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Washington, D.C.

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115-11

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Nile Delta Drainage Project - Egypt, Arab Republic of - Credit 0181 - P004983 - 1969 /
1971 Negotiations - Volume 2

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THIS FILE IS CLOSED AS OF April 16, 1970

FOR FURTHER CORRESPONDENCE PLEASE SEE Vol. 1 - Admin.

RECORDS MANAGEMENT SECTION

Mr. U. K. Ghoshal

April 15, 1970

Jack L. Upper *JL*

UAR: Nile Delta Drainage Credit: Arrangements for Signing

I understand that arrangements have been made for Mr. Knapp to sign the credit documents for the Nile Delta Drainage Project in the Board Room at 12:15 on Friday, April 17. I shall arrange for the attendance of Dr. Ashraf Ghorbal, Head of the UAR Interests Section in the Embassy of India, who has been authorized to sign for the UAR. The lawyer in charge is Mr. El-Fishawy.

cc: Messrs. Benjenk/Hartwich
El-Fishawy

JLUpper:orp

INTERNATIONAL DEVELOPMENT ASSOCIATION

UAR - Delta Drainage Proj. F
IDA/SecM70-51

FROM: The Secretary

April 15, 1970

UNITED ARAB REPUBLIC: Nile Delta Drainage Project

There is attached a note prepared in the Agriculture Projects Department on the ecological consequences of the construction of the Aswan High Dam.

Distribution:

Executive Directors and Alternates
President
President's Council
Executive Vice President, IFC
Vice President, IFC
Department Heads, Bank and IFC

UNITED ARAB REPUBLIC: Nile Delta Drainage Project

1. During the Board's discussions of the Nile Delta Drainage Project on March 24, 1970, questions were asked about ecological changes resulting from the Aswan High Dam. Mr. Haynes of the Agriculture Projects Department replied that, except in relation to the Nile Drainage Project itself, the appraisal mission had not studied these changes in depth but they would probably be of the same character as those which occurred in the Delta when perennial irrigation was first introduced 80 years ago, i.e. salinity would increase and water tables would rise.

2. The influence of the Aswan High Dam on the project area is mentioned at several places in the appraisal report, notably para 3.11 and Annex 4. Its influence on cultivation in Upper Egypt has been well described in a recent interim evaluation report on a World Food Program project for the conversion of basin irrigation (WFP/IGC - 17/10, Add 12 of March 4, 1970). Some relevant paragraphs of this report are given below.

"The WFP Project

WFP assistance was sought by the Government in January 1966 to support the programme for conversion of the above-mentioned 973,000 feddans to perennial irrigation by providing food aid as part payment of wages in kind to 30,000 workers engaged on irrigation and open drainage works. The savings accruing to the Government were to be used for the installation of the tile drainage system on 75,000 feddans."

"There appears to be a possible risk of waterlogging and salinization arising from the lagging of the drainage aspects of the project behind the irrigation aspects. Prior to the completion of the Aswan High Dam reservoir in 1964 a large part of the annual discharge of the Nile flowed, wasted, to the sea during the floods. Another part recharged the aquifers and underflow in percolating through the alluvia of the flooded valley, whereas the remaining part was diverted and pumped for both seasonal basin and perennial irrigation over roughly

7 million feddans in the valley, the delta and other irrigable lands on the west bank of the Nile. Despite the large quantity of water brought onto the irrigated lands (7,000 to 9,000 cubic metres per feddan yearly), there was generally no acute problem of drainage in the upper valley, which was mainly still cultivated under the basin system, because most of these lands were irrigated during a part of the year only, and in summer the evapo-transpiration rate is so high that the soil moisture level was reduced well below the saturation point down to a depth of 1.50 metres or more beneath the surface. Even in the scattered fields cropped in summer (irrigated by pumps or small canals) the soil remained saturated only during a few days after irrigation owing to the combined action of the natural drainage and the evapo-transpiration."

"On the other hand, the delta was becoming progressively waterlogged, and salinity problems occurred in its northern areas since perennial irrigation was introduced late in the last century. The situation worsened rapidly, despite expensive but insufficient drainage works consisting mainly of open drains and pumping stations undertaken to try to remove the excess of water and salt from the intensively cropped lands. Finally, the decision was taken to provide tile drainage throughout the whole irrigated part of the delta (about 4 million feddans) by 1985. Some 360,000 feddans (sic) will be added in the coming six years with the financial assistance of the IDA. A semi-autonomous body under the supervision of the Minister of Irrigation, the "Nile Delta Authority for Tile Drainage Projects", has been created to implement the urgent and long overdue rescue operation of the lands which were formerly the most fertile in Egypt and which are now also the most populated."

"Many technicians and government officials involved in irrigation and drainage problems in UAR believe that the same process of waterlogging and soil deterioration which occurred in the delta is probably already developing in the upper valley following the increase in the total quantity of irrigation water diverted and applied annually, including the seepage from the innumerable canals and ditches of the new perennial irrigation system. Long lasting waterlogging initiates a salinization process, even though the Nile water has a rather low average salt content (200 ppm.) The transit of 10 or more billion cubic metres of irrigation water every year into the soils of the project area without efficient artificial drainage will lead to a rapid accumulation of salt. The characteristics of the soils and the flat topography do not permit the poor natural drainage to cope with the increased drainage demand. The combined surface drainage and ground water flow will be insufficient to remove these salts in solution from the soil at the same rate at which they are brought into the area by the irrigation water."

"Sub-surface or tile drainage is the best method of protecting the productivity of the land under intensive irrigated cropping of heavy soils. There is a consensus about the necessity of providing tile drainage over the whole project area, whether already converted or to be converted to perennial irrigation. The only divergences lie in the schedule and the methods of execution of such an indispensable but expensive and difficult achievement. The evaluation team

considered that this tile drainage work is urgent and that it should be considerably expedited, at a rate and with organization and methods similar, if possible, to those that have already been planned and set up for tile drainage in the delta."

"Another significant consequence is the considerable decrease in the incidence of malaria since the swamps created by the old basin system are now disappearing. It is expected that this disease will in time be completely eradicated from the area. This is counter-balanced, however, by a significant rise in the incidence of bilharzia. A study conducted by the Research Institute for Tropical Diseases in Assyut Province indicates that the number of infected persons has risen from 2.7 percent of the population in 1964 to 28.7 percent in 1968, primarily among cultivators. This matter is causing serious concern to the local authorities, and WHO may be able to assist the Government in devising methods of controlling the disease and preventing its further spread."

"As a result of the construction of the Aswan High Dam, which will store more than 150 billion (or milliards) cubic metres of water in Lake Nasser by 1974, and of the new irrigation network to be completed by 1971/72, shortage of water will never again be a limiting factor to intensive agricultural production in the whole Nile valley and delta. But misuse of water, which is nearly unavoidable, combined with the lack of efficient field drainage, may become under the local soil conditions a major constraint to increasing production. Therefore, the greatest attention and priority should be given to the problems of proper use of irrigation water and efficient sub-surface drainage. Neither of these present major technical problems nor constraints. Safe irrigation methods and cropping patterns, as well as tile drainage and vertical drainage techniques adapted to local conditions are known and already applied in the delta, which for a long time has been affected by waterlogging and salinization processes. The greatest risk and concern is the widening gap between the rapid construction and operation of the irrigation system and the slower and incomplete establishment of the corresponding drainage system (especially the sub-surface tile drainage)."

Agriculture Projects Department
April 10, 1970

UAR - Delta Drainage
Proj

Mr. M. P. Benjenk

April 15, 1970

Jack L. Upper *JL*

UAR: Nile Delta Drainage Credit Signing

The attached Supplemental Letters and the Agreed Minutes of Discussions are to be countersigned by you at the time of signing of the credit documents for the Nile Delta Drainage Project on Friday. The external debt letter will be signed by Dr. Ghorbal as amended. The amendment as shown in the attached Letter No. 3 has been agreed in principle with Mr. Seif Eldin and will be cleared with Dr. Ghorbal tomorrow.

Attachment

JLUpper:orp

UAR- Delta
Drainage
Proj.

INCOMING CABLE

DATE AND TIME
OF CABLE:

APRIL 14, 1970

1625

LOG NO.:

RC 2/15

TO:

HARTWICH INTEAFRAD

FROM:

CAIRO

ROUTING

ACTION COPY:

MR. HARTWICH

INFORMATION
COPY:

MR. BENJENK

DECODED BY:

MR. UPPER

TEXT:

RE YOUR CABLE 8. COPY OF AUTHORIZATION SENT
TO DR. GHORBAL 12 APRIL. REGARDS

HASSAN ABBAS ZAKI

BF

OUTGOING WIRE

TO: DR EL SAYEH
UNDERSECRETARY FOR ECONOMY
MINISTRY OF ECONOMY AND FOREIGN TRADE
CAIRO

DATE: APRIL 13, 1970

CLASS OF
SERVICE: L.T. *ITT*

COUNTRY: UNITED ARAB REPUBLIC

TEXT: KINDLY ARRANGE VISITS WITH MINISTER TRANSPORT ^{AND RESPONSIBLE OFFICIALS MINISTRIES OF} IRRIGATION AND PLANNING
Cable No.: IF POSSIBLE FOR DISCUSSION PREPARATION NOUBARIYA CANAL PROJECT comma
WITH MINISTER IRRIGATION AND CHAIRMAN DRAINAGE AUTHORITY FOR DISCUSSION IMPLEMENTATION
NILE DELTA DRAINAGE PROJECT comma AND WITH MINISTER ECONOMY FOR
GENERAL DISCUSSIONS Stop PLEASE CABLE ASSOCIATION SOONEST GIVING
NOTICE OF AUTHORIZATION DR GHORBAL TO SIGN NILE ~~DELTA~~ DRAINAGE CREDIT
TO BE FOLLOWED BY LETTER OF AUTHORIZATION AS MR HARTWICH HAS CABLED
DR ZAKI ON APRIL 3 AND APRIL 8 AND AS WE DISCUSSED DURING NEGOTIATIONS
~~Stop I SHALL TRY TO RETURN CAIRO FOR DISCUSSIONS WITH YOU MAY 1 IF~~
~~POSSIBLE~~ KINDEST REGARDS

UPPER

INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME Jack L. Upper

DEPT. Europe, Middle East and North Africa

SIGNATURE *Jack L. Upper*
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

JLUpper:orp

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

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Checked for Dispatch: *PR*

EMBASSY OF INDIA
UNITED ARAB REPUBLIC INTERESTS SECTION
2310 DECATUR PLACE, N.W.
WASHINGTON, D. C.

UNOFFICIAL TRANSLATION

POWER OF AUTHORIZATION

THE FOREIGN MINISTER,

April 12/70

AUTHORIZES DR. ASHRAF GHORBAL, HEAD OF THE UNITED ARAB REPUBLIC INTERESTS SECTION IN WASHINGTON, D. C. TO SIGN, SUBJECT TO RATIFICATION, THE AGREEMENT BETWEEN THE UNITED ARAB REPUBLIC GOVERNMENT AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (THE INTERNATIONAL DEVELOPMENT ASSOCIATION) ACCORDING TO WHICH THE BANK WILL PROVIDE \$26,000,000 (TWENTY-SIX MILLION DOLLARS) TO FINANCE THE NILE DELTA DRAINAGE PROJECT. DR. GHORBAL IS EMPOWERED WITH THE NECESSARY AUTHORITIES TO THAT EFFECT.

TO ATTEST TO THE ABOVE, WE HAVE AFFIXED OUR SIGNATURE TO THE PRESENT DOCUMENT ON THE 12TH DAY OF APRIL 1970.

MINISTER OF FOREIGN AFFAIRS

(signature)

MAHMOUD RIAD

EMBASSY OF INDIA
UNITED ARAB REPUBLIC INTERESTS SECTION
2310 DECATUR PLACE, N.W.
WASHINGTON, D. C. 20008

TRADUCTION NON-OFFICIELLE

PLEINS POUVOIRS

LE MINISTRE DES AFFAIRES ETRANGERES,

AUTHORISE MR. LE DR. ASHRAF GHORBAL, CHEF, SECTION CHARGEE
DES INTERETS DE LA REPUBLIQUE ARABE UNIE A WASHINGTON, DE SIGNER SOUS
RESERVE DE RATIFICATION, L'ACCORD DE CREDIT ENTRE LE GOUVERNEMENT DE
LA REPUBLIQUE ARABE UNIE ET LA BANQUE INTERNATIONALE POUR LA RECON-
STRUCTION ET LE DEVELOPPEMENT (L'ASSOCIATION INTERNATIONALE DE
DEVELOPPEMENT) SELON LEQUEL CELLE-CI OCTROIT UN CREDIT DE 26 MILLIONS
DE DOLLARS POUR LE FINANCEMENT DU PROJET DE DRAINAGE AU NORD DU DELTA,
REPUBLIQUE ARABE UNIE.

MR. LE DR. ASHRAF GHORBAL EST, A CET EFFET, MENU DES PLEINS
POUVOIRS NECESSAIRES.

SIGNER AU CAIRE LE 12, AVRIL, 1970.

MINISTRE DES AFFAIRES ETRANGERS

(signature)

MAHMOUD RIAD

تفويض

وزير الخارجية

يفوض السيد الدكتور اشرف غريمال رئيس قسم رعاية مصالح
الجمهورية العربية المتحدة في واشنطن في التوقيع - مع الحفاظ
بشروط التصديق - على اتفاق تقديم قرض قدره ٢٦ مليون دولار
 لتمويل مشروع الصرف المغطى بشمال الدلتا بين حكومة
الجمهورية العربية المتحدة والبنك الدولي للانشاء والتعمير ، ويؤكد
سيادته بالسلطات اللازمة لهذا الغرض .

واشهدا على ذلك وقعنا هذه الوثيقة في القاهرة

في اليوم الثاني عشر من شهر ابريل ١٩٧٠ .

وزير الخارجية

سحر دهن

UAR - Delta Drainage

OUTGOING WIRE

TO: DR EL SAYEH
UNDERSECRETARY FOR ECONOMY
MINISTRY OF ECONOMY AND FOREIGN TRADE
CAIRO

DATE: APRIL 10, 1970

CLASS OF
SERVICE: L.T.

ITT

COUNTRY: UNITED ARAB REPUBLIC

TEXT: AM PLANNING VISIT CAIRO FOR ABOUT FOUR DAYS GENERAL DISCUSSIONS
Cable No.: BEGINNING APRIL 19 ARRIVING VIA AIR FRANCE 124 HOURS 2055 Stop
KINDLY CABLE WHETHER TIMING CONVENIENT REGARDS

UPPER

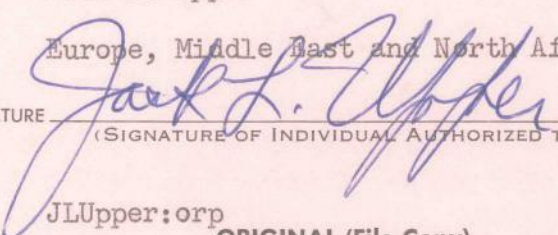
INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME Jack L. Upper

DEPT. Europe, Middle East and North Africa

SIGNATURE 
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

JLUpper:orp

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION:

cc: Mr. Seif Eldin

For Use By Communications Section

Checked for Dispatch: 

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

DATE APRIL 10, 1970

TO: EL SALVADOR

RE: URGENTLY FOR SECURITY

MINISTRY OF ECONOMIC AND FINANCIAL AFFAIRS

CLASS OF

SERVICE I.T.

CLAS

UNITED STATES DEPARTMENT OF STATE

IN PLANNING VISIT TO EL SALVADOR ABOUT FOUR MONTHS AGO

RECORDING AGENT IS ARRIVING VIA AIR TRAVEL 1200 HOURS 1075

PLEASE CHECK WHETHER THERE IS ANY OTHER RECORDS

OFFER

INTERVIEW

NOT TO BE TRANSMITTED

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APR 10 7 16 PM 1970
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SECTION

RECEIVED
APR 10 1970
EL SALVADOR
MINISTRY OF ECONOMIC AND FINANCIAL AFFAIRS

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OFFICE MEMORANDUM

TO: Files

DATE: April 9, 1970

FROM: Jack L. Upper SUBJECT: UAR Nile Delta Drainage Credit Signing

Dr. Ghorbal, Head of the UAR Interests Section in Washington, telephoned Mr. Hartwich on Monday morning, April 6, 1970, to say that he had received authorization from Dr. Zaki to sign the credit documents for the Nile Delta Drainage Project. He said he had been asked, however, if the dates in Supplemental Letter No. 2 on Technical Staff Requirements could be moved back one year and other dates in the credit documents changed accordingly. Mr. Hartwich said that he would have me look into the matter and call Dr. Ghorbal.

I conferred with Mr. El-Fishawy on the evidence necessary to establish effective authorization to sign and with Messrs. El-Fishawy and Bolt on the suggested change in dates.

Mr. El-Fishawy suggested that we ask for a signed letter of authorization and cabled notice of its dispatch, so that we could proceed with signing on the basis of the cable. On the question of dates Mr. Bolt said he considered the completion date and the closing date still feasible and realistic, but agreed that it would be reasonable to substitute calendar year 1970 for financial year 1969/70 in the annex to Supplemental Letter No. 2. Mr. El-Fishawy strengthened this approach by his view that it might be difficult to change the closing and project completion dates in the Credit Agreement so soon after presentation to the Executive Directors, whereas there would be no difficulty in changing dates in the supplemental letters without official clearance by the UAR authorities, since it would have the effect of relaxing our agreement in their interest slightly.

