



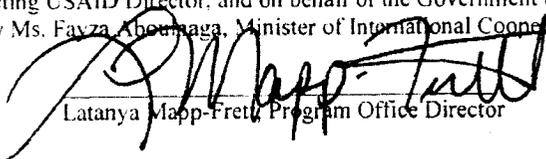
U.S. ECONOMIC ASSISTANCE PROGRAM IN EGYPT

USAID Assistance Agreement No. 263-0297

ASSISTANCE AGREEMENT
BETWEEN
THE UNITED STATES OF AMERICA
AND
THE ARAB REPUBLIC OF EGYPT
FOR
THE NORTH SINAI INITIATIVE

Date: 16 SEP 2010

"Certified to be a true copy of the original document signed on behalf of the Government of U.S. by Mr. Thomas Delaney, Acting USAID Director, and on behalf of the Government of Egypt By Ms. Fayza Aboonaga, Minister of International Cooperation."


Latanya Mapp-Frett, Program Office Director

FUNDS AVAILABLE
ES-SUP/2009/2010
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ASSISTANCE AGREEMENT

For

THE NORTH SINAI INITIATIVE

Date: 16 SEP 2010

Between

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

and

The Arab Republic of Egypt ("ARE"), acting through the
Ministry of International Cooperation ("MIC")

Article 1: Purpose.

The purpose of this Assistance Agreement (the "Agreement") is to set out the understanding of the parties named above (the "Parties") in connection with the Objective described below.

Article 2: Functional Objective and Program Areas.

Section 2.1. Functional Objective and Program Areas. In order to further the foreign assistance objective of Economic Growth in Egypt (the "Functional Objective") and in support of the Government of Egypt ("GOE") national objective for the development of North Sinai, the Parties

hereto agree to work together by focusing on activities and projects in the areas of Infrastructure, Private Sector Competitiveness and Economic Opportunities in the North Sinai Governate (collectively, the "Program Areas," and, together with the Functional Objective, the "Objective").

Section 2.2. Annex 1, Amplified Program Description. Annex 1, attached, amplifies the above Objective and describes the Program Areas and Indicators that will be used to measure the progress and achievement in each of the Program Areas. Within the limits of the definition of the Functional Objective set forth in Section 2.1, Annex 1 may be changed by written agreement of the authorized representatives of the Parties.

Article 3: Contribution of USAID and GOE.

Section 3.1 USAID Contribution. To help achieve the Objective set forth in this Agreement and subject to the availability of funds, USAID, pursuant to the Foreign Assistance Act of 1961, as amended, hereby grants to the GOE under the terms of the Agreement an amount not to exceed fifty million United States (U.S.) Dollars (\$50,000,000) (the "Grant").

Section 3.2. GOE Contribution. The GOE, as the implementer, agrees to provide or cause to be provided necessary non-financial support required to implement and maintain, on or before the Completion Date, all activities

and projects necessary to achieve the Objective, including to the Steering Committee to carry out its functions as noted in this Agreement and Annex 1. Subsequent to the Completion Date, the GOE entities and/or beneficiaries will be responsible for the operation and necessary maintenance of activities, projects and facilities financed or created under this Agreement.

Article 4: Completion Date.

(1) The Completion Date, which is September 30, 2013, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all the activities and projects necessary to achieve the Objective will be completed.

(2) Except as USAID may otherwise agree to in writing, USAID will not issue or approve documentation that would authorize disbursement of the Grant for services performed or goods furnished after the Completion Date.

(3) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Implementation Letters, are to be received by USAID no later than nine (9) months following the Completion Date, or such other period as USAID agrees to in writing before or after such period. After such period USAID, at any time or times, may give notice in

writing to the GOE and reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Implementation Letters, were not received before the expiration of such period.

Article 5: Requirements Precedent to Disbursement.

Section 5.1. First Disbursement. Prior to the first disbursement under the Grant, or to the issuance by USAID of documentation pursuant to which disbursement will be made, the GOE will, except for the requirement precedent as described in section 5.1.(5) or as the Parties may otherwise agree in writing, furnish to USAID in form and substance satisfactory to USAID the following:

(1) A legal opinion or legal statement from the Egyptian Ministry of Justice that (i) this Agreement has been duly authorized by, and executed on behalf of the GOE, (ii) this Agreement constitutes a valid and legally binding obligation of the GOE in accordance with all of its terms, and (iii) all internal procedures and approvals necessary to give effect to this Agreement have been obtained by or on behalf of the GOE;

(2) A signed statement in the name of the person holding or acting in the office of the Minister of International Cooperation specified in Section

7.2, which designates by name and title any additional representatives each of whom may act pursuant to Section 7.2;

(3) An amendment of the Memorandum of Understanding (MOU) Regarding Special Account which allocates a specified amount of Egyptian Pounds (LE) to fund the projects under this Agreement into the AID Project Cash Advance Account in the National Investment Bank as agreed to by USAID and GOE, to be used exclusively for advances under this Agreement (the sub-account under the AID Project Cash Advance Account dedicated to implementation of this Agreement shall be referred to herein as the "NSI Account");

(4) Establishment of a Steering Committee consisting of representatives of the Government of Egypt or the GOE and the United States Government or the USG (the "Steering Committee "); with established activity and project selection criteria acceptable to USAID and the MIC ; and

(5) An assessment by USAID that the financial management, accounting, reporting and procurement systems of MIC or other identified implementing GOE entities to be funded under subsequent implementing agreements are acceptable to USAID. Prior to such an assessment, USAID shall provide MIC with the criteria needed to determine whether the

financial management, accounting, reporting and procurement systems of MIC or other identified implementing GOE entities to be funded under subsequent implementing agreements are acceptable to USAID.

Section 5.2. Additional Disbursements. Prior to additional disbursements under the Grant, or to the issuance by USAID of documentation pursuant to which additional disbursements will be made, the following requirements precedent must be met:

(1) A completed assessment by USAID that the financial management, accounting, reporting and procurement systems of other implementing GOE entities, identified subsequent to the first disbursement of funds, to be funded under subsequent implementing agreements are acceptable to USAID. Prior to such an assessment, USAID shall provide MIC with the criteria needed to determine whether the financial management, accounting, reporting and procurement systems of other identified implementing GOE entities to be funded under subsequent implementing agreements are acceptable to USAID.

(2) All outstanding audits, monitoring and financial reports on all activities and projects implemented in support of the Objective that are due to USAID, under the terms of future implementing agreements as noted in Section 6.5, are submitted to USAID in form and substance satisfactory to

USAID.

Section 5.3. Notification. USAID will promptly notify the MIC that a requirement precedent has been met within 15 business days after USAID has determined that such requirement precedent has been met. USAID will notify the MIC within 15 business days after receipt of documentation from MIC to meet a requirement precedent whether such requirement precedent has been met or not been met. Furthermore USAID will notify MIC of any and all unmet requirements precedent no less than 15 business days prior to the Terminal Date in Section 5.4.

Section 5.4. Terminal Dates for Requirements Precedent.

(1) The terminal date for meeting the requirements specified in Section 5.1 is 180 days from the date of this Agreement or such later date as the Parties 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, but subject to due notification to MIC in Section 5.3, may terminate this Agreement by written notice to the MIC.

