.3(a) of this Agreement at such times and in such amounts in accordance with the requirements stipulated in an Implementation Letter.

(c) The GOE shall make such deposits to the Local Currency Account at the daily average closing selling rate for transfers as determined by the Free Market Central Chamber for the last business day immediately preceding the date determined for computing the amount of the Local Currency deposit to be made, as stipulated in an Implementation Letter.

(d) Funds deposited in the Local Currency Account pursuant to this Agreement may be used for General Sector Support for those participating ministries and to the extent agreed to by the

parties, other entities affected by the Egyptian Environmental Policy Program or as otherwise agreed to by the Parties in writing.

(e) The GOE will maintain, or cause to be maintained, in accordance with generally accepted accounting principles, documents in support of deposits to and expenditures from the Local Currency Account. Such documents will be available for review and audit by USAID, or its designees, for the period of the Grant, and up to three years following the last disbursement from the Local Currency Account made in accordance with the provisions of this Agreement. Local currency generated from the Grant will be used to finance audits on the local currency account.

(f) Local Currency Account funds, if any, not used in accordance with the foregoing will be replenished by the GOE from its own resources.

Section 8.4. Taxation and Duties. This Agreement and the Grant funds will be free from any taxation or fees imposed under laws in effect in the Arab Republic of Egypt. No Grant proceeds shall be used to pay taxes, customs duties or other fees applied by Egyptian authorities to commodities funded with Grant proceeds.

Section 8.5. Monitoring and Evaluation. The Parties agree to establish a monitoring and evaluation program as part of the Agreement. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the

Agreement, and at one or more points thereafter:

- (a) systematic monitoring and reporting of progress on performance indicators during the Agreement period and on overall progress toward attainment of the objectives of the Agreement;
- (b) identification and evaluation of problem areas or constraints which may inhibit attainment of objectives;
- (c) assessment of how such problems or constraints may be overcome;
- (d) a summary of the performance indicators and evaluation, to the degree feasible, of the overall development impact achieved as a result of the Agreement.

Section 8.6. Reporting. Except as the Parties may otherwise agree in writing, the GOE will furnish USAID with a quarterly report on uses of Grant proceeds and the status of the designated bank account, pursuant to Section 8.1 of this Agreement, and quarterly reports on the status of the local currency account activity, pursuant to Section 8.3 of this Agreement. Additional reporting requirements and formats will be established in Implementation Letters.

Section 8.7. Consultations. The Parties shall periodically consult on implementation of this Agreement.

Article 9: Miscellaneous.

Section 9.1. Communications. Any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be communicated in writing by

registered mail, telegram, telefax or cable, and will be deemed duly given or sent when delivered to such Party at the following address as applicable:

To the GOE:

Ministry of International Cooperation
Department for Economic Cooperation with the U.S.
48-50 Abdel Khalik Tharwat Street
5th Floor
Cairo, Egypt

To USAID:

USAID
c/o American Embassy
8 Kamal El Din Salah Street
Garden City, Cairo, Egypt

To the Implementing Organizations:

Egyptian Environmental Affairs Agency
30 Misr Helwan Agricultural Road
Behind Sofitel Hotel Maadi
Maadi

Organization for Energy Planning of the
Ministry of Petroleum
32 Mahmoud Khairy St.
Nasr City, Cairo, Egypt

Tourism Development Authority of
Ministry of Tourism
22 El Giza St. 7th Floor,
Giza, 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.

Additionally, the parties, by Implementation Letter, may designate the Chair of the Executive Committee, which is required

to be established in accordance with Clause 5.1(d) of this Agreement, as the addressee for all the Egyptian Implementing Organizations.

Section 9.2. Implementing Letters. USAID may from time to time issue Implementing Letters elaborating on terms of this Agreement, further describing applicable procedures, or recording agreement of the Parties on details of implementing.

Section 9.3. Representatives. For all purposes relevant to this Agreement, the GOE 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 USAID 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 signing formal amendments to the Agreement. The names of the representatives of the GOE, with specimen signatures, will be provided to USAID, 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 9.4. Amendment. This Agreement may be amended by the execution of written Amendments signed by both parties.

Section 9.5. Suspension and Termination.

(a) Either Party may terminate this Agreement in its entirety by giving the other Party 30 days' written notice.