After discussing this with Mr. Hartwich, he asked me to convey the following points to Dr. Ghorbal by telephone, which I did:

1. that we shall need a copy for our files of a signed authorization for his signature of the credit documents
2. that a cable informing us of the sending of the above authorization would be sufficient evidence to proceed with the signing
3. that it would be difficult and not technically justified to change the closing and project completion dates in the Credit Agreement at this time, but that Supplemental Letter No. 2 could be amended to postpone the first year's staffing requirements by six months

April 9, 1970

4. that up-to-date external debt information was required for the annex to the external debt letter and that we would like Dr. Ghorbal to inquire whether and to what extent this information could be provided quickly by cable. As a guide to the external debt information normally required, I read the text of the attached draft cable to Dr. Zaki, which Dr. Ghorbal agreed might pose an awkward problem if sent and if the information could not be promptly supplied. (Note: Mr. McNamara agreed with Mr. Hartwich before Board presentation that we need not press for the updated external debt information in view of the short time available. We have taken these steps to make sure, however, that this information will be provided as quickly as possible after signing).

Dr. Ghorbal said that he would cable these points to Dr. Zaki on Monday night.

Attachment

Cl. with and cc: Mr. Hartwich
 Mr. El-Fishawy
cc: Mr. Benjenk

JLUpper:orp

DRAFT (Not Sent)
JLUpper:orp
April 6, 1970

HIS EXCELLENCY
DR HASSAN ABBAS ZAKI
MINISTER OF ECONOMY AND FOREIGN TRADE
CAIRO

UNITED ARAB REPUBLIC

DR GHORBAL INFORMED US TODAY YOUR AUTHORIZATION HIS SIGNATURE NILE DELTA
DRAINAGE CREDIT DOCUMENTS Stop KINDLY AIRMAIL COPY OF AUTHORIZATION
AND CABLE US ACCORDINGLY Stop KINDLY ALSO CABLE INFORMATION FOR ANNEX
TO STANDARD EXTERNAL DEBT REPRESENTATION LETTER TO BE SIGNED SIMULTANEOUSLY
WITH CREDIT AGREEMENT comma AS DISCUSSED WITH DR EL SAYEH DURING
NEGOTIATIONS comma LIST OF ALL EXTERNAL DEBT COMMITMENTS SINCE
JUNE 30, 1969 SHOWING NAMES OF LENDER AND BORROWER comma DATE AND
AMOUNT OF CONTRACT comma RATE OF INTEREST AND REPAYMENT PERIOD
REGARDS

HARTWICH

INTBAFRAD

Cl. with and cc: Mr. El-Fishawy

DECLASSIFIED

Date: 10/31/2010
SRB

April 8, 1970

PERSONAL

Dear Mr. Minister:

This is just a personal note to say how pleased I was that at long last the IDA credit for the Nile Delta Drainage Project was put before the Board of Executive Directors.

Beginning in the late Spring of 1967 when I became head of our Middle Eastern Department, but particularly since I visited you in December of that year, I sought to bring to consummation a loan for a significant project in the United Arab Republic. It gave me a lot of pleasure, as it must have given you, that the credit has now been approved over two years later.

I hope the project goes well and the relationship between the United Arab Republic and ourselves continues to prosper.

Best personal wishes.

Sincerely,

(signed) Michael L. Lejeune

Michael L. Lejeune
Director
Eastern Africa Department

His Excellency
Dr. Hassan Abbas Zaki
Minister of Economy and
Foreign Trade
Ministry of Economy and
Foreign Trade
Cairo, United Arab Republic

MLL:neb

UAR- Delta Drainage

OUTGOING WIRE

TO: HIS EXCELLENCY
DR HASSAN ABBAS ZAKI
MINISTER OF ECONOMY AND
FOREIGN TRADE
CAIRO

DATE: APRIL 8, 1970

CLASS OF
SERVICE: L.T. ITT

COUNTRY: UNITED ARAB REPUBLIC

TEXT: DR GHORBAL HAS INFORMED ^{ASSOCIATION} ~~HE~~ HE HAS RECEIVED AUTHORIZATION TO
Cable No.: SIGN NILE DELTA DRAINAGE CREDIT DOCUMENTS Stop KINDLY AIRMAIL
COPY OF AUTHORIZATION AND CABLE US ACCORDINGLY REGARDS

HARTWICH

INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY: *Hartwich*

NAME D. Hartwich, Deputy Director

DEPT. Europe, Middle East and North Africa

SIGNATURE *[Signature]*
SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE

JL:Upper:orp

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(IMPORTANT: See Secretaries Guide for preparing form)

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Cl. with and cc: Mr. El-Fishawy

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Checked for Dispatch: *[Signature]*

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✓ UAR-Delta
Drainage
cc Transport
Sector Proj.

April 6, 1970

His Excellency
Dr. Hassan Abbas Zaki
Minister of Economy and Foreign Trade
Ministry of Economy and Foreign Trade
Cairo
UNITED ARAB REPUBLIC

Dear Mr. Minister:

I cabled you on Friday regarding the signing of the credit for the Nile Delta Drainage Project. Meanwhile, we heard from Dr. Ghorbal today that he had been authorized to sign the credit documents for the UAR. I should like to say, also on behalf of my colleagues, that we are very glad that this important project can now move on in its implementation.

Two of the transportation projects that we have discussed for possible future consideration by the Bank Group in addition to the Egyptian Railways are the Noubariya Canal and related bulk handling facilities at the Port of Alexandria. In that respect I am enclosing a copy of my letter to His Excellency Ali Zein El-Abidin Saleh, to which are attached draft terms of reference for consultants to assist in the preparation of these projects.

We are tentatively planning a mission by members of our Transportation Projects Department to discuss the further preparation of these projects around the middle of May if that would be convenient. In the meantime I hope that Mr. Upper will have an opportunity to discuss the plans for this mission with you later this month in Cairo.

With best regards

Sincerely yours,

DH

Dieter Hartwich
Deputy Director
Europe, Middle East and North Africa
Department

Attachment

JH/Upper/DHartwich:orp

Mr. A. R. MacMillan

April 3, 1970

L. J. C. Evans

U.A.R. - Nile Delta Drainage Project

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"On the other hand, the delta was becoming progressively waterlogged, and salinity problems occurred in its northern areas since perennial irrigation was introduced late in the last century. The situation worsened rapidly, despite expensive but insufficient drainage works consisting mainly of open drains and pumping stations undertaken to try to remove the excess of water and salt from the intensively cropped lands. Finally, the decision was taken to provide tile drainage throughout the whole irrigated part of the delta (about 4 million feddans) by 1985. Some 360,000 feddans (sic) will be added in the coming six years with the financial assistance of the IDA. A semi-autonomous body under the supervision of the Minister of Irrigation, the "Nile Delta Authority for Tile Drainage Projects," has been created to implement the urgent and long overdue rescue operation of the lands which were formerly the most fertile in Egypt and which are now also the most populated."

"Many technicians and government officials involved in irrigation and drainage problems in UAR believe that the same process of waterlogging and soil deterioration which occurred in the delta is probably already developing in the upper valley following the increase in the total quantity of irrigation water diverted and applied annually, including the seepage from the innumerable canals and ditches of the new perennial irrigation system. Long lasting waterlogging initiates a salinisation process, even though the Nile water has a rather low average salt content (200 ppm.). The transit of 10 or more billion cubic metres of irrigation water every year into the soils of the project area without efficient artificial drainage will lead to a rapid accumulation of salt. The characteristics of the soils and the flat topography do not permit the poor natural drainage to cope with the increased drainage demand. The combined surface drainage and ground water flow will be insufficient to remove these salts in solution from the soil at the same rate at which they are brought into the area by the irrigation water."

"Sub-surface or tile drainage is the best method of protecting the productivity of the land under intensive irrigated cropping of heavy soils. There is a consensus about the necessity of providing tile drainage over the whole project area, whether already converted or to be converted to perennial irrigation. The only divergences lie in the schedule and the methods of execution of such an indispensable but expensive and difficult achievement. The evaluation team considered that this tile drainage work is urgent and that it should be considerably expedited, at a rate and with organisation and methods similar, if possible, to those that have already been planned and set up for tile drainage in the delta."

"Another significant consequence is the considerable decrease in the incidence of malaria since the swamps created by the old basin system are now disappearing. It is expected that this disease will in time be completely eradicated from the area. This is counterbalanced however by a significant rise in the incidence of bilharzia. A study conducted by the Research Institute for Tropical Diseases in Assiut Province, indicates that the number of infected persons has risen from 2.7 percent of the population in 1964 to 28.7 percent in 1968, primarily among cultivators. This matter is causing serious concern to the local authorities, and WHO may be able to assist the Government in devising methods of controlling the disease and preventing its further spread." ...

"As a result of the construction of the Aswan High Dam, which will store more than 150 billion (or milliards) cubic metres of water in Lake Nasser by 1974, and of the new irrigation network to be completed by 1971/72, shortage of water will never again be a limiting factor to intensive agricultural production in the whole Nile valley and delta. But misuse of water, which is nearly unavoidable, combined with the lack of efficient field drainage, may become under the local soil conditions a major constraint to increasing production. Therefore, the greatest attention and priority should be given to the problems of proper use of irrigation water and efficient sub-surface drainage. Neither of these present major technical problems nor constraints. Safe irrigation methods and cropping patterns, as well as tile drainage and vertical drainage techniques adapted to local conditions are known and already applied in the delta, which for a long time has been affected by waterlogging and salinisation processes. The greatest risk and concern is the widening gap between the rapid construction and operation of the irrigation system and the slower and incomplete establishment of the corresponding drainage system (especially the sub-surface tile drainage)."

DH:Haynes:av

Cleared with and cc: Messrs. Upper, Bolt
WW: Secretary
Mr. Chadenet

Mr. D. Hartwich

April 3, 1970

Jack L. Upper *JLU*

UAR: Discussion of Nile Delta Drainage Project in the Senior
Staff Meeting

The minutes of the senior staff meeting of March 24, 1970 quotes the Chairman as saying that "the consideration of the project by the Executive Directors had been made possible by progress in the rescheduling of the UAR's debts arising from the nationalization of foreign-owned properties." You may wish to correct the record to delete the reference to the nationalization of foreign-owned properties, since these debts arose from contractual obligations entirely separate from that issue.

JLUpper:orp

NAR-Delta Drainage

OUTGOING WIRE

TO:

~~HIS EXCELLENCY~~
~~THE HONORABLE~~
DR HASSAN ABBAS ZAKI
MINISTER OF ECONOMY AND
FOREIGN TRADE
CAIRO

DATE: APRIL 3, 1970

CLASS OF
SERVICE: L.T. ITT

COUNTRY:

UNITED ARAB REPUBLIC

TEXT:

Cable No.:

THANKS URCAB TO MR BENJENK APRIL 1 REGARDING NILE DELTA DRAINAGE

CREDIT Stop I AND MY COLLEAGUES ARE VERY PLEASED ALSO THAT

THIS OPERATION HAS NOW COME TO FRUITION Stop ~~MR BENJENK IS~~

~~AT PRESENT OUT OF WASHINGTON BUT I AM SURE HE JOINS IN THESE~~

~~SENTIMENTS~~ Stop KINDLY INFORM US AS SOON AS CONVENIENT

REGARDING ARRANGEMENTS YOU ARE PLANNING FOR SIGNATURE OF THE

CREDIT IN WASHINGTON Stop ~~MR UPPER IS PLANNING A VISIT TO~~

~~THE UAR OF ABOUT ONE WEEK FOR GENERAL DISCUSSIONS IN MID APRIL~~

~~DEPENDING UPON THE TIMING OF SIGNATURE~~ Stop KINDEST REGARDS

HARTWICH

INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME D. Hartwich, Deputy Director

DEPT. Europe, Middle East and North Africa

SIGNATURE

(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

JLUpper:orp

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

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For Use By Communications Section

Checked for Dispatch:

DISPATCHED

APR 3 7 10 PM 1970

COMMUNICATIONS
SECTION

UAR - Delta Drainage

April 2, 1970

Dear Mr. Woods:

I was very glad to be able to talk to you yesterday and to hear of your satisfaction about the progress on matters to which you had devoted so much time and effort.

Regarding your question concerning Dr. Ismail El Ramly, the best person for him to turn to in the UAR would be Dr. Fouad El Kholy who participated in the negotiations for the Nile Delta Drainage project last September as Undersecretary of the Ministry of Irrigation. Dr. El Kholy has been under consideration to become Chairman of the Nile Delta Authority for Tile Drainage Projects which was established in September and will initially concentrate on the IDA financed project. I have not heard if he has already been appointed but Dr. El Ramly should have no difficulty in contacting him through the Ministry of Irrigation in Cairo. I also enclose two copies of the Press Release on the project which I hope will provide the information you had in mind.

Please let me know if I can be of further help in this or any other matter.

With best regards,

Yours sincerely,

DH

Dieter Hartwich

Enclosures

Mr. George D. Woods
First Boston Corporation
277 Park Avenue
New York, New York 10017

RECEIVED

11/10/74-3 11/3/78

1970 APR -3 PM 3:48

NEW YORK NEW YORK 10011
311 5th Avenue
Elyse Pearson Collections
Attn: George D. Moore

RECEIVED

DISCUSSION

DIESEL BELCAVE

D H

ДОП.В. 27561.07А*

4477 рѣс ѿбѣдѣ²

OFUEL DEFEEL.

Please let me know if I can be of further help in any way.

THE INFORMATION HAS BEEN IN THE

[illegible]

DEADLY TO THE PEOPLE OF THE UNITED STATES.

of long vegetation from the hollow on wheels to which you put
I was told they go to work to take to you several and so well.

DOWL. WL. MOORE:

5th Dec 1940

CONFIDENTIAL

DF UAR Drainage

UAR - Delta Drainage

Sir M. Mac Donald & Partners

CONSULTING ENGINEERS

PARTNERS:

A. A. MIDDLETON, B.Sc., F.I.C.E.
I. S. G. MATTHEWS, M.A., F.I.C.E., M.A.S.C.E.
G. R. HOFFMAN, B.Sc., F.I.C.E., M.I.W.E., M.A.S.C.E.
W. MCCREARY, M.Eng., F.I.C.E., M.A.S.C.E.
J. H. FLEMING, B.Sc., F.I.C.E., M.A.S.C.E.

CONSULTANTS:

R. H. MACDONALD, M.A., F.I.C.E.
R. G. SMITH, B.Sc., F.I.C.E., F.I.Mech.E.
G. LACEY, C.I.E., F.C.G.I., B.Sc., F.I.C.E.
R. G. KNIBB, B.Sc., M.I.Mech.E.

ASSOCIATES:

J. H. BURKE
D. A. BROWN, B.Sc., F.I.C.E.
G. L. ACKERS, M.A., F.I.C.E., M.I.W.E., M.I.P.H.E.
G. F. ALBANY WARD, B.Sc., M.I.C.E.
J. I. M. DEMPSTER, B.Sc., F.I.C.E.
C. D. FIELDER, F.I.C.E.
E. R. SEPHTON, B.Sc., M.I.C.E.
R. F. STONER, B.Sc., F.I.C.E.

COMPTROLLER:

H. F. RAYBONE, B.A., F.C.A.

HANOVER HOUSE,

73, HIGH HOLBORN,

LONDON, W. C. 1.

TELEPHONES: 01-242 5747-8-9

CABLES: SCREETAN LONDON W C 1

YOUR REF. OUR REF. O/37/IBRD. DATE 2nd April, 1970.
O/36/Egypt.

Mr. C.M. Bolt,
Agricultural Projects Department,
International Bank for Reconstruction and
Development,

1818 H Street, N.W.,
Washington D.C. 20433,
U.S.A.

Private Mail Correspondence

ANS'D BY ----- N. Reg.

DATE -----

Dear Mr. Bolt,

You may recall that one of our Associates, Mr. Roy Stoner, called on you about the end of last December to enquire about the Nile Delta Drainage Project and you very kindly told him that negotiations concerning an I.B.R.D. loan for the Project had not, by that time, been concluded.

We understand that the Bank has now approved the request for a loan and we have to-day written to Mr. Christian Finne, Supervisor Consulting Services, asking that our name may be included if the Bank is preparing a list of Consultants for appointment on this project. We are enclosing a copy of this letter for your information.

Yours sincerely,

Ian Matthews

I.S.G. MATTHEWS,
SIR M. MACDONALD & PARTNERS.

ISGM/SW.

ENCLOSURE

COMMUNICATIONS
SECTION

1979 APR -7 AM 9:10

RECEIVED

LONDON E.C.1
23 HIGH HOLBORN
WINDMILL HOUSE

COPY OF LETTER
from
Sir M. MacDonald & Partners
Hanover House, 73, High Holborn
London, W.C.1

O/36/Egypt
O/37/IBRD

2nd April, 1970.

Mr. Christian Finne,
Supervisor Consulting Services,
International Bank for Reconstruction and
Development,
1818 H Street, N.W.,
Washington D.C. 20433,
U.S.A.