(2) If the requirements precedent in Section 5.2 have not been met by the date established by Implementation Letters, USAID, at any time, but subject to due notification to MIC in Section 5.3, may cancel the undisbursed balance of the Grant, to the extent not irrevocably committed to

third parties, and terminate this Agreement by written notice to the GOE.

Article 6: Special Covenants.

Section 6.1. GOE Approvals. The MIC, acting on behalf of the GOE hereby covenants and agrees to coordinate the implementation and completion of all activities and projects financed by USAID under this Agreement (including any necessary internal procedures as may be required). The GOE will use its best efforts at all times to ensure success of this Agreement and the activities and projects financed by USAID under this Agreement.

Section 6.2. Taxes. To the extent that any of the funds provided under the Grant are used to pay any taxes, tariffs, duties or other levies (including social insurance) for which an exemption is provided under Section B.4. of Annex 2 hereto, the GOE agrees that MIC or other approved implementing GOE entities depending on which is the recipient of the services or goods, shall unless otherwise expressly provided in Implementation Letters, pay the same with funds other than those provided under the Grant.

Section 6.3. Customs and Duties. The GOE agrees that MIC or other implementing GOE entities depending which is the recipient of the services or goods, shall provide to the Egyptian Customs Authority whatever

documentation is required by, and is acceptable to, the Egyptian Customs Authority for the duty-free importation of any commodities (including vehicles) for which an exemption from taxes, tariffs, duties, or other levies is provided under Section B.4. of Annex 2 hereto.

Section 6.4. Audits, Monitoring, Evaluations and Reporting. As more fully described in Section VI of Annex 1, the Parties agree that the Steering Committee will establish and implement an audit, monitoring, evaluation and reporting function. USAID shall provide guidance to the Steering Committee in subsequent implementation agreements and letters on all the necessary steps and actions to be taken by the Steering Committee in order to meet all audit, monitoring, evaluation and reporting requirements of USAID for activities and projects financed by USAID under this Agreement. Before a final determination is made by the Steering Committee to approve an activity or project, USAID will indicate to the Steering Committee such audit, monitoring, evaluation and reporting requirements of USAID that would be required for implementation of that activity or project. In order to ensure an effective follow-up as well as to satisfy USAID requirements, the Steering Committee will undertake periodic visits to activity and project sites funded under this Agreement. The Parties agree that the audit, monitoring, evaluation and reporting functions of the Steering Committee

will provide to both Parties, during the implementation of the Objective and at one or more points throughout the life of the Agreement, the following:

(1) monitoring reports, financial status, management and implementation updates and progress reports on performance indicators on a quarterly basis during the Agreement period;

(2) an evaluation or review of the Agreement on an annual basis, no later than 30 days after the beginning of each calendar year during the Agreement's implementation, using the information provided to improve attainment of the Agreement's objectives;

(3) a summary of the performance indicators and development impact achieved as a result of the Agreement no later than three months after the Completion Date; and

(4) accounting records, reports, documents, site inspections and other evidence relating to activities and projects funded by USAID under the Agreement as noted in Section B.5 of Annex 2.

In the event that USAID requests that an additional independent audit be undertaken in accordance with Section B.5(h) and Section B.5(i) of Annex 2, such a request should be notified, in writing, to the Steering Committee indicating the reasons for the request. The Steering Committee will then take the necessary steps for the performance of the requested audit.

Such independent audits, inspections, and financial reviews by USAID or its authorized representatives shall be arranged through and accompanied by authorized representatives of the GOE.

Section 6.5. Implementation Agreements. Funding and the associated activities and projects under this Agreement will be coordinated with the MIC and the Steering Committee. USAID will enter into subsequent implementing agreements with the MIC and other implementing GOE entities for the purpose of the implementation of the Objectives as defined in the Amplified Program Description in Annex 1. Disbursement of funds under these implementing agreements will be subject to the submission of all necessary supporting documentation found acceptable to USAID for the reimbursement of costs incurred for goods and services in support of the Objective as prescribed in such implementing agreements

Section 6.6 Execution. The Parties shall use best efforts to execute all terms and conditions set forth in the Agreement, the Amplified Program Description (Annex 1) and the Standard Provisions (Annex 2).

Article 7: Miscellaneous.

Section 7.1. Communications. Any notice, notification, request, document, or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram, telefax, or cable, and

will be deemed duly given or sent when delivered to such Party at the following address:

To USAID:

Mission Director
USAID
1/A Ahmed Kamel off El Laselki Street
New Maadi, Postal Code 11435
Cairo, Egypt

To the GOE:

Ministry of International Cooperation
Cabinet of the Minister of International Cooperation
8 Adly Street
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 written notice.

Section 7.2. Representatives. For all purposes relevant to this Agreement, the GOE will be represented by the authorized individual holding or acting in the Office of the Minister of International Cooperation, and USAID will be represented by the individual holding or acting in the Office of Mission Director, each of whom, by written notice, may designate additional representatives for all purposes other than signing formal amendments to the Agreement or revising the Program Areas or Annex 1.

The names and titles of the additional representatives of the GOE with specimen signatures, will be provided pursuant to Section 5.1(2) to USAID, which may accept as duly authorized any instrument signed by such additional representatives (or any authorized individuals subsequent holding or acting in the office of such representatives) in accordance with this Section 7.2, until receipt of written notice of revocation of their authority.

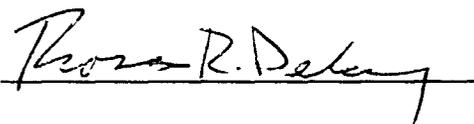
Section 7.3. Standard Provisions Annex. A "Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement, whenever applicable

Section 7.4. Language of Agreement. This Agreement is prepared in both English and Arabic. In the event of ambiguity or conflict between the two versions, the English language version will prevail.

IN WITNESS WHEREOF, the United States of America and the Arab Republic of Egypt, 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.

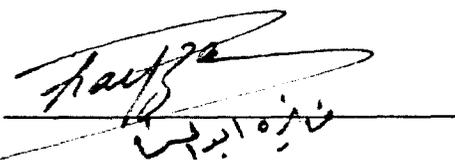
UNITED STATES OF AMERICA

ARAB REPUBLIC OF EGYPT

By: 

Name: Thomas Delaney

Title: Acting Director USAID/Egypt

By: 

Name: Fayza Abounaga

Title: Minister of International Cooperation

Amplified Program Description

I. Introduction

This Annex 1 to the Agreement on the North Sinai Initiative (“NSI”) describes the activities and projects to be undertaken by the GOE with the funds obligated under this Agreement by USG. Nothing in this Annex 1 shall be construed as amending any of the definitions or terms of this Agreement. This Annex 1 may be amended by authorized representatives of the Parties through Implementation Letters as provided under Article A, Section A.2 of the Standard Provisions (Annex 2) to the Agreement, provided that the definition of the Objective and Program Areas as set forth in Article 2 of this Agreement are not altered thereby.

II. Background

The North Sinai Governorate (“NSG”) has two distinct areas, the 220 KM coastal strip along the Mediterranean Sea, and the mountains and plateaus of the central Sinai. The northern coastal area has some agriculture, fishing, local tourism and large population centers with job opportunities and services. Agriculture is a critical industry in this area and has been identified as having significant growth potential. Food production, particularly of peaches and olives, post-harvest processing of these goods, and their eventual marketing, represent both a challenge and an opportunity for job creation and increased household income. The central area of the governorate is less well-developed and sparsely populated. Egyptians living in the area have traditionally practiced very limited and seasonal agriculture in addition to nomadic herding. These traditional practices have been affected by climatic changes and erratic weather patterns of recent years. As a result, it is increasingly difficult for Egyptians living in these desert areas to access resources and alternative employment opportunities.

Throughout the North Sinai Governorate, population surveys and government statistics indicate the biggest development issues in the NSG include access to water, employment opportunities, labor productivity, and

workforce development. Surveys indicate that most Egyptians in the NSG are working in subsistence agriculture. There are not enough small businesses that could provide alternative job opportunities, particularly outside of the major population areas of Arish and Rafah. To address these issues, the North Sinai Initiative will implement activities and projects in four general sectors: infrastructure, small and medium enterprise development, agribusiness, and education. The North Sinai Initiative will assist the GOE to develop vulnerable communities. Activities and projects funded through the North Sinai Initiative will provide technical assistance, training, construction and equipment. Activities and projects eligible for funding under this Agreement include, but are not limited to:

- An agriculture value chain activity to improve productivity, technology (including irrigation) and marketing that will enable Sinai farmers and producers to compete in domestic and export markets for products such as fruit, olives, herbs, as well as semi processed products.
- Funding to broaden access to practical job skills training for secondary and technical education students with a direct link to agriculture, fisheries, and other local industries. This may include improvements to educational and training facilities.
- Expanded micro and small lending opportunities to support the agriculture value chain, fisheries, and other important productive sectors in the region. In addition, the provision of business development services to facilitate the emergence/growth of new and existing businesses.
- Construction of a fishing port to include a concurrent fisheries value chain activity.
- Construction of post harvest centers and cold chain facilities.

III. Funding

The financial plan for the NSI is set forth in the attached table. Changes may be made to the financial plan by representatives of the Parties without formal amendment to the Agreement, if such changes do not cause USAID's contribution to exceed the amount specified in Section 3.1 of the Agreement.

As mentioned in Article 5: Requirements Precedent to Disbursement, funds deposited into the NSI Account will not be co-mingled with other funds and

will be used exclusively for meeting the Objective of the Agreement. The financing mechanism of the NSI Account and the re-imbusement method of payment are described in the Protocol for Cash Advances relating to the AID Project Cash Advance Account between USAID, GOE and the National Investment Bank signed on September 30, 1990.

The GOE will implement activities and projects approved by the Steering Committee (see Section VII) using funds in the NSI Account. Requests for reimbursement will be submitted to USAID on a periodic basis. Once USAID completes its review of the reimbursement documentation in accordance with the terms and conditions of this Agreement and the relevant implementing agreement, it will reimburse the NSI Account in local currency using funds obligated under this Agreement according to the prevailing exchange rate for U.S. dollars on the date of reimbursement.

IV. Program Area and Indicators

The goal of this Agreement is to support the GOE national objective for the development of North Sinai and the realization of economic opportunities and employment in North Sinai Governorate. NSI will contribute to the objective of Economic Growth: "to generate rapid sustained and broad based economic growth" through the following program areas:

Program Area: 4.4 Infrastructure

Program Area: 4.6 Private Sector Competitiveness

Program Area: 4.7 Economic Opportunity

The overall result of this Agreement will be measured using the following indicators:

1. The number of job opportunities created due to the NSI;
2. Change in income/revenues of targeted beneficiaries;
3. The number of new businesses registered;
4. Number of people gaining marketable skills as a result of participation in USG-funded workforce development activities; and
5. Number of farmers, processors, and others who have adopted new technologies or management practices.

If sufficient data is not available, the Steering Committee will provide adequate data to establish baselines for monitoring and evaluating the achievements and progress of activities and projects funded under this Agreement (see section VI). The data for the above indicators will be disaggregated by gender. In some instances, particularly job creation and incomes, it may be necessary to use proxy indicators to measure changes. Each activity and project will positively impact at least one of these five indicators.

V. Activities

The objective of this Agreement is to support and contribute to the realization of economic opportunities and employment in North Sinai Governorate. This objective will be achieved through the implementation of activities that include, but are not limited to, infrastructure, small and medium enterprise development, agribusiness, and education. Activities and projects undertaken in these sectors will contribute to the achievement of the following results:

- Build human capacity;
- Create jobs;
- Increase access to credit; and
- Improve small and micro enterprise (SME) productivity in selected industries.

Selected activities and projects will place a particular emphasis on reaching the following populations:

- Youth (Men and Women 15-35)
- Women/Families
- Private Sector

The Steering Committee, which is addressed in greater detail in section VII, will approve activities and projects to be funded according to the criteria established in that section. Proposals for funding shall be limited to the programmatic areas detailed below. Successful proposals will take into consideration the issues detailed below and clearly articulate how the activity or project will contribute to the GOE national objective for the development of North Sinai and the North Sinai Initiative's overall goal of

creating jobs and improving economic opportunities in the North Sinai Governorate. Assessments, which will serve to guide implementation and provide baseline data, will be necessary.

• **Infrastructure/Fishing Port**

The development of a fishing port has been identified by the GOE as a priority for the North Sinai. This can be a source of income in several additive industries linked directly or indirectly to the port. This might include fresh delivery of fish to local/international markets; processing/canning of fish; sea-based aquaculture, maintenance of boats, engines; local fishing based tourism; and so forth. It is likely that most of the employment opportunities will be linked to post-catch processing, not fishing itself.

This Agreement will seek to link sectors (e.g. fisheries) to specific infrastructure inputs (e.g. fishing port infrastructure) and provide funding opportunities through a strengthened SME project for small projects. It is expected that a fishing port could potentially benefit more than 4,500 fishermen in the area by providing them with adequate infrastructure to develop and expand their businesses. A complementary fisheries value chain activity will seek to identify and address those issues and bottlenecks which limit the growth potential and profitability of this sector.

Illustrative activities:

1. Design of optimal multi-use fishing port.
2. Construction of port.
3. Identification of new employment options.

• **Small and Medium Enterprise Development (including tourism)**

An approach to Micro-SME development in North Sinai should begin with identifying where employment opportunities exist and a listing of potential job creation sectors for which lending represents an opportunity. These should be linked to other implementation areas (e.g. agriculture, tourism, and fisheries, marble, or glass) and should address key productive constraints.

Access to capital will be essential to construct and expand workshops, purchase equipment and tools, and provide the other necessary inputs for the

expansion of small scale industry in the North Sinai. Microfinance and SME finance activities and programs can fulfill this function, although work must be done within these institutions to create capacity and ensure their long term viability. In addition, these organizations and others can play a role in providing critical business development services which can foster the growth of existing businesses as well as the emergence of new ones.