Dear Sir,

NILE DELTA DRAINAGE PROJECT:
EGYPT

We understand that the Bank has recently approved a request by the Government of the United Arab Republic for a loan to finance the construction of pumping stations and other works on the above project and we believe that there may be a requirement for Consulting Engineers. We would like to participate in this project and would be grateful if you register our name if you are preparing a list of Consultants interested in this assignment.

We believe that our considerable experience of low-lift pumps for irrigation and drainage together with our experience on the design and supervision of construction of a number of pump stations would be of value on the Nile Delta Project.

We have had long connections with several Arab countries and are, at present, engaged on very large irrigation and drainage projects in Iraq and Sudan and on a number of smaller projects in Jordan and other countries. In West Pakistan construction of the first drainage project in the Lower Indus Basin Development Plan is nearing completion under our supervision. This scheme, financed by the I.B.R.D., includes a number of drainage pumping stations of various capacities.

The firm has also established two Advisory Groups in West Pakistan to advise and assist engineers of the West Pakistan Water and Power Development Authority on all aspects of the implementation of a number of irrigation and drainage projects

Cont

COPY OF LETTER
from
Sir M. MacDonald & Partners
Hanover House, 73, High Holborn
London, W.C.1

- 2 -

in the Lower Indus Basin. We envisage that any assignment on the Nile Delta Project would also include a training and advisory role such as we have undertaken in Pakistan.

Yours faithfully,

JFA/SW

CC Mr. C.M. Bolt, IBRD. I.S.G. MATTHEWS,
SIR M. MACDONALD & PARTNERS.

476
1/4

UAR-Delta
Drainage

INCOMING CABLE

DATE AND TIME
OF CABLE: APRIL 1, 1970 1340

LOG NO.: WU 31 / 1

TO: BENJENK INTBAFRAD

FROM: CAIRO

ROUTING

ACTION COPY: MR. BENJENK o/r

INFORMATION MR. HARTWICH

COPY: MR. UPPER

DECODED BY:

general files

TEXT:

THANK YOUR CABLE CONCERNING APPROVAL OF NILE DELTA DRAINAGE CREDIT. GRATEFUL
FOR YOUR ASSISTANCE. PLEASE CONVEY MY THANKS TO YOUR COLLEAGUES IN THE DEPART-
MENT FOR SINCERE EFFORTS. I SHARE YOUR HOPES FOR FUTURE CONTINUED CLOSE COOPERA-
TION. BEST REGARDS.

HASSAN ABBAS ZAKI

JAO

APR 1 3 42 PM 1970
COMMUNICATIONS
SECTION
TYPED

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

V.A.R. - Delta Drainage
Project

OUTGOING WIRE

TO: HIS EXCELLENCY
HASSAN ABBAS ZAKI
MINISTER OF ECONOMY AND FOREIGN TRADE

CAIRO

DATE: MARCH 27, 1970

CLASS OF FULL RATE
SERVICE:

1 ECA

COUNTRY: UNITED ARAB REPUBLIC

TEXT:
Cable No.:

EYE AM HAPPY TO SHARE WITH YOU THE GOOD NEWS THAT EXECUTIVE DIRECTORS
APPROVED CREDIT OF \$26 MILLION FOR NILE DELTA DRAINAGE PROJECT STOP
DELIGHTED TO PARTICIPATE IN THIS PROJECT WHICH PLAYS SUCH AN IMPORTANT
ROLE IN YOUR DEVELOPMENT EFFORTS BEST REGARDS

ROBERT S. MCNAMARA
INDEVAS
~~XXXXXXXXXX~~

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME Robert S. McNamara

DEPT. President

SIGNATURE DHartwich:RSMcNamara:ml
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE:

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Checked for Dispatch:

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0121 MAR 30 01 55 PM
COMMUNICATIONS SECTION

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

TO:

HIS EXCELLENCY
HASSAN ABAS ZAKI
MINISTER OF ECONOMY AND FOREIGN TRADE

DATE: MARCH 27, 1970

CLASS OF
SERVICE

CAIRO

COUNTRY:

UNITED ARAB EMIRATES

TEXT:

Cable No.

WE ARE HAPPY TO SHARE WITH YOU THE GOOD NEWS THAT EXECUTIVE DIRECTORS
APPROVED CREDIT OF \$25 MILLION FOR KILA DRAINAGE PROJECT STOP
DECIDED TO PARTICIPATE IN THIS PROJECT WHICH PLAYS SUCH AN IMPORTANT
ROLE IN YOUR DEVELOPMENT EFFORTS BEST REGARDS

ROBERT S. MCNAMARA
PRESIDENT
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

RECEIVED

MAR 27 10 37 AM 1970
COMMUNICATIONS

NOT TO BE TRANSMITTED

COMMUNICATIONS
MAR 27 10 41 AM 1970
DISPATCHED

FOR IMMEDIATE RELEASE

INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H STREET, N.W., WASHINGTON D. C. 20433 TELEPHONE: EXECUTIVE 3-6360

IDA Press Release No. 70/8
March 26, 1970

Subject: \$26 million credit to
United Arab Republic

The largest tile drainage operation ever to be undertaken will go forward with the assistance of a \$26 million credit to the United Arab Republic from the International Development Association (IDA), an affiliate of the World Bank. The project will provide drainage for nearly one million acres of irrigated land in the Nile Delta, making possible an increase of about 20% in crop production in the area. This will lead to substantially higher incomes for about 250,000 farm families, and improve the country's balance of payments by increasing earnings from agricultural exports and reducing the need for food imports.

The credit will be for a term of 50 years, including 10 years of grace. It will be interest free, but will carry a service charge of 3/4 of 1% to cover IDA's administrative costs.

Agriculture is dominant in the economy of the UAR, employing more than half the population and providing about 80% of exports. Most of the production is concentrated in the Nile Valley and its Delta which represent only 4% of the country's land area. Despite increases in agricultural production in recent years, the UAR's imports of food products amount to the equivalent of over \$200 million annually. Two major constraints to increasing productivity are water logging and salinity in irrigated lands. The most effective way of solving this problem has been found to be the installation of tile drainage. It removes excess soil moisture through concrete or clay pipes buried horizontally below the crop root zone, does not require permanent removal of land

/more

from crop production, and needs only minor maintenance. Tile drainage has already been installed largely by hand on 373,000 acres in the Nile Delta.

Very substantial increases in yields of the principal crops -- rice, cotton, wheat and maize -- have been observed throughout the newly drained areas. Mechanized methods of tile laying, to be used in the present project, have proven successful in a pilot project financed by the United Nations Development Programme with the Food and Agriculture Organization of the United Nations as Executing Agency. Mechanization, which will accelerate the installation of tile drains, is essential if the Government is to achieve its objective of improved drainage throughout the whole irrigated area of about 4.2 million acres in the Nile Delta by 1985.

The project being assisted by the IDA credit will be executed by the Nile Delta Authority for Tile Drainage Projects which was established by Presidential Decree in September 1969. It will be carried out over a period of 6-1/2 years at a total cost equivalent to \$147 million. The IDA credit of \$26 million will cover the foreign exchange costs; local currency expenditures will be met by the Government of the United Arab Republic.

The principal elements are the installation of tile drains by mechanized means; the remodeling of open drains and structures to discharge the greater drainage flow; construction of 11 pump stations; the construction of workshops and procurement of transport for operating services, and the employment of consultants to assist the Nile Delta Authority for Tile Drainage Projects.

Contracts financed by IDA will be awarded after international competitive bidding. These contracts will be primarily for the importation and installation of pumping machinery, for tile laying machinery, and for other equipment and spares.

43 b
MAR 26 1970

UAR - Delta
Drainage

INCOMING CABLE

DATE AND TIME
OF CABLE:

MARCH 26, 1970

LOG NO.:

ITT TELEX / 26

TO:

INTBAFRAD

FROM:

CAIRO

ROUTING

ACTION COPY: MR. BENJENK

INFORMATION
COPY: MR. MCNAMARA

DECODED BY: IR &

TEXT:

TELEX NO 346 FROM 2237 MARKAZI CAIRO

FOR PRESIDENT MCNAMARA

REQUESTED BY MINISTER HASSAN ABBASZAKI TO COMMUNICATE TO YOU

THE FOLLOWING "HAPPY TO LEARN OF APPROVAL DELTA DRAINAGE LOAN.

DEEPLY GRATEFUL YOUR KIND HELP. HOPE THIS LOAN A BEGINNING OF

CONTINUOUS FRUITFUL COOPERATION WITH BANK GROUP. PLEASE CONVEY

THANKS TO DIRECTORS. KINDEST REGARDS" KINDEST REGARDS

NAZMY - MARKAZI

1. per copy
2. Op File

Info:
Our cable
went out
Dlt

IR

COMMUNICATIONS
SECTION
MAR 26 9 44 AM 1970

TYPED

FOR IMMEDIATE RELEASE



INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H STREET, N.W., WASHINGTON D. C. 20433 TELEPHONE: EXECUTIVE 3-6360

IDA Press Release No. 70/8
March 26, 1970

Subject: \$26 million credit to
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/more

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Contracts financed by IDA will be awarded after international competitive bidding. These contracts will be primarily for the importation and installation of pumping machinery, for tile laying machinery, and for other equipment and spares.

UAR - Delta Drainage

Mr. Robert S. McNamara

March 25, 1970

Dieter Hartwich

UAR - Nile Delta Drainage Project

Please find attached for your signature a cable informing Minister Zaki of the approval of the IDA credit. You decided yesterday that this cable should not go out before today (Wednesday) evening.

I plan to get in touch with Dr. Ghorbal later today about the credit signing, particularly the authorisation of a representative to sign for the Government. Do you have any particular instructions regarding the date of signing, and shall we arrange matters so that you can sign on our side?

Attachment

cc to Messrs. Cope
W. Clark
Upper

DHartwich:rpo

HIS EXCELLENCY
HASSAN ABBAS ZAKI
MINISTER OF ECONOMY
AND FOREIGN TRADE
CAIRO

MARCH 25, 1970

LT

UNITED ARAB REPUBLIC

I AM HAPPY TO INFORM YOU THAT EXECUTIVE DIRECTORS APPROVED CREDIT OF
\$26 MILLION FOR NILE DELTA DRAINAGE PROJECT STOP WE ARE VERY GLAD TO
COOPERATE IN THIS PROJECT WHICH PLAYS SUCH AN IMPORTANT ROLE IN YOUR
DEVELOPMENT EFFORTS BEST REGARDS

MCNAMARA

Dieter Hartwich, Deputy Director
EMENA

cc to Messrs. Cope, Clark and Upper

DHartwich:rpo (IDA)

UAR - Delta
Drainage

Mr. Robert S. McNamara

March 25, 1970

Dieter Hartwich *DH*

UAR - Nile Delta Drainage Project

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Attachment

cc to Messrs. Cope
W. Clark
Upper

DHartwich:rpo

U.A.R. -
Delta Drainage

EMBASSY OF INDIA
UNITED ARAB REPUBLIC INTERESTS SECTION
2310 DECATUR PLACE, N.W.
WASHINGTON, D. C. 20008

24 March 1970

The Honorable ✓
Robert S. McNamara
The President
The World Bank
Washington, D. C.

Dear Mr. McNamara:

It was with immense pleasure and satisfaction that I just heard of the Bank's approval of the United Arab Republic loan for the drainage project. I am sure I am expressing Cairo's views in extending to you not only our congratulations for the Board's passage of your said program but equally our deep appreciation for all the help and effort you have exerted in seeing it through.

The action taken today in my opinion demonstrates another aspect of your devotion to the cause of the development of the developing countries to which you have geared the ever growing resources and efforts of the Bank. It encourages us to look forward to repeated lending on your part and a closer association between the Bank and the UAR; an assurance you so kindly indicated in your letter to President Gamal Abdel Nasser on 18 November 1969.

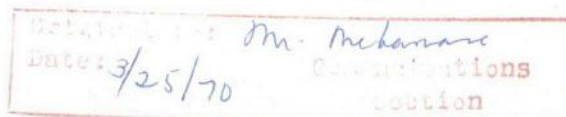
On our part, I can assure you of our continuous and unrelenting cooperation to make this project and the ones to come a model of cooperation between the Bank and its member countries. It will not only be my duty but equally my pleasure to play whatever role I can in working towards that goal.

With warmest personal regards, I am

Sver

Sincerely yours,

Ashraf Ghorbal
Ashraf Ghorbal



Mr. Robert S. McNamara

March 23, 1970

M. Shoaib

IDA Credit to U.A.R.

In continuation of my memorandum of March 20, Mr. van Campenhout has no objection to the project.

cc: Mr. Aldewereld
Mr. Mendels
Mr. Cope ✓
Mr. El Emery
Mr. Hartwich

Mr. S. Aldewereld

March 23, 1970

L.J.C. Evans

U.A.R. Nile Delta Drainage Project

1. Value Added on Trucks etc.

The value added is 52-47% on trucks (depending on type), 20% on motor cycles and 18% on farm tractors. The weighted average for all procurement in this category is 35%.

2. Local Bidding for Civil Works

During appraisal we sought international bidding for all works but Government was unable to agree.

The construction industry has been nationalized but the appraisal mission found it was fairly efficient, that there was no technical reason why they could not perform the works and there would be no cost penalty. It was concluded that, while we would not finance civil works, the nationalized industry could carry them out.

The matter was again pressed during negotiations, and it was stressed that, in our judgment, local contractors would win awards under international competitive bidding because they have several clear cut advantages, e.g. in insurance rates and labor law, Government, however, refuses to accept this argument: one of their major concerns was utilization of the excess capacity available in the construction industry following the completion of Aswan High Dam.

3. Recovery of Costs from Beneficiaries

Recovery is governed by existing laws which, in keeping with religious precepts, does not provide for interest. However, the legislation does provide for recovery of 10% "administrative charge" which is added to the capital cost.

During negotiations agreement was obtained that the capital costs of field tile drainage and the operating and maintenance cost would be recovered by direct charges. Existing legislation provides that after improvement of lands the latter's value is reassessed for tax purposes. This reassessment would more than cover the recovery of capital in works other than tile drainage. Total charges to farmers additional increased land tax would increase from presently \$10 to \$17 per feddan at full development equivalent to about 1/8 of incremental net income.

4. Tubewells and Salinity

The possibility of using tubewells for drainage is mentioned in the report (see especially Annex 4, page 5). The cost per feddan is comparable with tile drainage, but operating costs are higher. It was considered that, in the present state of knowledge of the soils of the Delta, tubewells are not a practical alternative to tile drainage, which has proven effective on a large scale.

March 23, 1970

5. Updating of Appraisal Report

This will be done in the oral presentation.

6. Revision of Costs

The cost estimates were prepared on the assumption that major expenditures would take place from Year 2 onwards. We have discussed costs during negotiations, and subsequently with a senior official attending EBI. We know of no reason to suppose that there has been any significant change in the estimates.

7. Procurement of Machinery

All machinery will be procured, in two or three batches, by international competitive bidding.

DMH:aynes:ak

UAR - Delta Drainage Proj

Mr. U. K. Ghoshal

March 23, 1970

Jack L. Upper 

UAR - Presentation of Nile Delta Drainage Project

The following staff members will be in attendance at the Board Meeting on March 24:

Mr. Upper, Area Department (Division Chief)

Mr. Karaosmanoglu, Area Department (Economist)

Mr. Haynes, Agricultural Projects Department
(Division Chief)

Mr. Bolt, Agricultural Projects Department
(Irrigation and Drainage Engineer)

Mr. Sella, Legal Department

The oral presentation will be made by Mr. Upper and will review considerations which led the Association to prepare and now to propose this credit.

Attached is a copy of the suggested opening remarks of Mr. McNamara

Attachment

cc: Mr. Hartwich

JLUpper:orp

UAR-Delta Droney

Mr. Robert S. McNamara

March 20, 1970

M. Shoaib

IDA Credit to U.A.R.

In continuation of my memorandum of March 19, I have had the following further information from Directors:-

(Belgium) Mr. van Camphenout has not yet completed his study of the project. He apparently has not received any instructions from his Government against the project. He has promised to let me know by Monday morning what his views are.

(Germany) Mr. Hanemann has since received instructions, and he will have no difficulty in supporting the project.

(France) Mr. Carriere said he would certainly support the project and will speak in favor of it if there is any objection to it.

(Japan) Mr. Suzuki said he will vote for the project.

(U.K. and Australia) Messrs. Mitchell and Stone have not received any instructions so far and unless they receive instructions to the contrary, they will be voting for the project. Each of them promised to let me know in the event there are any specific instructions.

cc: Mr. Aldewereld
Mr. Mendels
Mr. Cope ✓
Mr. El Emery
Mr. Hartwich

U.A.R. - Delta
Drainage

Mr. Robert S. McNamara

March 19, 1970

M. Shoaib

IDA Credit to U.A.R.