One sector with particular potential is tourism. Tourism has been considered one of the pillars of economic development in the NSG, as the area enjoys many advantages of location and historical archaeological sites. Its environment provides venues for various touristic activities, such as beach tourism, conference tourism, and therapy trips, as well as historical, religious and cultural tourism. It has distinctive traditions, popular foods and folklore, such as Bedouin poetry and lyrical heritage. Desert tourism, nature reserves, marine sports and yachting are all potential venues.

A solid waste management system has been identified as a critical need on the North Sinai. Such a system would create additional jobs through collection, sorting and recycling. It also has synergies with other proposed activities and projects including tourism and fisheries, as both will generate additional waste.

Illustrative activities:

1. Assessment of employment generation opportunities.
2. Provision of technical assistance to selected value chains.
3. Identify and collaborate with larger private sector firms to support the value chains.
4. Expand access to microfinance opportunities.
5. Development of solid waste management system, with emphasis on recycling.
6. Building capacity for existing tourism entities.
7. Hospitality education to provide skilled labor for tourism from the local communities.

• **Agribusiness**

Agriculture, livestock and fisheries are major industries in North Sinai. The production, processing and sale of food is a key employer. Post-harvest

processing of these goods, and their eventual marketing, represent both a challenge and an opportunity for job creation and increased household income. NSI will link important sectors of the North Sinai economy, particularly agriculture and fisheries, with the broader Egyptian national economy. A value chain approach will integrate local producers, processors, traders, and consumers with their national and international counterparts. Emphasis will be placed on building the local capacity of institutions, including businesses and their support infrastructure (e.g. the North Sinai Chamber of Commerce), to meet the demands of the market in terms of product quality, quantity, timeliness, and price. Efforts should also focus on expanding access to credit and enhancing human capacity in the relevant industries.

Illustrative activities:

1. Provide technical support to selected value chains;
2. Formulate farmer crop associations;
3. Build post harvest center;
4. Link farmers to the markets and larger private sector firms;
5. Provide technical assistance and support to the agriculture technical schools to produce qualified and skilled agriculture labor and field representatives.

• **Workforce Development**

Based on the results of a workforce needs assessment, funding could be provided for practical job skills training to secondary students and adults in the target age group with particular emphasis on agriculture, fisheries and other industries. It is expected that activities and projects funded under this Agreement would link locally important productive sectors, (e.g. agriculture, marble, glass) to specific inputs (e.g. enhanced human capacity among young people entering the labor pool). Training programs should complement other activities funded under the North Sinai Initiative.

Illustrative activities:

- Identify selected sectors that will constitute the focus of the activity or project. Selection will be based on certain criteria such as: 1) importance of the sector in terms of value added and employment

- generation, 2) willingness of the private sector to collaborate, and 3) existence of coherent clusters linked to potential training facilities.
- Identify best practices and experiences in Egypt and other similar countries in executing skills to market initiatives.
 - Develop a training strategy that identifies targeted technical vocational schools for capacity building, minimum requirements to upgrade these entities, role of private employers, type of training modules and/or curricula changes needed to meet market demand for skills, and required training for teachers.
 - Implement the training strategy and design a mechanism to follow up on the performance of the students after completing the training (effectiveness of the training in terms of securing employment opportunities and improving productivity (for On the Job Training)).
 - Develop a sustainability action plan and criteria for continuation of the activity or project by the GOE, parastatals, private employers, and local training providers and institutions.

VI. Monitoring, Evaluation and Reporting

The indicators specified in Sections IV above will be used to measure progress toward achievement of the Program Areas in this Agreement, and may influence the allocation of financial resources. These indicators will also help to monitor performance of specific activity and project level results and accomplishments. All activities and projects funded under this Agreement will include reporting requirements to help monitor, evaluate and report on the achievements of activity or project results and performance targets. During the process of each activity and project design, the Egyptian beneficiary and/or implementing entity will have the responsibility to furnish the necessary data for the establishment of indicators baselines and projected targets. In addition, performance data will be used as the basis for recommending adjustments to targets, indicators, activities and projects.

Monitoring, evaluating and reporting will be conducted by the Steering Committee.

The Steering Committee will establish a management information system to track the indicators and develop activity and project reports, which will provide the basis for annual assessments of overall progress toward program goals and objectives. The Steering Committee may use funds allocated for

administrative uses to carry out this required monitoring, evaluation and reporting function.

A preliminary Performance Management Plan (PMP) must be prepared for the overall program and for each individual activity and project as agreed to by the Steering Committee. Individual PMPs must contribute to the overall program PMP. The PMP should be modified as necessary during design and implementation of specific activities or projects.

Each PMP will include indicators of progress toward results achievement at all levels, and impact; and for each indicator, its data source and methodology, baseline and targets. It is critical to carefully:

- State the full set of performance indicators
- Provide baseline values and targeted values
- Disaggregate performance indicators by gender wherever possible
- Specify the source of the data and the method for data collection.
- Specify the schedule for data collection
- Describe the data quality assessment procedures
- Estimate the costs
- State known data limitations of each performance indicator, by discussing any data quality issues and steps to be taken to address them; and
- Describe the quality assessment procedures that will be used to verify and validate the measured values of actual performance.

The indicators selected should be objective, practical, useful for management, direct, attributable to USG/GOE efforts, timely, and adequate. Data reported should be valid, have integrity, precise, reliable, and timely.

Two evaluations will be conducted for each activity or project; a mid-term evaluation and a final evaluation at the end of the activity or project.

These evaluations will examine the extent to which activities have achieved their intended results, estimate the overall development impact of USAID-financed activities and projects in the sector, and recommend any modifications needed to improve performance.

VII. Roles and Responsibilities of the Parties

The Steering Committee:

A bilateral Steering Committee will be formed upon the signing of this Assistance Agreement. The bilateral committee will include but not be limited to members from the Ministry for International Cooperation, Ministry of Local Development, North Sinai Governorate, and USAID, as well as other implementing GOE ministries as required. USAID will be represented by the Deputy Mission Director or his/her designee and other representatives as needed. The role and responsibilities of the Steering Committee shall include but not be limited to the following:

- This Steering Committee will review and approve activity and project proposals and make funds allocation decisions.
- The Steering Committee or any of its members may suggest concepts, submit activity and project proposals, or seek concepts and project proposals from third parties for review and approval by the Steering Committee.
- Priority funding areas are those detailed in Section V. The Steering Committee will determine which GOE Ministries shall be approached for proposals.
- The Steering Committee shall approve submitted proposals by unanimous consent. If any member of the Steering Committee dissents, disagrees or does not approve a submitted proposal, such proposals will not be funded under this Agreement. Submitted proposals, however, can be amended and revised to satisfy the concerns of the Committee.
- The Steering Committee will be responsible for ensuring that USAID financial and programmatic audit, monitoring, evaluation and reporting requirements are met, in accordance with Section 6.4 of the Agreement and Annex 2. In order to ensure an effective follow-up as well as to satisfy audit, monitoring, evaluation and reporting requirements of USAID for activities and projects funded under this Agreement, the Steering Committee will conduct, at all reasonable times, periodic visits to project sites.
- The Steering Committee will meet at a minimum of every month.

- All decisions by the Steering Committee will be made by unanimous consent and documented in writing, signed by an authorized representative of each member of the Steering Committee.

Selection Criteria for proposals:

- Contribute to the goal of the Assistance Agreement
- Have measurable, verifiable outputs
- Be completed within the timeframe set forth in this Agreement
- Be reasonable in terms of cost and should not exceed amounts in the attached budget
- Have a sustainability plan
- Have the potential to generate employment opportunities in the near term, which is defined as within the timeframe of the Agreement.
- Impact one or more of the target populations listed in Section V.
- Be within the capabilities of the identified implementing entity.
- Achievements can be measured using the indicators listed in section IV.
- Activities and projects undertaken will contribute to the achievement of one or more of the following:
 - Build human capacity;
 - Create jobs;
 - Increase access to credit; and
 - Improve small and micro enterprise (SME) productivity in selected industries.

All project proposals will be reviewed and approved or rejected by the Steering Committee within 90 days of the first meeting of the Steering Committee but no later than 180 days after the signing of the Agreement. The Steering Committee will agree upon the required format for proposals. The Steering Committee may form relevant technical sub-committees. Technical subcommittees would comprise representatives from relevant technical GOE ministries and USAID technical offices. Subcommittees would prepare project design documents, initiate and follow up procurements, and monitor implementation. The subcommittees will prepare and submit technical reports to the Steering Committee.

The Government of Egypt/Ministry of International Cooperation:

For each activity or project identified and approved by the Steering Committee, the Ministry of International Cooperation, the implementing GOE entities and USAID will enter into a subsequent implementing agreement sub-obligating funds for the approved activity or project. The implementing GOE entity will implement the relevant approved activities and projects and will be responsible for timely achievement of approved activity and project goals. The Ministry of International Cooperation will coordinate all follow-up, monitoring and implementation for the Government of Egypt.

USAID:

For each activity or project identified and approved by the Steering Committee, USAID will enter into a subsequent implementing agreement with the Ministry of International Cooperation and implementing GOE entities sub-obligating funds for the approved activity or project. The sub-obligating implementing agreements will detail the scope of work, cost estimates, work plans, the completion date, payment procedures, implementation milestones, schedules, audits, reporting and other terms and conditions necessary to ensure compliance with USAID rules and regulations and U.S. law. This includes all necessary U.S. environmental compliance regulations, gender analysis and assessments. Prior to the execution of such an implementing agreement, USAID must assess the implementing entity's financial, procurement and management systems to ensure that such entity's systems meet the requirements of USAID.

**North Sinai Initiative
 Illustrative Financial Plan
 USAID Contribution
 (US \$000)**

Code	Component Name	Total USAID Contribution
4.4	Infrastructure	15,000
4.6	Private Sector Competitiveness	10,000
4.7	Economic Opportunity	25,000
	TOTAL-North Sinai Initiative	50,000

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Standard Provisions

Article A: Definitions and Implementation Letters.

Section A.1. Definitions. As used in this Annex, the "Agreement" refers to the Assistance Agreement to which this Annex is attached and of which this Annex forms a part. Terms used in this Annex have the same meaning or reference as in the Agreement.

Section A.2. Implementation Letters. To assist the MIC in the implementation of the Agreement, USAID, from time to time, will issue implementation letters ("Implementation Letters") that will furnish additional information about matters stated in this Agreement. The Parties may also issue jointly agreed-upon Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement. Implementation Letters can also be issued to record revisions or exceptions which are permitted by the Agreement.

Article B: General Covenants.

Section B.1. Consultation. The Parties will cooperate to assure that the Objective and Program Elements of this Agreement will be accomplished. To this end, the Parties, at the request of either, will exchange views on progress toward the Objective and Program Elements, the performance of obligations under this Agreement, the performance of any consultants, contractors, or suppliers engaged under the Agreement, and other matters relating to the Agreement.

Section B.2. Execution of Agreement. GOE implementing entities will:

- (a) Carry out the Agreement and the activities and projects required to be undertaken directly (or caused to be undertaken), or cause the Agreement and such activities and projects to be carried out with due diligence and efficiency, in conformity with technical, financial, and management practices, and in conformity with those documents, plans, specifications, contracts, schedules, or other arrangements, and with any modifications therein, approved by the Steering Committee pursuant to this Agreement; and

(b) Provide qualified and experienced management for, and train such staff as may be appropriate for the maintenance and operation of activities and projects financed under the Agreement, and, as applicable for continuing activities and projects, cause those activities to be operated and maintained in such manner as to assure the continuing and successful achievement of the Objective and Program Elements under the Agreement.

Section B.3. Utilization of Goods and Services.

Any goods and services financed under this Agreement, unless otherwise agreed in writing by the Parties, will be devoted to the Agreement until the completion or termination of the Agreement, and thereafter (as well as during any period of suspension of the Agreement) will be used to further the Objective of the Agreement or as the Parties may jointly agree to in Implementation Letters.

Section B.4. Taxation.

(a) General Exemption. The Agreement, funds deposited in the NSI Account referred to in Section 5.1 of this Agreement, and the assistance thereunder are free from any taxes imposed under laws in effect in the territory of the Arab Republic of Egypt.

(b) Except as provided otherwise in this provision, the General Exemption in subsection (a) applies to, but is not limited to (1) any activity, project, contract, grant or other implementing agreement financed under this Agreement; (2) any transaction or supplies, equipment, materials, property or other goods (hereinafter collectively "goods") under (1) above; (3) any contractor, grantee, or other organization carrying out activities or projects financed under this Agreement; (4) any non-national employee of such organizations; and (5) any non-national individual contractor or grantee carrying out activities or projects financed under this Agreement.

(c) Except as provided otherwise in this provision, the General Exemption in subsection (a) applies to, but is not limited to, the following taxes:

(1) Exemption 1. Customs duties, tariffs, import taxes, or other levies on the importation, use and re-exportation of goods or the personal belongings and effects (including personally-owned automobiles) for the personal use of non-national individuals or their family members. Exemption 1 includes, but is not limited to, all charges based on the value of such imported goods, but does not include service charges directly related to services performed to transfer goods or cargo.

(2) Exemption 2. Taxes on the income, profits or property of all (i) non-national organizations of any type, (ii) non-national employees of national and non-national organizations, or (iii) non-national individual contractors and grantees. Exemption 2 includes income and social security taxes of all types and all taxes on the property, personal or real, owned by such non-national organizations or persons. The term "national" refers to organizations established under the laws of the Arab Republic of Egypt and citizens of the Arab Republic of Egypt, other than permanent resident aliens in the United States.

(3) Exemption 3. Taxes levied on the last transaction for the purchase of goods or services financed under this Agreement, including sales taxes, value-added taxes (VAT), or taxes on purchases or rentals of real or personal property. The term "last transaction" refers to the last transaction by which the goods or services were purchased for use in the activities and projects financed under this Agreement.

(d) If a tax has been levied and paid contrary to the provisions of an exemption, USAID may, in its discretion, (1) require the GOE to refund to USAID or to others as USAID may direct the amount of such tax with funds other than those provided under the Agreement (with a preference being to fund any such refund with local currency funds from the Special Account identified in the Memorandum of Understanding Regarding Special Account between USAID the Government of the Arab Republic of Egypt), or (2) offset the amount of such tax from amounts to be disbursed under this or any other agreement between the Parties.