On March 18 I contacted (personally or by phone) the following members of the Board with results indicated:-

- (Italy) Mr. Rota said that he will vote for the project as, on the whole, he finds nothing to object to.
- (India) In the absence of Mr. Jagannathan, I spoke to Mr. Shroff who said that India is in favor of the project and that if he is occupying the Indian Chair, he will speak up in support. In the event Mr. Jagannathan is back, Mr. Shroff will try to persuade Mr. Jagannathan to speak up.
- (Holland) In the absence of Mr. Liefstinck, I spoke to Mr. Ceric, who said he will support the project.
- (The Scandinavians) Mr. Karlsson said that he will not say anything for or against but if there is a vote, he will vote for the project.
- (Canada) Mr. Reid said that he is very much for the project and since he himself will be absent on the 24th, he will try and get his Alternate to speak up in support of the project.
- (Latin Americans) Messrs. Machado, Caram and Alviar (in the absence of Mr. Barco) will all be in support of the project and will, if necessary, intervene to distinguish the political aspects from the economic desirability of the project.
- (Germany) Mr. Hanemann has had no instruction yet from Bonn and is expecting something in the next day or two. He, however, said that when the project was up for consideration by the Board on the previous occasion, his predecessor's instructions were to vote for the project. He was unwilling to anticipate what his instructions will be although he thought he would get instructions in favor of the project.
- (U.S.A.) Mr. Rice said that a good deal would depend on whether the Secretary of State signed the telegram that had been put up to him accepting the U.A.R. offer. (Since then he has told me that the Secretary had signed the telegram).
- Mr. Rice said the U.S. authorities might like to have a reconfirmation from the U.A.R. after the acceptance by the U.S.A. but that if no such reconfirmation had arrived by Tuesday morning, he did not foresee any difficulty in regard to the project and would, therefore, not be opposing it even then.

I have appointments with Messrs. Mitchell and Stone for Friday, the 20th, and will also be speaking to the French Alternate Director (the Executive Director being absent) during the course of the week.

Mr. van Campenhout will let me know his views soon, and I shall be in touch with Mr. Suzuki later.

cc: Mr. Aldewereld
Mr. Mendels
Mr. Cope ✓
Mr. El Emery
Mr. Hartwich

INTERNATIONAL DEVELOPMENT ASSOCIATION

U.A.R. - Delta Drainage Proj F
DECLASSIFIED

Date: 10/31/2010 SGB

CONFIDENTIAL

IDA/SecM70-29

FROM: The Secretary

March 13, 1970

UNITED ARAB REPUBLIC: Nile Delta Drainage Project

1. The President's Report and Recommendation (P-573) on a proposed development credit to the United Arab Republic for the Nile Delta Drainage project will be considered at a meeting of the Executive Directors to be held on Tuesday, March 24, 1970 at 10:00 a.m. in the Board Room.
2. The documents in this matter have been distributed as follows:
 - (a) President's Report and Recommendation, and attached appraisal report, IDA/R69-66, on November 6, 1969;
 - (b) Legal documents, IDA/R69-66-L, on November 7, 1969; and
 - (c) Report entitled "Current Economic Position and Prospects of the United Arab Republic" (R69-181 on August 27, 1969).

Distribution:

Executive Directors and Alternates
President
President's Council
Executive Vice President, IFC
Vice President, IFC
Department Heads, Bank and IFC

U.A.R. - Delta
Drainage
Proj.

Files

February 20, 1970

Saad El Fishawy

U.A.R. - Nile Delta Drainage Project

In a news item in Al Ahram, the semi-official daily newspaper in Egypt, in its issue of February 2, 1970, it was mentioned that Mr. El Kholy, who participated in the negotiations of the above-mentioned project, was a candidate for appointment as Chairman of the Nile Delta Authority for Tile Drainage Projects.

S. El-F.

cc: Messrs. Sella/Krishna
Hartwich/Upper
Bolt

SELF/ls

*U.A.R. - Delta
Drainage
Proj.*

OFFICE MEMORANDUM

TO: Files

FROM: Jack L. Upper *JLU*

SUBJECT: UAR - Nile Delta Drainage Project - Inquiry from Mr. Erik L.
Karlsson, Executive Director

DATE: February 9, 1970

Mr. Karlsson spoke to me by telephone today to inquire about the status of the Nile Delta Drainage Project. He noted that the President's Report and Appraisal Report had been distributed to the Executive Directors on November 18 and that Mr. McNamara had withdrawn the project from the agenda on the grounds that debt rescheduling discussions between the UAR and the US had not been entirely resolved. Mr. Karlsson said a Swedish automobile company was inquiring about the possible supply of vehicles for the project.

I told Mr. Karlsson that there had been some developments in these debt rescheduling discussions but that the matter had not been resolved, and that I did not know when the project would be put on the agenda.

cc: Messrs. Benjenk/Hartwich

JLUpper:orp

U.A.R. - Delta Drainage
Project

الخطوط الجوية العربية السعودية

جدة - المملكة العربية السعودية



سعودية: «سعودية»

SAUDI ARABIAN AIRLINES

Cable : SAUDAIR

JEDDAH - SAUDI ARABIA

880 Third Avenue
New York, N. Y. 10022

February 2, 1970

The World Bank
20 Exchange Place
New York, N. Y.

Dear Sir:

It has been brought to my attention by our central office in Jeddah, Saudi Arabia, that the World Bank will finance a project in Egypt which includes construction of a drainage system. I would appreciate it if you would let me know to whom the contract was awarded so we may offer our services to the contractor(s).

Thank you for your cooperation.

Sincerely yours,

A. Muhalhal

A. Muhalhal
SDI District Manager New York

AM/ar

RECEIVED

18/02/70 11:31

2074
2074

COMMUNICATIONS
SECTION

1970 FEB -4 PM 1:31

RECEIVED

FOR DIRECTOR'S OFFICE USE ONLY
U. S. AIR FORCE

STANDARD FORM NO. 64

ATTENTION: FOR THE DIRECTOR'S OFFICE

THE FOLLOWING IS A SUMMARY OF THE INFORMATION RECEIVED FROM THE
SOURCE CONCERNING THE ACTIVITY OF THE SUBJECTS DURING THE
PERIOD OF THE INVESTIGATION. THE SUBJECTS WERE OBSERVED
TO BE ENGAGED IN A SERIES OF MEETINGS AND CONFERENCES
DURING WHICH THEY DISCUSSED THE CURRENT SITUATION AND
THEIR FUTURE PLANS. THE SUBJECTS WERE ALSO OBSERVED
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THEIR FUTURE PLANS.

END PAGE

FOR THE DIRECTOR'S OFFICE
U. S. AIR FORCE
STANDARD FORM NO. 64

STANDARD FORM NO. 64

FOR THE DIRECTOR'S OFFICE
U. S. AIR FORCE
STANDARD FORM NO. 64

STANDARD FORM NO. 64



STANDARD FORM NO. 64

U.A.R. - T. A. R. -
Dr. Karasmanoglu

EMBASSY OF THE INDIA
UNITED ARAB REPUBLIC Interests Section
COMMERCIAL OFFICE
2215 WYOMING AVENUE, N. W.
WASHINGTON, D. C. 20008

December 18, 1969

Mr. Attila Karaosmanoglu
European, Middle East and North Africa Desk
I.B.R.D.
1818 H Street, N.W.
Washington, D.C.

Dear Mr. Karaosmanoglu:

re: Official Gazette No. 39

Further to our recent conversation please find attached hereto an Arabic copy of our official Gazette No. 39 of September 25, 1969, in which the decree establishing the Public Authority for Drainage in the Nile Delta was published.

May I take this opportunity to convey to you "Seasons Greetings".

Sincerely yours,

Nehad Seif Eldin

Nehad Seif Eldin
Commercial Counselor

Enclosure:

Mr. Karaosmanoglu
Date: 12/19/69

UAR - Delta Drainage
Proj.

DECLASSIFIED

Memorandum for the Record

Date: 10/31/2010

November 24, 1969

Michael L. Lejeune

CONFIDENTIAL

UAR - Postponement of Board Action on IDA Credit

1. Mr. Carriere, the Alternate Executive Director for France, came to see me late on Thursday, November 20, to inquire why at the Board Meeting on Tuesday, November 18, the Chairman had postponed consideration of the proposed IDA credit for the Nile Delta Drainage Project. He said he had reported the postponement to the Finance Ministry in Paris, but he did not expect any questions from them. On the other hand, this is a matter in which the Foreign Office would be concerned, and in expectation of questions from the Quai d'Orsay he wanted some background.
2. I told him that the reason for the postponement was exactly as given by Mr. McNamara at the Board Meeting. As background, I recounted the history of the Bank's endeavors to get started in actively assisting economic development in the UAR. I mentioned my visit in November 1967 (at a time when the UAR was in default to a number of creditor countries and to the IMF) and Mr. McNamara's visit in July of 1968. I covered briefly the steps taken by the Bank in preparing and appraising suitable projects and negotiating the IDA credit for the Drainage Project while at the same time urging the UAR to settle with its creditors. We had now got to the point where only a settlement with the U.S. was outstanding. He asked about the status of negotiations between the U.S. and the UAR. I told him that while we were fairly well informed about this, the Bank had not taken part in the negotiations but had merely urged both sides to press forward with them. He inquired which side at present held the initiative. I told him our understanding of the position was that high level negotiators for both sides had reached agreement ad referendum on a "Minute of Understanding" in mid-September, and that at the close of the Annual Meeting the Egyptian Finance Minister had then made a new proposal to which the U.S. had now made a counteroffer which was under consideration in Cairo.
3. Mr. Carriere said he understood that the U.S. offer had been made only a short time ago. Since the UAR had not had much time to respond, he wondered whether the Bank could not have taken the position that "the ball was still in play" and have left the proposed IDA credit on the agenda. I replied that the amount at issue was very large. Moreover, throughout the period the UAR had been negotiating settlements with its creditors, it had kept the Bank closely informed of progress but we had heard nothing whatever from Cairo since the dispatch of the U.S. offer. Not knowing the UAR attitude to the U.S. offer, Mr. McNamara had decided to give the UAR more time.
4. Finally Mr. Carriere asked whether the Bank had been asked officially by the U.S. to take the UAR item off the agenda or had decided to do so on its own. I said it was the latter.

cc: Mr. McNamara
Mr. Knapp
Mr. Cope
Mr. Breches

MLL:neb

Memorandum for the Record

Maurice P. Bart *WMB*

Kuwait - gen negs
cc Yemen - gen negs
cc Kuwait States - gen negs
cc UAR - gen negs
cc UAR - Delta Drainage
November 20, 1969
cc MOR - Consult group

Meeting with Kuwaiti Delegation during Annual Meeting

1. H. E. Ateeqi, Minister of Finance and Oil, Mr. Al Hamad, Director General of the Kuwait Fund and Mr. Abu Su'ud, called on Mr. McNamara on October 2, 1969, at the Sheraton Park Hotel. Mr. Shoaib, Mr. Lejeune and Mr. Bart were present.

2. Mr. McNamara welcomed the Kuwaiti delegates and opened the discussion by mentioning that the Bank had started work on Yemen, where a joint Bank and Kuwait Fund reconnaissance mission would meet shortly, and on the Gulf States where a Bank survey mission was scheduled for October; he knew that Kuwait had a special interest in both areas. Mr. Ateeqi expressed the hope that both Kuwait and the Bank could start something in Yemen despite the political situation. Other news which Mr. McNamara thought would give pleasure to Kuwait were that the Bank expected to increase its lending in the Arab world in the current fiscal year by three times over what it lent in the preceding year.

3. One particular project to which he wanted to draw the attention of Kuwait or of the Kuwait Fund was the Rahad project in Sudan; though the Bank had faced problems regarding Sudan's economic policies and regarding the rate of return of the project, it was prepared to put an amount of some \$25 million and would like to see other sources of capital joining in this effort. He suggested that the delegation should get in touch with Mr. El Emary since there was not much time for organizing joint or parallel financing if the Bank proceeded with the project. Mr. Al Hamad said that the Kuwait Fund was definitely interested in the Rahad which offered plenty of room for everybody as well as time to join in the financing of one of the successive stages. He would particularly like to be kept abreast of any evolution in the Bank's relations with Sudan.

4. Mr. McNamara said that the Bank was working hard towards negotiating new lending to the UAR, starting with an irrigation project. However, it was necessary that the UAR, which had already gone a long way towards settling its international disputes, should settle the remaining ones. If the UAR settled them, the Bank would go to the Board in a few weeks with the irrigation project and he hoped that lending for railways would follow. He hoped that, if the movement started by the Egyptians towards better economic relations with the West continued, and if the Bank was seen to be acting in

the UAR, new sources of capital could be interested. He added that the Bank's new departure in the UAR would be considered a big step forward ten years from now.

5. Mr. Ateeqi said that he was very glad of this evolution which was of great importance to Kuwait since, apart from the Kuwaiti loans to the UAR made from Government to Government, large amounts of Kuwaiti money was deposited there on which the UAR could not repay even interest. Kuwait was leaving the UAR authorities at ease for the time being and was not pressing them but nevertheless expected that they would settle one day. He wanted to congratulate Mr. McNamara on what he had achieved in the Arab world and in the UAR in particular. Mr. Al Hamad added that the negotiations with the Bank would open new alternatives in the UAR. Without wanting to be presumptuous, he would be happy to do something together with the Bank. Mr. McNamara suggested the Rahad project and Mr. Ateeqi an operation in Yemen.

6. Mr. Al Hamad mentioned that he would be attending the meetings of the Consultative Groups for Morocco and Tunisia and would maintain close coordination with the Bank in this regard. Mr. McNamara said that Morocco was becoming a very active country insofar as the Bank was concerned, but it still needed help from all the Consultative Group members.

7. Before leaving, Mr. Ateeqi said that he wanted to mention something personal, that is the way delegates to the Annual Meetings of the Bank, upon their arrival in the USA, were received, questioned and processed by the immigration and customs authorities. He thought that special arrangements should be made to treat delegates more according to the standing they should command. Mr. McNamara said that he was sorry to hear that the reception of the delegates was not what it should be and that he would ask Mr. Mendels to investigate this matter and to write to the American authorities.

cc.: Mr. El Emery
cc.: Mr. Hartwich

(this memo was drafted by Mr. Bart who, nevertheless, has not seen it in final form).

MPBart:cmc

FO.
NOV 20 1969

UAR - Delta
Drainage
Proj

Mr. L. J. C. Evans

November 20, 1969

David W. M. Haynes *il*

UAR - Nile Delta Drainage Project

Two major issues were raised during the "pre-presentation" briefing; the effect of delays in implementation on the rate of return and the role, if any, of the Aswan High Dam in our project. Since presentation was delayed, I have been able to assemble more data on these aspects:

Rate of Return. The project area is divided into 17 drainage areas, each of which is practically independent. Benefits start to accrue in each area as soon as - and possibly even before - drainage works are completed. The project is therefore much less sensitive to construction delays than, for example, a gravity irrigation scheme in which no benefits arise until the works are substantially complete.

Pumping stations have to be built in eleven of the drainage areas. In general, however, the most *any* delays are likely to be caused by the comparatively unfamiliar tile draining machines or by shortage of tiles due to inefficient use of the new tile making machines. Since equipment would be purchased early in the project, it is not reasonable to assume that any procurement costs could be deferred to partially offset delays.

I attach a table of rates of return under differ price/yield, cost and delay assumptions. The figures for the two delays are slightly lower than those I gave you on November 18 because I have changed some overhead costs to cover the longer project period.

In view of Mr. Caram's question on ELS cotton prospects, I have shown the result of a 10% reduction in price of cotton only.

Aswan High Dam. The appraisal report notes that the Aswan High Dam will permit lowering water levels, especially in the Rosetta Branch of the Nile. However, much of the area directly affected was excluded from the project because, with improved natural drainage, tile drains are not a high priority and may never be needed at all.

The High Dam will not have much affect on cropping patterns or yields in normal years because the Delta area has always "first call" on the available Nile Waters. Similarly, there will be no significant influence on the build up of soil salinity. Presumably, however, the greater availability of water will permit allocation of supplies for leaching if this is proved to be desirable.

Memo to Mr. L. J. C. Evans
November 20, 1969
Page No. 2

The major benefit of the High Dam to the project is in flood control. The dam has been controlling floods since 1965 (which was a very high flow year).

DWMHaynes/cs

Attachment -

UAR - NILE DRAINAGE PROJECT

RATES OF RETURN

I. Yield/Price and Costs

		Yield or Price as % of Estimate in Appraisal Report			
		<u>110%</u>	<u>100%</u>	<u>90%</u>	<u>70%</u>
		- - - - -	rates of return	%	- - - - -
<u>Costs as % of Estimate</u>	120%	16-1/2	15	14	10-1/2
	100%	19	<u>18</u>	16	13

II. ELS Cotton Prices^{1/}

ELS cotton price reduced by
10%, all other figures as
in appraisal report

17%

III. Shortfall in Construction

Construction consistently
30% below appraisal
report target^{2/}.

15-1/2%

Construction period - 8-1/2 years

Full development - 11 years

IV. Delay in Construction

One year delay in
completing project due
to failure to reach years 3 targets.

15%

^{1/} Appraisal report price for ELS is 25% less than average of last few years.
^{2/} Appraisal report target is 10% less than expected unit outputs.

DECLASSIFIED

OFFICE MEMORANDUM

Date: 10/31/2010 **CONFIDENTIAL**TO: Mr. Robert S. McNamara (through
Mr. J. Burke Knapp)

DATE: November 14, 1969

FROM: Michael L. Lejeune

SUBJECT: UAR - Date for Action by the Executive Directors

EGYPT-UNDERSTANDING

✓ CC-EGYPT-CA-181

1. As of the end of Friday afternoon, the United States had received no definitive response from the UAR on the U.S. debt settlement offer. Attached is a record of various conversations over the last few days.