(e) In the event of a disagreement about the application of an exemption, the Parties agree to promptly meet and resolve such matters, guided by the principle that the assistance furnished by USAID is free from direct taxation, so that all of the assistance furnished by USAID will contribute directly to the economic development of the country.

Section B.5. Reports and Information, Agreement Books and Records, Audits, and Inspections.

(a) Reports and Information. The MIC shall furnish USAID accounting records and such other information and reports relating to the Agreement as USAID may reasonably request.

(b) GOE Agreement Books and Records. The GOE shall maintain accounting books, records, documents and other evidence relating to the Agreement, adequate to show, without limitation, all costs incurred directly by the GOE under the Agreement, the receipt and use of goods and services acquired by the GOE under the Agreement, agreed-upon cost sharing requirements, the nature and extent of solicitations of prospective suppliers of goods and services acquired by the GOE, the basis of award of contracts and orders made directly by the GOE, and the overall progress of the Agreement toward completion ("Agreement books and records"). The GOE shall maintain Agreement books and records in accordance with generally accepted accounting principles prevailing in the United States, or subject to the mutual agreement of the Parties other accounting principles, such as those (1) prescribed by the International Accounting Standards Committee (an affiliate of the International Federation of Accountants) or (2) prevailing in the GOE Agreement books and records shall be maintained for at least three years after the date of last disbursement by USAID or for such longer period, if any, required to resolve any litigation, claims or audit findings. For the avoidance of doubt, this Section B.5(b) applies solely to Grant funds expended directly by the GOE.

(c) GOE Audit. If \$300,000 or more of USAID funds are expended directly by the GOE in its fiscal year under the Agreement, the GOE shall have financial audits made of the expenditures in accordance

with the following terms, except as the Parties may otherwise agree in writing:

(1) The GOE shall select an independent auditor in accordance with the "Guidelines for Financial Audits Contracted by Foreign Recipients" issued by the USAID Inspector General ("Guidelines"), and the audits shall be performed in accordance with the "Guidelines" and such audit reports shall be submitted in English; and

(2) The audit shall determine whether the receipt and expenditure of the funds provided under the Agreement are presented in accordance with generally accepted accounting principles agreed to in subsection (b) above and whether the GOE has complied with the terms of the Agreement. Each audit shall be completed no later than nine months after the close of the GOE's year under audit.

(d) Sub-recipient Audits. The GOE, except as the Parties may otherwise agree in writing, shall submit to USAID, in form and substance satisfactory to USAID, a plan for the audit of the expenditures of "covered" sub-recipients, as defined below, that receive funds in connection with a direct contract or agreement entered into directly with the GOE pursuant to the activities and projects contemplated by this Agreement.

(1) A "covered" sub-recipient is one who expends \$300,000 or more in its fiscal year in "USAID awards" (i.e., as sub-recipients under USAID strategic objective and other grant agreements with foreign governments).

(2) The plan shall describe the methodology to be used by the GOE to satisfy its audit responsibilities for covered sub-recipients. The GOE may satisfy such audit responsibilities by relying on independent audits of the sub-recipients; expanding the scope of the independent financial audit of the GOE to encompass testing of sub-recipients' accounts; or a combination of these procedures.

(3) The plan shall identify the funds made available to covered sub-recipients that will be covered by audits conducted in accordance with other audit provisions that would satisfy the GOE's audit responsibilities. A host-country contractor should be audited by a USAID approved audit firm. (A nonprofit organization organized in the United States and legally operating in the ARE is required to arrange for its own audits. A for-profit contractor organized in the United States that has a direct contract with USAID is audited by the cognizant U.S. Government Agency. A private voluntary organization organized outside the United States and legally operating in the ARE with a direct grant from USAID is required to arrange for its own audits. A host-country contractor should be audited by a Steering Committee approved audit firm.)

(4) The GOE shall ensure that covered sub-recipients under direct contracts or agreements with the GOE take appropriate and timely corrective actions; consider whether sub-recipients' audits necessitate adjustment of its own records; and require each such sub-recipient to permit independent auditors to have access to records and financial statements as necessary.

(e) **Audit Reports.** The GOE shall furnish or cause to be furnished to USAID an audit report for each audit arranged for by the GOE in accordance with this Section within 30 days after completion of the audit and no later than nine months after the end of the period under audit.

(f) **Other Covered Sub-recipients.** For "covered" sub-recipients who receive funds under the Agreement pursuant to direct contracts or agreements with GOE, the GOE beneficiary entity will include appropriate audit requirements in such contracts or agreements and the Steering Committee will ensure the follow-up activities with regard to the audit reports furnished pursuant to such requirements.

(g) **Cost of Audits.** Costs of audits performed in accordance with the terms of this Section may be charged to the Agreement.

(h) **Audit by USAID.** USAID retains the right to perform the audits required under this Agreement by utilizing funds under the Agreement

to conduct a financial review, or otherwise to ensure accountability of organizations expending USAID funds regardless of the audit requirement. Section 6.4 of the Agreement provides the steps by which audits will be conducted under this Agreement.

(i) Opportunity to Audit or Inspect. The GOE shall afford authorized representatives of USAID the opportunity at all reasonable times to audit or inspect activities or projects financed under the Agreement, the utilization of goods and services financed by USAID, and books, records and other documents relating to the Agreement.

(j) Sub-recipient Books and Records. The GOE will incorporate paragraphs (a), (b), (d), (e), (g), (h) and (i) of this provision into all sub-agreements with non-U.S. organizations which meet the \$300,000 threshold of paragraph (c) of this provision. Sub-agreements with non-U.S. organizations, which do not meet the \$300,000 threshold, shall, at a minimum, incorporate paragraphs (h) and (i) of this provision. Sub-agreements with U.S. organizations shall state that the U.S. organization is subject to the audit requirements contained in OMB Circular A-133.

Section B.6. Completeness of Information. The GOE confirms:

(a) that the facts and circumstances of which it has informed USAID, or caused USAID to be informed, in the course of reaching agreement with USAID on the Agreement, are accurate and complete, and include all facts and circumstances that might materially affect the Agreement and the discharge of responsibilities under this Agreement; and

(b) that it will inform USAID in timely fashion of any subsequent facts and circumstances that might materially affect, or that it is reasonable to believe might so affect, the Agreement or the discharge of responsibilities under this Agreement.

Section B.7. Other Payments. GOE affirms that no payments have been or will be received by any official of the GOE in connection with the procurement of goods or services financed under the Agreement, except fees, taxes, or similar payments legally established in the ARE.

Section B.8. Information and Marking. The GOE will give appropriate publicity to the Agreement as a program to which the United States has contributed, identify Agreement activity and project sites, and mark goods financed by USAID, as described in Implementation Letters.

Article C: Procurement Provisions.

Section C.1. Source and Origin.

C.1. Source and Origin.

(a) Except as noted herein, or in a sub-agreement issued by the Parties, Grant funds will be used to finance the cost of goods and services having their source and origin, and with respect to suppliers of goods and services, the nationality, in the United States (USAID Geographic Code 000), except as the Parties may otherwise agree in writing. Exceptions to this requirement include local procurement transactions in accordance with USAID policy or procurements made after obtaining source, origin, and nationality waivers from USAID in writing. USAID will provide the details of its source, origin and nationality rules, including its local procurement policy, in an Implementation Letter.