2. We have analyzed the U.S. offer and, given that it is based on the general proposition that there should be some net payment from the UAR to the U.S., we are entirely satisfied it is a reasonable offer made in good faith. The UAR Interests Section in Washington has not as yet (Friday) received any word from Cairo, but from information provided by the United States and from an IMF staff member who has just returned from Cairo, the position would appear to be that Minister Zaki is disappointed (but probably not surprised) that the U.S. offer was not more generous, but is nevertheless probably inclined to accept it. However, relations between the U.S. and Egypt have hardened recently and Zaki is probably in a weaker position than he was and may now have real difficulty in getting approval to settle with the U.S. right away. Politically, it may not be feasible at present for Egypt to enter into an agreement with the U.S. Thus it is possible but unlikely that acceptance of the U.S. offer will be received in a form acceptable to the U.S. before the opening of Tuesday's meeting of the Executive Directors.

3. It seems likely that the situation with which we shall be faced is that even if the UAR Government wishes to conclude a settlement, the general state of relations precludes doing it immediately. If this turns out to be the situation, it would seem best to postpone action on the credit. The only justification for going ahead on Tuesday would be that it would be unreasonable to expect the UAR to settle at present and that, taken all together, the UAR's other debt settlements and its negotiations so far on the U.S. debt constitute evidence that it has met the standards of the Bank's policy on debt settlements. It could be added that in these circumstances it behooves the Bank to demonstrate its impartiality and independence by going ahead, while making a settlement with the U.S. a condition of any further lending to the UAR. The weakness of this, however, is that the U.S. debt is so large that previous settlements are not a real test of the UAR's intentions; nor is the UAR's negotiating behavior over the last six weeks very reassuring. Moreover, unless the U.S. agrees with going ahead (and at worst merely abstains), taking it to a vote could widen the split in the Board between the Part I and Part II countries. With or without the (tacit) approval of the U.S., to go ahead in the absence of a settlement could have repercussions on IDA replenishment which are imponderable. It would, therefore, be best to postpone at least long enough to canvass the Directors before bringing the credit up for action. Postponement by the President rather than at the request of an Executive Director would provide more room and time for manoeuvre.

c.c. Mr. Knapp, Mr. Cope, Mr. Broches, Mr. Benjenk, Mr. Hartwich

(Dictated but not seen by Mr. Lejeune)

President has seen

Date: 10/31/2010 SFB
CONFIDENTIAL

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara (through
Mr. J. Burke Knapp)

DATE: November 14, 1969

FROM: Michael L. Lejeune

SUBJECT: UAR - Date for Action by the Executive Directors

EGYPT-UNDEBTEDNESS

CC-EGYPT-CA-181

1. As of the end of Friday afternoon, the United States had received no definitive response from the UAR on the U.S. debt settlement offer. Attached is a record of various conversations over the last few days.
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c.c. Mr. Knapp, Mr. Cope, Mr. Broches, Mr. Benjenk, Mr. Hartwich

(Dictated but not seen by Mr. Lejeune)

UAR - Delta
Drainage

Mr. Warren C. Baum

November 14, 1969

D. M. Haynes 

UAR - Nile Delta Drainage Project. Board Presentation.

The Nile Delta Drainage Project is scheduled for presentation to the Board on November 18th. The presentation will be by Mr. Hartwich of Area Department. Mr. Haynes will be in attendance to answer technical questions.

c.c Messrs. Evans
Wapenhans

DMHaynes/cs

U.A.R. - Delta
Drainage

Mr. U. K. Ghoshal

November 14, 1969

Dieter Hartwich DH

UAR - Nile Delta Drainage Project

With reference to our telephone conversation of this morning, I should like to confirm the following staff attendance at the Board consideration of this project, which is presently scheduled for November 18:

Presentation of Credit: Dieter Hartwich
Europe, Middle East and North Africa Department

Available for Project
Matters: David Haynes
Agricultural Projects Department

Available for Economic
Matters: Attila Karacsmanoglu
Europe, Middle East and North Africa Department.

cc to Messrs.: Lejeune
Benjenk
Haynes
Karasmanoglu

DHartwich:rpo
IDA

U.A.R. - Gennep
cc Delta Drainage
cc Kalliny

OFFICE MEMORANDUM

TO: Files

DATE: November 7, 1969

FROM: A. Karaosmanoglu/J. Upper

SUBJECT: U.A.R. - Annual Meeting Discussions with the U.A.R. Delegation

1. A meeting was held on September 29, 1969 with the U.A.R. delegation. Present were:

For the U.A.R.

Mr. H. A. Zaki
(Minister of Economy)

Dr. El Sayeh
(Undersecretary of the Ministry
of Economy)

Dr. Hammoud (Commercial
Counsellor in Washington)

Mr. Kalliny (Advisor in the
Ministry of Economy)

For the Bank

Messrs. Lejeune
Benjenk
Thompson
Hartwich
Upper
Karaosmanoglu

2. Subjects discussed were the following:

Delta Drainage Project

Minister Zaki expressed his satisfaction with the results of the credit negotiations but inquired about the policy of the Association concerning local procurement and protection of local suppliers. He also asked about the timing of Board action on the Credit.

Mr. Lejeune explained the Bank's policy regarding protection and the procedure involved in bringing the credit for Board action. He also mentioned the need for a final review of the efforts being made towards the settlement of arrears before the credit could be submitted to the Board.

Dr. El Sayeh criticized the Bank's attitude towards the employment of consultants. He thought the Bank's insistence on the employment of a large number of consultants when local talent was available was unduly increasing the foreign exchange cost of the project. He, however, expressed satisfaction on the number of consultants finally agreed upon.

Minister Zaki also raised the question of the date of signing and by whom it should be signed. Mr. Lejeune explained that the date of signing is usually a few days after the Board decision and added that it was up to the Governments to decide who would be the signatory. Mr. Lejeune said also that the press release about the credit is made immediately after the Board decision. However, he said, if the Government so wishes it could be delayed until the time of signing.

Railway Credit

Minister Zaki inquired about the possible timing of the credit for railroads and said that it would be very convenient for his government to know the exact timing of the project before the time the budget is to be given to the Parliament (April 1). He also asked the possible amount of credit for the railroad and whether any additional information was required.

Mr. Hartwich said that the negotiations were tentatively scheduled for January. Before that, however, there was a need for an updating visit in late October. Mr. Lejeune expressed the hope that they would know the timing of the operation before April 1, and said that the railway credit would probably be between US\$ 10-14 million.

Members of the U.A.R. delegation expressed surprise on the amount mentioned, indicating that they were under the impression that the amount would be around US\$18 million.

Economic Mission

The U.A.R. delegation was informed about the Bank's intention to send a small updating mission in November and the normal annual mission in May. They were given a list of questions the updating mission would address itself to.

The U.A.R. delegation thought that the timing of the missions was convenient and they expressed their willingness to cooperate with the economic work in any way they could. Dr. El Sayeh promised to instruct the people concerned to prepare the statistical information required before the arrival of the mission.

Future Fields for Cooperation

Minister Zaki raised a question of the possibility of assisting the Industrial Bank.

Mr. Lejeune explained the Bank's policy regarding the financing of the development finance companies and stressed the importance of the autonomy in the management of the entities financed. He also added that the Bank staff felt that the industrial sector in the U.A.R. needed reorganization and that the Industrial Development Bank at present did not have a significant role to play. He stressed however that, although our answer to his question would not be negative in principle, it would take time for such a project to get off the ground. He asked whether the Government was placing a higher priority to this project than the others under consideration.

Minister Zaki said that there was no change in their view about the priorities previously expressed. But they thought it would be a good idea to put more projects into the pipeline.

Mr. Lejeune suggested that they prepare a dossier of projects.

As a final point Dr. El Sayeh raised the question of an agricultural credit project, saying that the idea of a project in this field was supported by the FAO.

Messrs. Lejeune and Hartwich indicated the difficulties involved in such a project, but discussion on the subject was not conclusive.

AKaraosmanoglu/pw

U.A.R. - Delta
Drainage
Proj

OUTGOING WIRE

TO: DR EL SAYEH
UNDERSECRETARY FOR ECONOMY
MINISTRY OF ECONOMY AND FOREIGN TRADE
CAIRO

DATE: NOVEMBER 7, 1969

CLASS OF
SERVICE: LT

COUNTRY: UNITED ARAB REPUBLIC

HL

TEXT:
Cable No.:

RE DELTA DRAINAGE PROJECT PRIMO LETTER ON CONSULTANTS STOP YOU WILL RECALL
THAT AT REQUEST YOUR DELEGATION FORM OF LETTER WAS CHANGED TO BE ADDRESSED BY
ASSOCIATION TO GOVERNMENT STOP WE BELIEVE THIS MAKES FOLLOWING MINOR CHANGES
IN TEXT NECESSARY TO CLARIFY THAT UNDERTAKINGS ARE THOSE OF BORROWER COLON
ALPHA FIRST PARAGRAPH THIRD LINE REPLACE QUOTE CONFIRM UNQUOTE BY QUOTE RECORD
OUR MUTUAL UNDERSTANDING UNQUOTE STOP BETA PARAGRAPH TWO FIRST LINE DELETE
QUOTE WE ESTIMATE THAT UNQUOTE GAMMA PARAGRAPH THREE FIRST LINE DELETE QUOTE
WE WISH TO CONFIRM OUR AGREEMENT UNQUOTE AND SUBSTITUTE QUOTE AGREE UNQUOTE
STOP PLEASE CABLE YOUR AGREEMENT WITH CHANGES SOONEST SECUNDO PLEASE ADVISE
WHEN WE CAN EXPECT TO RECEIVE EXTERNAL DEBT INFORMATION AND OFFICIAL GAZETTE
WITH DECREE ON NILE DELTA DRAINAGE AUTHORITY ABOUT WHICH INTERESTS SECTION
CABLED YOU ALREADY TERTIO PLEASE ADVISE ON QUESTION OF AUTHORIZATION TO SIGN
CREDIT AGREEMENT AND SUPPLEMENTAL CREDIT DOCUMENTS ON BEHALF OF UAR REGARDS

HARTWICH
INDEVAS

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME Dieter Hartwich

DEPT. EME&NA

SIGNATURE (SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION:

cleared with and cc: Mr. El Fishawy
cc: Mr. Seif Eldin
Mr. Haynes/ Mr. Bolt

DHartwich/emt

For Use By Communications Section

Checked for Dispatch:

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COMMUNICATIONS

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CONFIDENTIAL

FOR
EXECUTIVE
DIRECTORS'
MEETING

DECLASSIFIED

Date: 10/31/2010
S+B

For consideration
on November 18, 1969

FROM: The Secretary

IDA/R69-66

November 6, 1969

UNITED ARAB REPUBLIC: Nile Delta Drainage
Project

1. Attached is the President's Report and Recommendation (P-753) on a proposed development credit to the United Arab Republic for the Nile Delta Drainage project.
2. Attached to the President's Report and Recommendation is a report entitled "Nile Delta Drainage Project - United Arab Republic" (PA-12a).
3. A report entitled "Current Economic Position and Prospects of the United Arab Republic" (EMA-10a) was distributed to the Executive Directors on August 27, 1969 (R69-181).
4. A draft Development Credit Agreement, the Recommendation of the Statutory Committee and the text of a draft Resolution are being distributed as report IDA/R69-66-L.
5. Questions on these documents should be referred to Mr. Hartwich (extension 3571).

Distribution:

Executive Directors and Alternates
President
President's Council
Executive Vice President, IFC
Vice President, IFC
Department Heads, Bank and IFC

UAR - Delta
Drainage

Mr. Andrew Gantt

October 24, 1969

Jack L. Upper

JL
UAR - Nile Delta Drainage Project

You asked me yesterday if I had any comments or suggestions on how the processing of the Nile Delta Drainage Project might have been speeded up by (a) better co-ordination and communication between the Bank and the country, or (b) better co-ordination between departments of the Bank, including a better understanding by all concerned as to who makes what decisions.

I must preface any comments by saying that I think this is a most unsuitable project to be used as a procedural case study because of the many extraneous elements which affected its progress. Added to that is the fact that this was the first loan or credit to the UAR since 1959, and the UAR in effect was a new borrower.

The only aspect which might have facilitated negotiations if it had been communicated to the borrower beforehand was the fact that the Bank generally means a firm of consultants when it refers to the employment of consultants by the borrower. The Guidelines on the use of consultants are somewhat ambiguous on this point and it did not occur to us to make this explicit beforehand. Discussion of this issue took a lot of time during negotiations.

As to better co-ordination between departments, appraisal and negotiation of the project was made difficult from the standpoint of this department by the lack of continuity of supervision of the project within the Agricultural Projects Department, a situation of which I think you are aware. Perhaps I am so accustomed to the interdepartmental relationships of the Bank that I am not immediately perceptive of how a better co-ordination would have greatly facilitated consideration of the project.

I regret that this is dictated in haste but I do not have more time to reflect on the subject before giving you my notes.

JUpper/ent

cc: Mr. Hartwich

FOR
EXECUTIVE
DIRECTORS'
MEETING

DECLASSIFIED

Date: 10/31/2010 SSB

CONFIDENTIAL

For consideration
on November 18, 1969

FROM: The Secretary

IDA/R69-66-L

November 7, 1969

UNITED ARAB REPUBLIC: Nile Delta
Drainage Project

In connection with the President's Report and Recommendation
(IDA/R69-66) on a proposed development credit to the United Arab Republic
for the Nile Delta Drainage project, one copy of each of the following
legal documents is attached:

1. Draft Development Credit Agreement
2. Statutory Committee Recommendation
3. Text of draft Resolution

Distribution:

Executive Directors and Alternates
President
President's Council
Executive Vice President, IFC
Vice President, IFC
Department Heads, Bank and IFC

Legal Department
October 3, 1969

CREDIT NUMBER UAR

DEVELOPMENT CREDIT AGREEMENT
(Nile Delta Drainage Project)

between

UNITED ARAB REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated ,1969

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated _____, 1969 between UNITED
ARAB REPUBLIC (hereinafter called the Borrower) and INTERNATIONAL
DEVELOPMENT ASSOCIATION (hereinafter called the Association).

ARTICLE I

General Conditions; Definitions

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association dated January 31, 1969, with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Development Credit Agreements of the Association being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the term "Drainage Project Authority" means the Nile Delta Authority for Tile Drainage Projects under the supervision of the Minister of Irrigation of the Borrower entrusted with the implementation of the Project and organized pursuant to Decree of the President of the Borrower No. 1783 /1969.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions in this Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to twenty-six million dollars (\$26,000,000).

Section 2.02. (a) The Association shall open a Credit Account on its books in the name of the Borrower and shall credit to such Account the amount of the Credit.

(b) The amount of the Credit may be withdrawn from the Credit Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Development Credit Agreement and in accordance with the allocation of the proceeds of the Credit set forth in Schedule 1 to this Agreement, as such allocation shall be modified from time to time pursuant to the provisions of such Schedule or by further agreement between the Borrower and the Association.

Section 2.03. The Borrower shall be entitled to withdraw from the Credit Account in respect of the reasonable cost of goods or services required for the Project and to be financed under this Development Credit Agreement:

- (i) such amounts as shall have been paid (or, if the Association shall so agree, shall be required to meet payments to be made) for goods or services included in Categories I to VII (a) of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement;

(ii) the equivalent of sixty-five per cent (65%) of the invoiced price of such goods included in Category VII (b) of said allocation of the proceeds of the Credit as shall have been manufactured in the territories of the Borrower from imported components or raw materials, which percentage represents the estimated foreign exchange component of the cost of such goods;

provided, however, that if there shall be an increase in the estimate of such payments for goods or services included in any of Category VII (b), the Association may by notice to the Borrower adjust the stated percentage applicable to such Category as required in order that withdrawals of the amount of the Credit then allocated to such Category and not withdrawn may continue pro rata with the payments remaining to be made for goods or services included in such Category.

Section 2.04. No withdrawals from the Credit Account shall be made under Categories I to VII (a) of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement on account of payments in the currency of the Borrower, or for goods produced in, or services supplied from, the territories of the Borrower.

Section 2.05. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.06. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ($3/4$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.07. Service charges shall be payable semi-annually on May 1 and November 1 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Credit withdrawn from the Credit Account in semi-annual installments payable on each May 1 and November 1 commencing November 1, 1979 and ending May 1, 2019, each installment to and including the installment payable on May 1, 1989 to be one-half of one per cent ($1/2$ of 1%) of such principal amount, and each installment thereafter to be one and one-half per cent ($1-1/2\%$) of such principal amount.

ARTICLE III

Use of Proceeds of the Credit

Section 3.01. The Borrower shall apply the proceeds of the Credit in accordance with the provisions of this Development Credit Agreement to expenditures on the Project, described in Schedule 2 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, (i) the goods and services to be financed out of the proceeds of the Credit shall be procured on the basis of international competitive bidding in accordance with the Guidelines for Procurement under World Bank Loans and IDA Credits, published by the Bank in August 1969, and in accordance with such other procedures supplementary thereto as are set forth in Schedule 3 to this Agreement or as shall be agreed between the Borrower and the Association, (ii) contracts for the procurement of such goods and services shall be subject to the prior approval of the Association, and (iii) construction equipment financed out of the proceeds of the Credit shall be made available to the contractors employed for the Project on terms and conditions approved by the Association.

Section 3.03. Except as the Association may otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Credit to be imported promptly as required, used exclusively in carrying out the Project and, when no longer required for the Project, in carrying out similar works.

ARTICLE IV

Particular Covenants

Section 4.01. (a) The Borrower shall, through the Drainage Project Authority, carry out the Project with due diligence and efficiency and in conformity with sound agricultural, engineering, and financial practices, under the supervision of competent management.

(b) To that end, the Borrower shall grant the Drainage Project Authority direct authority and control over the execution of the Project, and shall at all times make available, promptly as needed, all funds, facilities, staff and other resources which shall be required for the Project.

Section 4.02. (a) The Borrower shall employ qualified and experienced consultants acceptable to the Association, upon terms and conditions and under terms of reference approved by the Association, to advise and assist the Drainage Project Authority in carrying out the Project.

(b) In the carrying out of the Project, the Borrower shall employ qualified and experienced contractors upon terms and conditions agreed upon by the Borrower and the Association.

(c) Upon request from time to time by the Association, the Borrower shall promptly furnish to the Association the plans, specifications and work and procurement schedules for the Project and any material modifications subsequently made therein, in such detail as the Association shall request.

Section 4.03. Except as the Borrower and the Association shall otherwise agree, the Borrower undertakes to insure the goods to be financed out of the proceeds of the Credit against marine, transit and other hazards incident to acquisition, transportation and delivery thereof to the place of use or installation and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

Section 4.04. (a) The Borrower shall maintain separate records and accounts adequate to identify the goods and services financed out of the proceeds of the Credit, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations, budgetary allocations and expenditures of the Drainage Project Authority with respect to the Project; and shall enable the Association's representatives to inspect the Project, the goods, and any relevant records, accounts and documents.

(b) The Borrower and the Association shall cooperate fully to ensure that the purposes of the Credit will be accomplished. To that end, the Borrower and the Association shall from time to time, at the request of either party, exchange views through their representatives with regard to the performance by the Borrower of its obligations under the Credit Agreement, the administration, operations, budgetary allocations and expenditures of the Drainage Project Authority and, with respect to the Project, of all other agencies of the Borrower responsible for

the carrying out and operation of the Project or any part thereof.

(c) The Borrower shall furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the expenditure of the proceeds of the Credit, the goods financed out of such proceeds, the Project, and the administration, operations, budgetary allocations and expenditures of the Drainage Project Authority, and, with respect to the Project, of all other agencies of the Borrower responsible for the carrying out and operation of the Project or any part thereof.

(d) The Borrower shall promptly inform the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit, the maintenance of the service thereof or the performance by the Borrower of its obligations under this Development Credit Agreement. Such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

Section 4.05. The Borrower shall cause the records and accounts of the Drainage Project Authority to be audited at least once a year by a competent and independent auditor and in accordance with procedures satisfactory to the Association and an audit report thereon to be furnished to the Association each year within six months after the end of the preceding fiscal year.

Section 4.06. (a) The Borrower shall cause all works, facilities and equipment related to the Project to be adequately maintained and from time to time shall cause all necessary renewals and repairs thereof to be made in accordance with sound agricultural and engineering practices.

(b) The Borrower shall establish and maintain adequate facilities as shall be agreed between the Borrower and the Association for the purpose of monitoring the effects of the drainage system included in the Project on soil conditions and crop production in the area of the Project.

(c) The Borrower shall cause the electric power supply required for the operation of the drainage pump stations included in the Project to be made available as each such station shall become ready for operation.

Section 4.07. The Borrower shall make suitable arrangements to ensure the recovery from users of irrigated land drained by the works included in the Project, by way of charges, of (a) the maintenance costs of field tile drainage in the area of the Project, and (b) over a period of twenty years, the capital invested in field tile drainage in the area of the Project without interest.

Section 4.08. The Borrower shall make adequate arrangements to ensure that all technical and administrative staff and equipment operators trained under training programs included in the Project shall be required to serve the Drainage Project Authority or contractors employed

for the Project in the field for which they were trained, for a period of at least two years after completion of such training.

Section 4.09. The Borrower undertakes that, until the Project shall have been completed, the Drainage Project Authority shall not undertake or execute any work other than that included in the Project, unless the Borrower shall have first satisfied the Association that the execution of such other work shall not adversely affect the prompt and efficient completion of the Project.

Section 4.10. The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes, and free from all restrictions, imposed under the laws of the Borrower or laws in effect in its territories.

Section 4.11. This Development Credit Agreement shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

ARTICLE V

Remedies of the Association

Section 5.01. If any event specified in Section 7.01 of the General Conditions or in Section 5.02 of this Agreement shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Association, at its option, may by notice to the Borrower declare the principal of the Credit then outstanding to be due and payable immediately together with the service charges thereon and upon any such declaration such principal, together with such charges, shall become due and payable immediately, anything in this Development Credit Agreement to the contrary notwithstanding.

Section 5.02. For the purposes of Section 7.01 of the General Conditions, the following additional event is specified, namely:

The organization, responsibilities or functions of the Drainage Project Authority shall, before the completion of the Project, have been modified in such a manner as to affect adversely the efficient execution of the Project in accordance with the provisions of the Development Credit Agreement.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of this Development Credit Agreement within the meaning of Section 10.01 (b) of the General Conditions, namely, that the Borrower shall have employed consultants in accordance with the provisions of Section 4.02 (a) of this Agreement.

Section 6.02. The date of * is hereby specified for the purposes of Section 10.04 of the General Conditions.

Section 6.03. The obligations of the Borrower under paragraphs (a), (b) and (c) of Section 4.04, Section 4.05 and paragraph (a) of Section 4.06 of this Agreement shall terminate on the date on which this Development Credit Agreement shall terminate or on a date 25 years after the date of this Development Credit Agreement, whichever shall be the earlier.

* Ninety days from date of signing the Agreement

ARTICLE VII

Miscellaneous

Section 7.01. The Closing Date shall be December 31, 1976 or such other date as shall be agreed between the Borrower and the Association.

Section 7.02. The Minister of Economy and Foreign Trade of the Borrower is designated as representative of the Borrower for the purposes of Section 9.03 of the General Conditions.

Section 7.03. The following addresses are specified for the purposes of Section 9.01 of the General Conditions:

For the Borrower:

Ministry of Economy and Foreign Trade
Lazoughly
Cairo, United Arab Republic

Alternative address for cables:

Ecotrade
Cairo

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Alternative address for cables:

Indevas
Washington, D.C.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement

to be signed in their respective names and to be delivered in the District of Columbia, United States of America, as of the day and year first above written.

UNITED ARAB REPUBLIC

By _____
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By _____
President

SCHEDULE 1

Allocation of Proceeds of Credit

<u>Category</u>	<u>Amounts Expressed in Dollar Equivalent</u>
I. C.i.f. cost of tile drainage construction equipment	10,800,000
II. C.i.f. cost of main drainage remodeling equipment	2,800,000
III. C.i.f. cost of pump stations - machinery, equipment and installation	6,800,000
IV. Training and consultants' services	600,000
V. C.i.f. cost of maintenance equipment	200,000
VI. C.i.f. cost of agriculture extension equipment and vehicles	100,000
VII. (a) C.i.f. cost of imported, and/or	2,600,000
(b) ex-factory price of locally manufactured tractors, trucks and motorcycles	
VIII. Unallocated	<u>2,100,000</u>
TOTAL	26,000,000

Reallocation Upon Change in Cost Estimates

1. If the estimate of the cost of the items included in any of the Categories I to VII shall decrease, the amount of the Credit then allocated to, and no longer required for, such Category will be reallocated by the Association to Category VIII.
2. If the estimate of the cost of the items included in any of the Categories I to VII (a) shall increase, an amount equal to the portion, if any, of such increase to be financed out of the proceeds of the Credit (or, in the case of Category VII (b) an amount equal to 65% of such increase) will be allocated by the Association, at the request of the Borrower, to such Category from Category VIII, subject, however, to the requirements for contingencies, as determined by the Association, in respect of the cost of the items in the other Categories.

SCHEDULE 2

Description of Project

The Project is designed to provide tile drainage for about 950,000 feddans of irrigated land in the Delta of the Nile River and to increase crop production on such land, and includes:

- (i) the construction of eleven drainage pump stations with related electric power transmission facilities;
- (ii) the remodeling of about 1,700 km of main open drains and their associated structures;
- (iii) the installation of field tile drainage in about 950,000 feddans of irrigated land by mechanical equipment;
- (iv) the construction and equipment of four divisional workshops for maintenance and repair of construction equipment and vehicles, within eighteen months from the Effective Date;
- (v) the acquisition of mobile field workshops adequate for maintenance and repair of construction equipment and vehicles, promptly as required by the construction schedule for the Project in accordance with a procurement schedule approved by the Association;
- (vi) the acquisition of tile drain maintenance equipment; and
- (vii) the acquisition of vehicles and farmer training equipment for the agricultural extension services in the Project area.

The Project is scheduled to be completed by the middle of 1976.

SCHEDULE 3

Supplementary Procurement Procedures

1. For all contracts for the construction of complete pump stations and for the procurement of construction, operation or maintenance equipment totaling \$50,000 equivalent or more, the procedure outlined below will be followed:

- (a) If bidders are to be pre-qualified, a description of the pre-qualification procedure, a list of pre-qualified bidders and the recommendations and comments of the Drainage Project Authority will be submitted to the Association for approval.
- (b) Before invitations to bid are issued, a copy of such invitations, draft forms of contract, specifications and all other bidding documents, together with a complete description of the international advertising procedures to be used, will be submitted to the Association for approval.
- (c) Contracts shall include appropriate clauses for the provision of (including payment for) a sufficient number of fully experienced technical personnel to supervise the assembly and maintenance of the equipment in the Project area and to train the operators of such equipment.

The required number of personnel shall be made available for field maintenance duties in the Project area on the machinery and vehicles supplied from the dates of delivery to the construction contractors until the completion of their use

on the Project; or in the case of pump station equipment, from the start of installation until a six-month training period for operating staff has been completed after the commissioning of each installation.

- (d) After bids have been received and analyzed and before a contract is awarded or a letter of intent is issued, a copy of the analysis of bids together with the recommendations of the Drainage Project Authority and the proposals for the award stating the reasons for such proposals will be submitted to the Association for approval.
- (e) If the proposed final contract is to differ substantially from the terms and conditions contained in the documents approved by the Association under (b) above, a copy of the text of the proposed changes will be submitted to the Association for approval before the signature of the contract.
- (f) Promptly after the signature of each contract, two conformed copies thereof will be sent to the Association.
- (g) If during the term of a contract there is any change or addition which is in excess of 10% of the original value of such contract, a copy of the proposed amendment to the contract, or variation order thereunder, will be submitted to the Association for its approval.

2. With respect to each contract involving an amount below \$50,000 an analysis of bids received together with two conformed copies of the contract shall be sent to the Association promptly after execution of any such contract and prior to the submission to the Association of the first application for withdrawals, in respect of such contract.

3. With respect to goods included in Category VII of the allocation of proceeds of the Credit and where bids are submitted by local manufacturers of tractors, trucks and motorcycles, the following rules will be observed for the purpose of comparing any such bid to any competing bid of the foreign manufacturer:

(a) All applicable customs duties and similar taxes shall first be deducted from the total cost submitted by such foreign manufacturer;

(b) The portion of such cost representing the c.i.f. landed price of the goods shall then be increased by 15% thereof or the actual rate of such duties and taxes, whichever is lower;

(c) The resulting figure plus the portion of such cost representing inland freight, insurance and other costs of delivery of the goods to the site of use in the Project, shall be deemed to be the price of the foreign bid;

(d) The ex-factory price of the goods offered by a competing local manufacturer plus inland freight, insurance and other costs of delivery to the site of use in the Project shall be deemed to be the price of the local manufacturer's bid.

(e) If the price of the local manufacturer's bid is equal to or lower than the price of the foreign bid, and other terms and conditions are satisfactory, then the local manufacturer's bid will be considered the lowest evaluated bid.

4. Any contract for the procurement of imported equipment, materials and supplies not exceeding the equivalent of \$10,000 is exempted from international competitive bidding, provided that the aggregate of all such contracts shall not exceed \$100,000 equivalent.

RECOMMENDATION OF STATUTORY COMMITTEE

To: The President, International Development Association

Recommendation of the Committee under Section 1(d) of Article V of the Articles of Agreement on the proposed Development Credit (Nile Delta Drainage Project) to United Arab Republic

The undersigned Committee constituted under Section 1(d) of Article V of the Articles of Agreement of International Development Association (the Association) hereby submits its recommendation pursuant to said Section in respect of the proposal that the Association grant to United Arab Republic a development credit in an amount in various currencies equivalent to U.S. \$26,000,000. The purpose of said development credit is to provide tile drainage for about 950,000 feddans of irrigated land in the delta of the Nile River and to increase crop production on such land.

1. The Committee has carefully studied the merits of the proposal to grant such a development credit, and of the purposes to which the proceeds of the development credit are to be applied.

2. The Committee is of the opinion that the project toward the financing of which the proceeds of such development credit are to be applied comes within the purposes of the Association as set forth in Article I of said Articles of Agreement, and that said project is designed to promote the economic development of United Arab Republic and is of high developmental priority in the light of the needs of United Arab Republic.

3. Accordingly, the Committee finds that said project merits financial assistance from the Association, and hereby recommends said project for such assistance.

COMMITTEE

/s/ J. Burke Knapp

Chairman of the Loan Committee

/s/ Abdel Rahman Hammoud

Expert selected by Governor for
United Arab Republic

/s/ M. P. Benjenk

Deputy Director, Europe, Middle East
and North Africa Department

/s/ A. Broches

General Counsel

/s/ Warren Baum

Associate Director, Projects

/s/ Francis R. Poore

Controller

Dated at Washington, D.C.

October 23, 1969

INTERNATIONAL DEVELOPMENT ASSOCIATION

(DRAFT)

RESOLUTION No. IDA _____

Approval of Development Credit to United Arab Republic
(Nile Delta Drainage Project) in an amount equivalent
to U.S. \$26,000,000.

RESOLVED:

THAT the Association shall grant a development credit to United Arab Republic in an amount in various currencies equivalent to twenty-six million United States dollars (U.S. \$26,000,000), to mature on and prior to May 1, 2019, to bear a service charge at the rate of three-fourths of one per cent ($3/4$ of 1%) per annum, and to be upon such other terms and conditions as shall be substantially in accordance with the terms and conditions set forth in the form of Development Credit Agreement (Nile Delta Drainage Project) between United Arab Republic and the Association, which has been presented to this meeting.

Legal Department

, 1969

DECLASSIFIED

Date: 10/31/2010 STB
RESTRICTED

IDA/SecM69-113

FROM: The Secretary

November 5, 1969

STATUS OF NEGOTIATIONS

UNITED ARAB REPUBLIC - NILE DELTA DRAINAGE PROJECT

Negotiations have been substantially completed and credit documents will be submitted to the Executive Directors for consideration shortly.

The following is a description of the proposed credit:

<u>Borrower:</u>	United Arab Republic
<u>Purpose:</u>	To finance the foreign exchange cost of providing tile drainage for about 950,000 feddans (986,000 acres) of irrigated lands in the delta of the Nile River.
<u>Amount:</u>	U.S. \$26 million equivalent in various currencies.
<u>Amortization:</u>	In fifty years, including a ten year period of grace, through semi-annual installments of one half of one percent from November 1, 1979 to May 1, 1989 and of one and a half percent from November 1, 1989 through May 1, 2019.
<u>Service Charge:</u>	Three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Distribution:

Executive Directors and Alternates
President
President's Council
Executive Vice-President, IFC
Vice-President, IFC
Department Heads, Bank and IFC

U.A.R. - Delta
Drainage
Project

Mr. J. Burke Knapp

November 5, 1969

Michael L. Lejeune

U.A.R. Drainage Credit - Notice to the Board

Further to my conversation with you, please find attached the notice which will be sent out to the Board today advising them that the negotiations have been completed and that the credit is coming up for Board consideration.

You will notice that I have substituted the words "for consideration shortly" instead of the more usual "for consideration on a date to be determined". It seems to me the latter might mislead Directors into thinking that the Bank was still waiting for some action on the UAR/US debt before circulating the papers.

Attachment

MPBenjenk/MILLEjeune:rpo

Oct. 23 - 69

RECOMMENDATION OF STATUTORY COMMITTEE

To: The President, International Development Association

Recommendation of the Committee under Section 1(d) of Article V of the Articles of Agreement on the proposed Development Credit (Nile Delta Drainage Project) to United Arab Republic

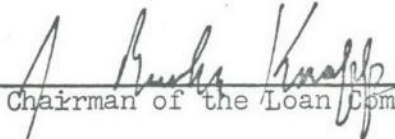
The undersigned Committee constituted under Section 1(d) of Article V of the Articles of Agreement of International Development Association (the Association) hereby submits its recommendation pursuant to said Section in respect of the proposal that the Association grant to United Arab Republic a development credit in an amount in various currencies equivalent to U.S.\$ 26,000,000. The purpose of said development credit is to provide tile drainage for about 950,000 feddans of irrigated land in the delta of the Nile River and to increase crop production on such land.