Additionally:

(1) Ocean transportation costs shall be financed under the Agreement only on vessels under flag registry of countries included in Code 935. Also see Section C.6 on use of U.S. flag vessels.

(2) The country of the GOE is an eligible source for foreign exchange cost for marine insurance, if otherwise eligible under Section C.7 (a).

(3) Any motor vehicles financed under the Agreement will be of United States manufacture, except as USAID may otherwise agree in writing.

(b) Local Currency Costs. Disbursements for Local Currency Costs will be used exclusively to finance the costs of goods and services required

for the Agreement which meet the requirements of USAID's local procurement policy which will be provided in an Implementation Letter.

(c) The source and origin of ocean and air shipping will be deemed to be the ocean vessel's or aircraft's country of registry at the time of shipment.

(d) Provisions concerning restricted and ineligible goods and services may be provided in an Implementation Letter.

(e) Transportation by air of property or persons financed under this agreement will be on carriers holding United States certification, to the extent service by such carriers is available under the Fly America Act. This requirement may be further described by USAID in Implementation Letters.

Section C.2. Eligibility Date. No goods or services may be financed under the Agreement which are procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Agreement, except as the Parties may otherwise agree in writing.

Section C.3. Plans, Specifications and Contracts. In order for there to be mutual agreement on the following matters, and except as the Parties may otherwise agree in writing:

(a) The GOE will furnish to USAID upon preparation any plans, specifications, procurement or construction schedules, contracts, or other documentation between the GOE and third parties, relating to goods or services to be financed under the Agreement, including documentation relating to the prequalification and selection of contractors and to the solicitation of bids and proposals. Material modifications in such documentation will likewise be furnished to USAID on preparation;

(b) For the purpose of finalizing the Steering Committee project or activity selection process, documents related to the prequalification of contractors, and to the solicitation of bids or proposals for goods and services financed under the Agreement will be approved by USAID in writing prior to their issuance, and their terms will include United States standards and in compliance with Egyptian laws and regulations;

(c) Contracts and contractors financed under the Agreement for engineering and other professional services, for construction services, and for such other services, equipment, or materials as may be specified in Implementation Letters, will be approved by the Steering Committee prior to execution of the contract. Material modifications in such contracts will also be speedily approved by the Steering Committee prior to execution; and

(d) Consulting firms used by the GOE for the Agreement but not financed under the Agreement, the scope of their services and such of their personnel assigned to activities and projects financed under the Agreement as USAID may specify, and construction contractors used by the GOE for the Agreement but not financed under the Agreement, shall be acceptable to USAID.

Section C.4. Reasonable Price. No more than reasonable prices will be paid for any goods or services financed, in whole or in part, under the Agreement. Such items will be procured on a fair and, to the maximum extent practicable, competitive basis.

Section C.5. Notification to Potential Suppliers. To permit all United States firms to have the opportunity to participate in furnishing goods and services to be financed under the Agreement, the GOE will furnish USAID such information with regard thereto.

Section C.6. Transportation

(a) In addition to the requirements in Section C.1(a), costs of ocean or air transportation and related delivery services may not be financed under the Agreement, if the costs are for transportation under an ocean vessel or air charter which has not received prior USAID approval.

(b) Unless USAID determines that privately owned United States-flag commercial ocean vessels are not available at fair and reasonable rates for such vessels, or otherwise agrees in writing:

(1) at least fifty percent (50%) of the gross tonnage of all goods (computed separately for dry bulk carriers, dry cargo liners and tankers) financed by USAID which may be transported on

ocean vessels will be transported on privately owned United States-flag commercial vessels; and

(2) at least fifty percent (50%) of the gross freight revenue generated by all shipments financed by USAID and transported to the territory of the GOE on dry cargo liners shall be paid to or for the benefit of privately owned United States-flag commercial vessels. Compliance with the requirements of (1) and (2) of this subsection must be achieved with respect to both any cargo transported from U.S. ports and any cargo transported from non-U.S. ports, computed separately.

Section C.7. Insurance.

(a) Marine insurance on goods financed by USAID which are to be transported to the ARE may be financed as a foreign exchange cost under this Agreement provided

(1) such insurance is placed at the most advantageous competitive rate;

(2) such insurance is placed in a country which is authorized under Section C.1(a); and

(3) claims thereunder are payable in U.S. dollars or any freely convertible currency unless USAID agrees otherwise in writing.

If the GOE by statute, decree, rule, regulation, or practice discriminates with respect to USAID-financed procurement against any marine insurance company authorized to do business in any State of the United States, then all goods shipped to the territory of the GOE financed by USAID hereunder shall be insured against marine risks and such insurance shall be placed in the United States with a company or companies authorized to do marine insurance business in the United States.

(b) Except as USAID may otherwise agree in writing, the GOE will insure, or cause to be insured, goods financed under the Agreement imported for the Agreement against risks incident to their transit to the

point of their use under the Agreement; such insurance will be issued on terms and conditions consistent with sound commercial practice and will insure the full value of the goods. Any indemnification received by the GOE under such insurance will be used to replace or repair any material damage or any loss of the goods insured or will be used to reimburse the GOE for the replacement or repair of such goods. Any such replacement will be of source and origin of countries listed in USAID Geographic Code 935 as in effect at the time of replacement and, except as the Parties may agree in writing, will be otherwise subject to the provisions of the Agreement.

Section C.8. U.S. Government-Owned Excess Property. The GOE agrees that wherever practicable United States Government-owned excess personal property, in lieu of new items financed under the Agreement, should be utilized. Funds under the Agreement may be used to finance the costs of obtaining such property.

Article D: Disbursements.

Section D.1. Disbursement for Foreign Exchange Costs.

(a) After satisfaction of requirements precedent, if any, the GOE may obtain disbursements of funds under the Agreement for the foreign exchange costs of goods or services required for the Agreement in accordance with its terms, by such of the following methods as may be mutually agreed upon:

(1) by submitting to USAID, with necessary supporting documentation as prescribed in Implementation Letters, (A) requests for reimbursement for such goods or services, or, (B) requests for USAID to procure commodities or services in GOE's behalf for the Agreement; or,

(2) by requesting USAID to issue letters of commitment for specified amounts directly to one or more contractors or suppliers, committing USAID to pay such contractors or suppliers for such goods or services.

(b) Banking charges incurred by the GOE in connection with letters of commitment will be financed under the Agreement unless the GOE

instructs USAID to the contrary. Such other charges, as the Parties may agree to, may also be financed under the Agreement.

Section D.2. Disbursement for Local Currency Costs.

(a) After satisfaction of requirements precedent, if any, the GOE may obtain disbursements of funds under the Agreement for Local Currency Costs required for the Agreement in accordance with terms of this Agreement, by submitting to USAID, with necessary supporting documentation as prescribed in Implementation Letters, requests to finance such costs.

(b) The local currency needed for such disbursements may be purchased by USAID with U.S. Dollars. The U.S. Dollar equivalent of the local currency made available hereunder will be the amount of U.S. Dollars required by USAID to obtain the local currency.

Section D.3. Other Forms of Disbursement. Disbursements may also be made through such other means as the Parties may agree to in writing by submitting to USAID, with necessary supporting documentation as prescribed in Implementation Letters.

Section D.4. Rate of Exchange. If funds provided under the Agreement are introduced into the Arab Republic of Egypt for purposes of carrying out obligations of USAID hereunder, the GOE will make such arrangements as may be necessary so that such funds may be converted into local currency at the highest rate of exchange which, at the time the conversion is made, is not unlawful in the GOE to any person for any purpose.

Article E: Termination; Remedies.

Section E.1. Suspension and Termination.

(a) Either Party may terminate this Agreement in its entirety by giving the other Party thirty (30) days written notice. USAID also may terminate this Agreement in part by giving the GOE thirty (30) days written notice, and suspend this Agreement in whole or in part upon giving the GOE written notice. In addition, USAID may terminate this Agreement in whole or in part, upon giving the GOE written notice, if

(i) the GOE fails to comply with any provision of this Agreement, (ii) an event occurs that USAID determines makes it improbable that the Objective or Program Elements of the Agreement or the assistance program will be attained or that the GOE will be able to perform its obligations under this Agreement, or (iii) any disbursement or use of funds in the manner herein contemplated would be in violation of the legislation governing USAID, whether now or hereafter in effect.

(b) Except for payment which the Parties are committed to make pursuant to non-cancellable commitments entered into with third parties prior to such suspension or termination, suspension or termination of this entire Agreement or part thereof will suspend (for the period of the suspension) or terminate, as applicable, any obligation of the Parties to provide financial or other resources to the Agreement, or to the suspended or terminated portion of the Agreement, as applicable. Any portion of this Agreement which is not suspended or terminated shall remain in full force and effect.

(c) In addition, upon such full or partial suspension or termination, USAID may, at USAID's expense, direct that title to goods financed under the Agreement, or under the applicable portion of the Agreement, be transferred to USAID if the goods are in a deliverable state.

Section E.2. Refunds.

(a) In the case of any disbursement which is not supported by valid documentation in accordance with this Agreement, or which is not made or used in accordance with this Agreement, or which was for goods or services not used in accordance with this Agreement, USAID, notwithstanding the availability or exercise of any other remedies under this Agreement, may require the GOE through due notification to refund the amount of such disbursement in U.S. Dollars to USAID within sixty (60) days after receipt of a request therefore.

(b) If the failure of GOE to comply with any of its obligations under this Agreement has the result that goods or services financed or supported under the Agreement are not used effectively in accordance with this Agreement, USAID may require the GOE through due notification to refund all or any part of the amount of the

disbursements under this Agreement for or in connection with such goods or services in U.S. Dollars or the equivalent in Egyptian Pounds, if such disbursement was disbursed in Egyptian Pounds, as specifically directed by USAID within sixty (60) days after receipt of a request therefore.

(c) The right under subsections (a) or (b) to require a refund of a disbursement will continue, notwithstanding any other provision of this Agreement, for three years from the date of the last disbursement under this Agreement.

(d) (1) Any refunds under subsections (a) or (b), or (2) any refund to USAID from a contractor, supplier, bank or other third party with respect to goods or services financed under the Agreement, which refund relates to an unreasonable price for or erroneous invoicing of goods or services, or to goods that did not conform to specifications, or to services that were inadequate, will (A) be made available first for the Agreement, to the extent justified, and (B) the remainder, if any, will be applied to reduce the amount of the Grant.

(e) Any interest or other earnings on funds disbursed by USAID to the GOE under this Agreement prior to the authorized use of such funds for the Agreement will be returned to USAID in U.S. Dollars or the equivalent in Egyptian Pounds, if such disbursement that incurred such interest or other earnings was disbursed in Egyptian Pounds, by the GOE, unless USAID otherwise agrees in writing.

Section E.3. Non-waiver of Remedies. No delay in exercising any right or remedy accruing to a Party in connection with its financing under this Agreement will be construed as a waiver of such right or remedy.

Section E.4. Assignment. The GOE agrees, upon request, to execute an assignment to USAID of any cause of action which may accrue to the GOE in connection with or arising out of the contractual performance or breach of performance by a Party to a direct U.S. Dollar contract which USAID financed in whole or in part out of funds granted by USAID under this Agreement.

Article F: Miscellaneous.

Section F.1. Investment Promotion.

- (a) Except as specifically set forth in the Agreement or otherwise authorized by USAID in writing, no funds or other support provided hereunder may be used for any activity or project that involves investment promotion in a foreign country.
- (b) In the event the GOE is requested or wishes to provide assistance in the above area or requires clarification from USAID as to whether the activity or project would be consistent with the limitation set forth above, the GOE must notify USAID and provide a detailed description of the proposed activity or project. The GOE must not proceed with the activity or project until advised by USAID that it may do so.
- (c) The GOE must ensure that its employees and subcontractors and sub-recipients providing investment promotion services hereunder are made aware of the restrictions set forth in this clause and must include this clause in all subcontracts and other sub-agreements entered into hereunder.

Section F.2. Workers' Rights.

- (a) Except as specifically set forth in the Agreement or otherwise authorized by USAID in writing, no funds or other support provided hereunder may be used for any activity or project that involves workers' rights in a foreign country.
- (b) In the event the GOE is requested or wishes to provide assistance in the above area or requires clarification from USAID as to whether the activity or project would be consistent with the limitation set forth above, the GOE shall notify the USAID and provide a detailed description of the proposed activity or project. The GOE shall not proceed with the activity or project until advised by USAID that it may do so.

- (c) The GOE must ensure that all employees and subcontractors and sub-recipients providing employment-related services hereunder are made aware of the restrictions set forth in this clause and must include this clause in all subcontracts and other sub-agreements entered into hereunder.

Section F.3 Terrorist Financing. The GOE is advised that U.S. Executive Orders and U.S. law prohibit transactions with, and the provision of resources and support to, individuals and organizations associated with terrorism and specially designated nationals and blocked persons identified by the U.S. Department of Treasury (Office of Foreign Assets Control). It is the legal responsibility of the GOE under this Agreement to ensure compliance with these Executive Orders and laws. This provision must be included in all subcontracts or subawards issued under this Agreement.

Section F.4 Prohibition on Funding Foreign Government Delegations to International Conferences. Except as USAID may otherwise agree in writing, funds obligated under this Agreement which are provided by USAID from the Foreign Operations, Export Financing, and Related Programs Appropriations Act for any U.S. Government fiscal year after fiscal year 1999 may not be used to finance the travel, per diem, hotel expenses, meals, conference fees or other conference costs for any member of a foreign government's delegation to an international conference sponsored by a public international organization. This restriction may be further described by USAID in Implementation Letters.

North Sinai Initiative
Illustrative Financial Plan
USAID Contribution
(US \$000)

Code	Component Name	Total USAID Contribution
4.4	Infrastructure	15,000
4.6	Private Sector Competitiveness	10,000
4.7	Economic Opportunity	25,000
	TOTAL-North Sinai Initiative	50,000