1. The Committee has carefully studied the merits of the proposal to grant such a development credit, and of the purposes to which the proceeds of the development credit are to be applied.

2. The Committee is of the opinion that the project toward the financing of which the proceeds of such development credit are to be applied comes within the purposes of the Association as set forth in Article I of said Articles of Agreement, and that said project is designed to promote the economic development of United Arab Republic and is of high developmental priority in the light of the needs of United Arab Republic.

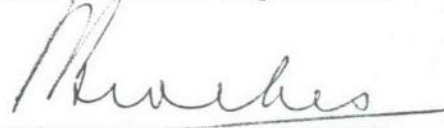
3. Accordingly, the Committee finds that said project merits financial assistance from the Association, and hereby recommends said project for such assistance.

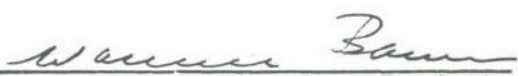
COMMITTEE


Chairman of the Loan Committee


Expert selected by Governor for
United Arab Republic


Deputy Director, Europe, Middle East
and North Africa Department


General Counsel


Associate Director, Projects


Controller

Dated at Washington, D.C.

S. S. F.

October 23, 1969

Date: 10/31/2010 *SRB*"CONFIDENTIAL"

OFFICE MEMORANDUM

U.A.R. - 10/31/2010
✓ C. DeWitt
Dr. El Sayeh
Dr. Hammoud
Dr. Zaki
Dr. Lejeune
Dr. Benjenk
Dr. Hartwich

TO: Memorandum for the Record

DATE: October 20, 1969

FROM: Dieter Hartwich *DH*SUBJECT: UAR - Annual Meeting 1969

1. A meeting with the delegation from the United Arab Republic took place on October 2 at which were present:

For the Bank

Mr. McNamara
Mr. Knapp
Mr. Lejeune
Mr. Benjenk
Mr. Hartwich

For UAR

H.E. Hassan Abbas Zaki, Minister
of Economy and Foreign Trade
Dr. El Sayeh, Undersecretary of State
of the Ministry of Economy and
Foreign Trade
Dr. Hammoud, Commercial Counsellor,
UAR Interests Section in Washington.

2. Minister Zaki expressed satisfaction at the fact that the proposed IDA credit for the Nile Delta Drainage Project had advanced close to the stage at which it could be presented to the Executive Directors for consideration. Mr. McNamara replied that he shared this view. He hoped that this credit would mark the beginning of a period in which the Bank Group could contribute usefully to economic development in the UAR.

3. Minister Zaki went on to say that he had listened with great interest to Mr. McNamara's address at the opening session of the Annual Meeting. He had been particularly impressed by the emphasis which Mr. McNamara had given to the need for progress in agriculture and for making serious efforts to deal with the population problem. He wanted to point out however that in Egypt, as in many other developing countries, industry was important for providing employment opportunities. Mr. McNamara replied that he had not intended to minimize the importance of building up an industry in a rational manner. What he was concerned about were uneconomic investments which resulted often from the fact that industry was regarded as a symbol of economic and even political progress. He also was aware that industry in the developing countries required in the initial stages some protection; but this protection should not be a permanent feature and should be reviewed periodically with the aim of gradually abolishing it.

4. The next points raised by Mr. Zaki related to several current matters concerning Bank Group activities in the UAR. He said he hoped that the railway improvement project would follow the drainage credit without much delay. He had also been glad to learn in a previous meeting with Mr. Lejeune that the Bank was prepared to assist his country in carrying out a study on the utilization of Nile waters. He himself appreciated the need for the study but thought that it might be useful if the Bank could help to convince other U.A.R. officials of this. The Minister then informed Mr. McNamara about the present status of the debt settlement discussions with the United States. He explained that a proposal for debt re-scheduling had been jointly worked out in recent weeks and that he was now evaluating the impact of this proposal on the UAR foreign exchange budget. He felt confident that the United States and the UAR were close to reaching final agreement.

"CONFIDENTIAL"

Memorandum for the Record

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October 20, 1969

5. Minister Zaki said that there had been a slight decrease recently in the hostilities in the Suez Canal Zone and that in his view these tensions did not effect the UAR economy. Following a question by Mr. McNamara, the Minister said that there had been no change with regard to the grants-in-aid from other Arab countries to the UAR. These payments had always been made on time and in the agreed amounts. He was aware of certain rumors which doubted that this would continue to be so. However, the contrary would be the fact and it might well be that the payments would be increased. An encouraging factor for the UAR economy were the prospects in the oil sector. Production would reach 25 million tons in 1969 and an annual output of 50 million tons was expected for 1973. Following a further question by Mr. McNamara, Minister Zaki commented briefly on the situation in Libya after the recent coup d'etat. He thought that a few months were needed until the internal situation would fully adjust itself. An important question was how the political regionalism, which was a crucial factor in Libya, would react to the new situation.

6. Dr. El Sayeh, after referring to the emphasis given to population control in Mr. McNamara's address to the Governors, asked how the Bank could help in this field. Mr. McNamara mentioned briefly the new Population Projects Department and that we would now work out a policy in this field. It was already clear that it would not be possible to apply the same model to all countries. It was also clear that tangible results in reducing the birth rate could not be achieved within a few years but that one had to think in terms of very long periods. The essential starting point for effective population control was that a government took the firm decision to devote its attention and resources to this problem. The next most important step was probably to devise the appropriate form of organization since in order to achieve success in population control, birth control measures had to reach millions of people. Minister Zaki said that public and private birth control programs had been tried in the UAR for some time with varying success. His Government was now determined to take effective action but the resources and experience were limited. Mr. McNamara concluded by saying that we would be glad to consider helping the UAR in their program if they would request our assistance.

cc to Mr. McNamara
Mr. Knapp
Mr. Chadenet
Mr. Lejeune
Mr. Benjenk
Mr. Kanagaratnam

CONFIDENTIAL

U.A.R. - Delta
Drainage
Proj. F

LOAN COMMITTEE

DECLASSIFIED

Date: 10/31/2010 STB
October 15, 1969

MEMORANDUM TO THE LOAN COMMITTEE

UNITED ARAB REPUBLIC - Nile Delta Drainage Project

Attached for information is a memorandum from the Director of the Europe, Middle East and North Africa Department to the Chairman of the Committee, dated October 13, 1969, transmitting for approval the draft Report and Recommendation of the President on a proposed credit for the Nile Delta Drainage Project.

David Pearce
Secretary
Loan Committee

- DISTRIBUTION -

Committee:

Mr. J. Burke Knapp, Chairman
Mr. S.R. Cope, Deputy Chairman
Mr. S. Aldewereld, Vice President
Directors, Area Departments
Director, Projects Department
General Counsel
Director, Economics Department
Director, Development Services Department
Treasurer

Copies for Information:

President
The Economic Adviser to the President
Sir Denis Rickett, Vice President
Mr. M. Shoaib, Vice President
Directors, other Departments
Special Adviser to the President
Executive Vice President (IFC)
Vice President (IFC)

OFFICE MEMORANDUM

TO: Mr. J. Burke Knapp

DATE: October 13, 1969

FROM: Michael L. Lejeune

SUBJECT: Credit for Nile Delta Drainage Project

I attach for your approval a copy of the draft Report and Recommendation of the President on a proposed credit of U.S. \$26 million to the United Arab Republic for the Nile Delta Drainage Project together with a copy of the revised draft Appraisal Report and the draft Development Credit Agreement. The date at which these documents will be distributed to the Executive Directors has still to be determined.

In addition to the Development Credit Agreement, the documentation will include three supplemental letters and agreed minutes of discussion, which would be signed at the same time as the Credit Agreement. The supplemental letters on Consultants and on Technical Staff Requirements of the Drainage Project Authority and the agreed minutes of discussion are attached, whereas the supplemental letter on External Debt Representation is essentially routine in nature and therefore not attached. It is not intended to circulate these letters or the agreed minutes to the Executive Directors. The letter on Consultants contains agreement to employ a firm of consultants to provide the necessary services. Discussions on the principle of employing a firm absorbed much time during the four weeks of negotiations. Regarding the agreed minutes of discussion, I draw your attention particularly to the item on Project Management on pages 2 and 3, where the agreement reached on the principle of consultation on the appointments of top management is set forth.

A Loan Committee meeting was held on April 28, 1969 to consider the memorandum of April 23, 1969 from this Department (LC/O/69-50) and the Appraisal Report (PA-12). The Committee approved the Area Department's recommendation that representatives of the Government of the U.A.R. be invited in due course to negotiate a U.S. \$26 million credit for the project on the terms and conditions suggested in the Appraisal Report.

During negotiations a large number of relatively minor changes in the project were agreed upon. A revised copy of the draft Appraisal Report is attached. The revision relating to the recovery of project costs (see paragraphs 5.12 and 5.13 of the appraisal report) was explained in my memorandum to you dated September 26, which you approved. Other changes include the following:

(a) The project phasing was rescheduled to permit a more gradual build-up in the project implementation rate. This revision, which was proposed by the U.A.R. delegation, would improve the technical feasibility of carrying out the project and would have the effect of increasing the economic return from 16% to 18%.

(b) Egyptian manufacturers of trucks, tractors and motorcycles would participate in international competitive bidding for these items, the total cost of which is estimated at \$2.6 million, or 10% of the credit, with a margin of preference in the bid comparisons of 15% or the actual rate of customs duties, whichever is lower. Disbursements to successful domestic bidders for these items under the credit would be at the rate of 65% of the ex-factory price. This would be slightly below the average foreign exchange component of domestically procured vehicles as estimated by the Egyptians (73%), but sufficiently within the range of probability that it was accepted by the U.A.R. delegation.

An economic report entitled, "Current Economic Position and Prospects of the United Arab Republic", (EMA 10a dated August 18, 1969) was distributed to the Executive Directors on August 27, 1969.

This memorandum and all the papers mentioned in it have been cleared with all Departments concerned. The oral presentation would be made by Mr. Hartwich of my Department who would talk about some general aspects of this operation, including the U.A.R.'s efforts to improve relationships with its creditors.

I would appreciate your giving your comments on these papers to Mr. Hartwich (Ext. 3571) at your convenience.

Attachments

cc to Mr. Cope
Loan Committee (no attachments)

DECLASSIFIED

Date: 10/31/2010 SRB

"CONFIDENTIAL"

Mr. J. Burke Knapp

Michael L. Lejeune

(signed) Michael L. Lejeune

U.A.R.-
Richter
Drainage
Project
October 14, 1969

UAR - Board Presentation of Nile Delta Drainage Project

1. I sent you yesterday the Board papers on the UAR Drainage Credit. On the questions of the UAR/US debt negotiations, the President's Report as drafted reflects the position as it is today. It will have to be adjusted as the situation evolves.
2. I should like to elaborate on a few points concerning the Board presentation. Firstly, as to the timing of the Executive Directors' meeting. As I have already mentioned to you and to Mr. McNamara it now appears it will take the U.S. authorities at least until the end of the week before they would be in a position to respond to the rescheduling proposal made by the Egyptians on October 3. The U.S. agencies involved seem prepared to make some more concessions, although they will not go all the way to meet the latest U.A.R. request, but it will take further work to arrive at an agreed U.S. position and to have it sanctioned at higher levels. If the U.S. does make a counter-offer by the end of this week and if the Egyptians accept promptly, we should be able to distribute the papers to the Executive Directors on October 23 for a meeting on November 4, but it will be tight. We will of course have to review the situation again closer to that date.
3. Secondly, I have proposed in the memorandum referred to above that the presentation at the Executive Directors' meeting be made by Mr. Hartwich. It would, of course, be possible to have the presentation made by a member of the Agriculture Projects Department, but so much of the importance of this Credit lies in its being the start of a new relationship with the most important country in the Middle East that I think the presentation should be handled by someone from this department. Moreover, there are several difficult "country" matters to be disposed of in the presentation and I would rather anticipate them than have to deal with them solely by responding to questions. I thus propose that the presentation refer first of all to the importance of this operation for Bank activities in the Middle East as a whole, since the U.A.R. is regarded by most Arab countries as a test case for the Bank's genuine interest in becoming active in the area, and to our hope that we might help to channel efforts in the area towards economic development. Secondly, the presentation should refer to the steps taken by the U.A.R. to improve its relationship with creditor countries. We have to assume that by the time the Executive Directors consider the proposed credit, the settlement of the U.A.R. arrears towards the U.S. will have made further progress but may not yet have been finalized. It would therefore be important to point to the pattern of settlements already made in order to be able to say that the proposed U.S./U.A.R. rescheduling would fit into it and that it would complete the U.A.R.'s attempts to regularize its payment obligations. Finally, the presentation would have to refer briefly to the question of economic performance. The tenor would be that long run predictions are admittedly difficult to make under present circumstances but that the U.A.R. has tried hard to manage under difficult conditions. There would be some mention of the importance to the U.A.R. of the aid provided by Saudi Arabia, Kuwait and Libya.

"CONFIDENTIAL"

Mr. J. Burke Knapp

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October 14, 1969

4. I suggest that we do not volunteer any remarks about the question of military debt in the Board. If this subject is raised by one of the Directors, I propose that Mr. McNamara reply himself by saying that this question has been discussed with the Egyptians and that we are satisfied that the effects of the military debt on the economy and the balance of payments are likely not to be such that they would adversely affect the execution of the project or bring into question that IDA funds used for it are usefully and properly employed. We shall draft a statement and clear it with you.

(Signed) Michael L. Lejeune

cc to Mr. McNamara
Mr. Cope

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DHartwich:MLLejeune/rpo

APP
OCT 14 1969

U.A.R. - Delta Drainage
Project

Mr. J. Burke Knapp

October 10, 1969

Michael L. Lejeune

(signed) Michael L. Lejeune

UAR - Drainage Project

As you know, Mr. McNamara decided that the "Status of Negotiations" notice to the Executive Directors should be held back pending the decision on how to proceed further on this project. I should like to draw to your attention that reference to this project has to be made in the next "Monthly Operational Summary" which will be distributed to the Executive Directors shortly. The September issue of the Monthly Operational Summary stated that the drainage project was being negotiated, and we are now planning to say that negotiations have been substantially completed. Unless I hear otherwise from you, we will let the Monthly Operational Summary go forward with this entry.

cc to Mr. Hilken

DH
DHartwich:rpo

MRB
OCT 10 1969

OFFICE MEMORANDUM

EGYPT-INDOCHINA
U.S. EGYPT-INDOCHINA

TO: Mr. Robert S. McNamara

DATE: October 8, 1969

FROM: Michael L. Lejeune

STRICTLY CONFIDENTIAL

SUBJECT: U.A.R. - Negotiations between the U.A.R.
and the U.S. on settlement of
arrears of debt

DECLASSIFIED

Date: 10/31/2010 SRB

1. I would like to confirm what I told you on the telephone Tuesday morning respecting the status of negotiations between the U.A.R. and the U.S.
2. On September 11, Mr. Enders, the then Deputy Assistant Secretary of State of Economic Affairs, and Dr. El-Sayeh, the Under Secretary of State of the Ministry of Economy and Foreign Trade (who was in Washington negotiating the IDA credit) reached agreement on a draft Agreed Minute setting out the terms of a settlement. Both Mr. Enders and Dr. El-Sayeh said they were ready to recommend this Agreed Minute and its terms to their respective superiors; both agreed to do so ad referendum. Mr. Enders, on his side, made clear that once the Egyptian Government's agreement had been confirmed, he would still need some time to discuss the matter on the United States side, particularly with the appropriate persons on Capitol Hill. Hence there would be some lag between the time that the Egyptians gave their final agreement and the time when the U.S. would be able to do likewise. At this juncture, Mr. Enders gave me a copy of the draft Minute in confidence and told me, privately, he thought that this clearance would require ten days to two weeks. The U.A.R. have never volunteered to give us the details of the Minute, and we have not divulged to them that we know them. The U.S. hoped to get a prompt response from Cairo, but in fact nothing came forth presumably because Minister Zaki was finalizing his foreign exchange budget before coming to Washington for the Annual Meetings of the Bank and the Fund.
3. When he arrived, Minister Zaki let it be known that he was concerned that the terms of the draft Agreed Minute were too burdensome on Egypt's balance of payments. On Thursday, October 2 he told me and told you that he was studying the impact on the balance of payments but he certainly left the impression that agreement with the U.S. would take place very shortly.
4. On Friday evening, Dr. El-Sayeh came to say goodbye to me on the conclusion of the IDA negotiations. I took the opportunity to emphasize to him the importance of reaching agreement with the United States. I told him we would prefer to have a final agreement before we sent the papers for the IDA credit to the Executive Directors. In response to a question from him, I said that we were planning to send them on Thursday, October 17 for action at a meeting on October 28.

President has seen

October 8, 1969

However, if it appeared that agreement would not be reached between the U.S. and the U.A.R. before Thursday, October 17, the President of IDA would have to inquire into the status of the U.A.R.-U.S. negotiations and reach a conclusion as to the reasonableness of the respective positions of the two parties and the likelihood of their reaching agreement shortly. In the light of his findings, he would then have to consider whether to go forward with a favourable recommendation on the IDA credit. I emphasized that clearly we would prefer not to have to make judgments of this kind and, therefore, would prefer and greatly hoped that agreement would be reached with the U.S. in time.

5. Dr. El-Sayeh then told me that he had that very day had a conversation with Mr. Trezise (Assistant Secretary of State for Economic Affairs) in which he had requested a modification of the terms of the draft Agreed Minute which, in effect, would postpone by one year the amortization of the consolidated arrears, that is to say the payment of consolidated arrears would begin in July 1971 instead of July 1970 and would extend to July 1976 instead of July 1975. Dr. El-Sayeh said he expected a response from the U.S. in a matter of days. He expected to be in the U.S. for most of the week of October 6 and believed the issue would be settled before he departed. I attach Mr. Hartwich's record of this conversation.

6. Early Monday morning, I received a call from Mr. Cizauskas who, in the absence of Mr. Trezise, is handling this matter. He said that the U.S. Government was surprised and disturbed that the Egyptians now at the last minute came up with a request for a substantial modification of what had been provided in the draft Agreed Minute of September 11. He said that under instructions from Mr. Trezise, he was communicating with all the interested agencies within the U.S. Government to formulate a response. He also wanted me to know that all concerned on the U.S. side viewed this matter very seriously and that it looked as if there would be great difficulty in agreeing to the Egyptian's request. In response to my inquiring, he said that he expected it to take as much as two weeks before the U.S. would be in the position to respond. This was in sharp contrast to what Dr. El-Sayeh said to me about timing on Friday.

7. I informed Mr. Knapp of this turn of events and put in train an analysis of the terms of the September 11 draft Agreed Minute and the changes as now proposed by the U.A.R. A preliminary analysis has now been made and shows that over the course of the negotiations between the U.S. and the U.A.R., and especially since July when they began to negotiate in earnest, the U.S. has made greater concessions than the U.A.R. in arriving at the September 11 draft Agreed Minute. While this Minute represents a settlement which is less favourable for the U.A.R. than the most favourable settlement it has reached with another country, namely

Great Britain, it is nevertheless within the range of settlements reached with the various creditor countries. From the beginning the U.S. had made it a point of principle that there should be some net inflow of capital to the U.S. from the U.A.R. under the terms of the settlement and the September 11 Minute provided for a net inflow which we calculate to be of the order of around \$29 million in 1970 and around \$28 million in 1971. Under its terms, presumably the amounts in later years would be less but we do not have adequate information to give reliable figures. This may be contrasted with the proposal now made by the U.A.R. which, on the basis of information available to us from the U.S., would result in a net ⁱⁿoutflow of about \$10 million in calendar 1970 and about \$25 million in 1971.

8. The argument put forward by the Egyptians for this change is that the burden on their balance of payments under the terms of the September 11 draft Agreed Minute would be too high. Dr. El-Sayeh now says that he made a mistake in agreeing to recommend them. From our information, we estimate that the effect over the period covered by the Minute would be to increase the U.A.R.'s debt service ratio in 1970 from 21 per cent which would obtain without a U.S. settlement, to about 24 per cent. We estimate that their latest proposal would result in an increase to only about 22 per cent. The difference is not so great as to say that one is manageable and the other not, but the U.A.R. operates on an exceedingly tight foreign exchange budget and has already cut imports to the bone, so while the percentage difference in the debt service ratio between the two proposals does not seem much there is no doubt that the extra relief would be important to the U.A.R., particularly in 1970 when they have a peak in their debt service. It is not unreasonable that they should seek this extra relief. On the other hand, considering how close they had come to agreement with the U.S., their behaviour in seeking a change at the last minute may well appear unreasonable to the U.S., especially in the light of the greater concessions given by the U.S. over the course of the negotiations.

9. At the same time, it is obvious that the absolute amount involved in the change has no economic significance for the United States. The only important change is that the net capital flow from the U.A.R. in 1970 is reduced to about one third of what had been contemplated in the September 11 Minute. The significance of this is political rather than economic.

October 8, 1969

10. As I mentioned to you yesterday morning, we have been planning the IDA credit for consideration by the Board on October 28. Negotiations were concluded last Friday afternoon. The October 28 timing was initially chosen to afford an opportunity to clear up loose ends with the Egyptians and to complete the redrafting of the appraisal report called for by changes agreed with the Egyptians during the negotiations. However, this timing also gave more scope for the U.S. and UAR to reach agreement. I am told that the earliest the appraisal report could be ready for distribution to the Executive Directors is Monday, October 13. All the other documents, however, (except, possibly, the Statutory Loan Committee Report) could be ready for distribution Thursday, October 9, at a very tight pinch. Thus, provided we are willing to send the appraisal report late to the Executive Directors, we could have them act on October 21, but this is a week earlier than indicated to the U.A.R.

11. I think there is very little prospect that the U.S. and the U.A.R. will reach agreement by the evening of Thursday, the 9th but if we push hard on both of them I think there is a good possibility that the State Department and the Egyptians could reach agreement before the following Thursday subject, on the U.S. side, to such clearances with Congress as they feel necessary.

12. We have the following options:

(a) To postpone circulating the papers to the Executive Directors until the U.S. and the U.A.R. have reached agreement or at least until the U.S. assures us that they believe agreement is close and that they would not oppose the IDA credit.

(b) Without waiting for agreement between the U.S. and U.A.R., to circulate the papers as soon as they are ready, for consideration by the Executive Directors promptly thereafter (i.e. October 28 or, if we are willing to send the Appraisal Report late, October 21). This would entail making a judgement that the U.A.R. has made reasonable efforts to settle and would run the risk of opposition by the U.S. and perhaps others (e.g. U.K.).

(c) To postpone a decision to circulate long enough to permit the U.S. to react to the latest U.A.R. proposal. This could be combined with our exercising pressure on both sides, including urging the U.S. not to be so demanding and urging El-Sayeh to remain in the U.S. until the matter is settled. (He is still in New York, but so far I have been unable to reach him).

October 8, 1969

(d) To circulate the papers but for action "on a date to be determined". This puts pressure on both parties but leaves the Bank at the mercy of events. This path was previously followed on a loan to Israel and the June war took place between the time of circulating the papers and calling for action by the Executive Directors. I do not recommend it.

The second option could be combined with an offer to mediate and a statement that no further credits would be negotiated for the U.A.R. until a settlement had been made. The imminence of the proposed credit for a railway project would put pressure on the Egyptians to settle within a few weeks.

13. You suggested that you and Mr. Knapp and I should discuss how we should proceed and I would be glad to do so right away.

A handwritten signature in dark ink, appearing to read "Arthur H. Hays Sulzberger", is written above a horizontal line.

cc: Messrs. Knapp and Nurick

Date: 10/31/2010 *SB*"CONFIDENTIAL"

OFFICE MEMORANDUM

*EGYPT - DEBTS**CC EGYPT - CR. 181*

DATE: October 8, 1969

TO: Memorandum for the Record

FROM: *For* Dieter Hartwich *M.H.*SUBJECT: U.A.R. - Debts to the United States

Following the completion of the negotiations on the IDA credit for the Nile Delta Drainage Project, Dr. Hamid El Sayeh, Under Secretary of the U.A.R. Ministry for Economy and Foreign Trade, and Dr. Hammoud of the U.A.R. Interests Section in Washington called on Mr. Lejeune in the afternoon of Friday, October 3. Mr. Benjenk and Mr. Hartwich were also present.

Dr. El Sayeh expressed his satisfaction that the credit negotiations had been completed. Mr. Lejeune replied that also the Association was glad that the work on the project had reached this stage. He then explained the steps which had now to be taken to submit the credit proposal to the Executive Directors. He reminded Dr. El Sayeh that in the process of preparing the President's recommendation to the Executive Directors, the Association had to consider again where the discussions between the U.S. and the U.A.R. on the debt issue stood. Mr. Lejeune asked Dr. El Sayeh what stage he had reached in the talks which he had conducted with U.S. authorities on this subject during his stay in Washington.

Dr. El Sayeh said that he had had several meetings with the State Department and the Treasury during the week starting September 8. In the course of that week they had reached agreement on the details of a settlement (which on his part was subject to approval by Minister Zaki) and had jointly prepared a draft of agreed minutes which were dated September 11. The arrangements spelt out in these agreed minutes provided for a resumption of payments of principal and interest as they became due under the original credit contracts beginning January 1, 1970; the payment of interest arrears, accumulated up to December 31, 1969, over 24 months beginning not later than January 15, 1970; and the payment of arrears on principal on an accelerating scale over a period of 5 years beginning July 1, 1970. Total payments to be made by the U.A.R. under these arrangements were particularly heavy during calendar year 1970 and amounted to about \$32 million. Dr. El Sayeh did not specify to what extent this would be offset by the extension of new credit and said only that the net outflow from the UAR would be sizeable.

Dr. El Sayeh went on to say that he had transmitted the details of the proposed settlement to Minister Zaki in Cairo. The Minister, who was at that time in the process of preparing the foreign exchange budget for 1970, had felt that the payments to be made to the U.S. in that year were larger than the U.A.R. could afford. After the Minister's arrival in Washington for the Annual Meeting, they had discussed this matter with U.S. officials. More specifically, Dr. El Sayeh had met with Mr. Trezise, Assistant Secretary in the State Department, in the morning of October 3 and had requested that some relief be provided for the U.A.R. balance of payments by postponing the payments of arrears on principal by one year, so that the first payment would become due on July 1, 1971 and treating the arrears on interest, instead of paying them in 1970 and 1971, in the same way as the arrears on principal.

"Confidential"

Memorandum for the Record

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October 8, 1969

Mr. Trezise had promised to give this matter early attention. Dr. El Sayeh finished by saying that he thought that the U.S. and the U.A.R. were still close to an agreement which he hoped could be initialled shortly.

Mr. Lejeune said that he was glad to hear that good progress had been made in the debt discussions. He hoped, however, that Dr. El Sayeh's expectation of reaching very shortly final agreement was justified in spite of the most recent complication. The Association would clearly prefer if by the time the IDA credit would be sent to the Executive Directors for consideration, the debt settlement agreement had been concluded or both parties would at least be in a position to state that they were close to final agreement. Otherwise, the President of IDA would have to make a judgement whether reasonable efforts had been made to reach a settlement and this was a difficult thing to do. Dr. El Sayeh said he was grateful for those remarks because they strengthened his hands in pressing his Government for final action. He would have to go to New York early next week but would be prepared to come back to Washington any time for final discussions with the U.S. authorities.

cc to Mr. McNamara
Mr. Knapp
Mr. Nurick
Mr. Benjenk
Mr. Upper/Karaosmanoglu

UAR - Nile Delta
Drainage Proj

Mr. J. Burke Knapp

October 8, 1969

Michael L. Lejeune

UAR: Status of Negotiations Memorandum

Since negotiations of a Credit to the UAR for the Nile Delta Drainage Project were substantially completed at the end of last week, I recommend that the attached Memorandum be distributed to the Executive Directors at once despite the uncertain status of the UAR/US debt rescheduling negotiations.

(signed) Michael L. Lejeune


JML/peer/pw

10/8

U.A.R. - Delta
Drainage
Project

Legal Files

October 7, 1969

Saad El Fishawy

S. S. 7.

UAR - Credit - Nile Delta Drainage Project - Agreed Draft Documents

I am sending herewith:

1. Agreed draft of Credit Agreement;
2. Agreed draft supplemental letters:
 - a. Re Consultants;
 - b. Re Technical Staff Requirements of Drainage Project Authority; and
3. Agreed Minutes of Discussions.

All the above drafts are dated October 3, 1969.

The UAR delegation expressed their preference to have the Agreed Minutes of Discussion signed together with the Credit Agreement simultaneously by the same person, who will be authorized to sign the Credit Agreement.

They promised to send to us a conformed copy of the Presidential Decree No. 1783/1969 establishing the Nile Delta Authority for Tile Drainage Projects before signing.

Adequate copies of the above set of documents were handed to the UAR delegation in the last session of the negotiations on Friday October 3 in the afternoon.

cc: Messrs. Harwich
Upper
Guinness
Bolt
Chang

Ministry of Economy
and
Foreign Trade

C a i r o , U. A. R.

October 7, 1969

Gentlemen:

In accordance with section 1 (d) of article V of agreement of the International Development Association, I hereby inform you that Mr. Abdel Rahman Hammoud, the Commercial Counselor with the United Arab Republic Interest Section in Washington D.C., is authorized to represent the Government of the United Arab Republic as member of the committee established by virtue of the abovementioned article in the said agreement.

Yours sincerely,



Hassan Abbas Zaki
Minister of Economy
and Foreign Trade

The International
Development Association
1818 H Street
Washington, D.C.



MINUTES OF DISCUSSIONS
BETWEEN
REPRESENTATIVES OF THE UAR GOVERNMENT
AND
INTERNATIONAL DEVELOPMENT ASSOCIATION
IN WASHINGTON, D.C.

From September 8 to October 3, 1969

(Nile Delta Drainage Project)

MINUTES OF DISCUSSIONS BETWEEN
THE REPRESENTATIVES OF THE UAR GOVERNMENT
AND INTERNATIONAL DEVELOPMENT ASSOCIATION
HELD IN WASHINGTON, D.C.
FROM SEPTEMBER 8 to OCTOBER 3, 1969
IN CONNECTION WITH
THE NILE DELTA IRRIGATION PROJECT

Agreed Minutes of Discussion

Negotiations for a proposed credit of \$26 million equivalent to the United Arab Republic for the Nile Delta Drainage Project began on September 8, 1969 and were concluded on October 3, 1969. The Government of the UAR was represented by Mr. El Sayeh, Undersecretary of State for the Ministry of Economy and Foreign Trade, Mr. Fouad El Kholy, Undersecretary of State for the Ministry of Irrigation, Mr. Gad Labib Gad, Deputy (Legal) Counsellor in the Council of State, Mr. Kotb El Riedy, Deputy Director-General, Mechanical and Electrical Department in the Ministry of Irrigation, Mr. A. R. Hammoud, Commercial Counselor of the UAR Interests Section in Washington, and Mr. Mohammed Amer, Assistant Director, Drainage Research Department in the Ministry of Irrigation, and the Association by Messrs. Hartwich El Fishawy, Guinness, Upper, Bolt, Chang and Hidalgo.

During said negotiations the following points were discussed and agreed upon:

Project Authority

The representatives of the Association emphasized the importance of having an independent authority in charge of the execution of the Project. They pointed out that the rate of implementation planned for the Project is quite high and this will call for efficient management which will have direct responsibility and control over all project activities and the staff and other resources necessary to carry out the Project. The UAR delegation presented a draft Presidential Decree for the establishing of the Nile Delta Authority for Tile Drainage Projects, which was found satisfactory. On September 25, the UAR delegation informed the Association's representatives that the Decree had been issued under No. 1783/1969. It was understood that the Authority would also be responsible for maintenance of all drainage works until handing this responsibility over to the Ministry of Irrigation, normally at the end of the guarantee period, and for the training of maintenance staff of the Ministry of Irrigation in efficient maintenance procedures and techniques.

Project Management

Both delegations emphasized that the Borrower and the Association would co-operate closely to ensure the success of the Project. The representatives of the Association expressed their belief that one of the key points on which the success of the Project will ultimately depend is the competence of the top management of the Authority. The comprehensive nature of the Project makes it particularly necessary to ensure the smooth co-ordination between, and proper phasing of, the many steps needed for the implementation of the Project, to spot areas that may cause delays ahead of time and to try to prevent causes of delay in time. The UAR representatives said that they were fully in agreement with the fact that the top management of this Project will represent one of the most important elements for its success. Therefore, it was intended that the greatest care and scrutiny would be exercised in the appointment of such top management. The Association's representatives said that as part of the joint effort to assure the success of the Project, they expect that until the Project shall have been completed, the Association would be informed of candidates for appointment and their qualifications and experience sufficiently in advance to ensure that, should the Association have any views on the proposed appointments, it could give such views to the Borrower in time to be taken into account. The UAR delegation agreed to the importance of close co-operation for the success of the Project and that consultations relating to the above matter would be followed as part of this co-operation. They pointed out that the appointments to top management are made by Presidential decree.

Local Construction Contracts

The provision of Section 4.02 (b) of the Credit Agreement regarding local construction contracts will be fulfilled when all the attached amendments which were agreed upon during negotiations and relate to the utilization of the equipment to be financed out of the proceeds of the Credit, have been incorporated in the civil works contracts.

Auditing

With reference to Section 4.05 of the Draft Credit Agreement, the UAR delegation explained that in accordance with Article 12 of the General Authorities Law No. 61/1963, one or more auditors shall be appointed by the Central Organization for Accounts and Audits from among qualified persons fulfilling the conditions as stipulated in Law 133/1951 concerning accountants and auditors, to audit the Authority's accounts and financial statements. The UAR delegation stated that the report of the auditors would be submitted to the Central Organization for Accounts and Audits for approval and then sent to the Association within six months after the end of the preceding fiscal year. The Association's representatives said that this procedure would meet the requirements of Section 4.05.

Land Tax

The UAR delegation stated that the basis of the assessment of the land tax on land owners is the productivity of their land and that the rates currently in force range up to LE 6 per feddan. Reassessment is made automatically under the law every ten years. However, the law permits more frequent reassessment and in practice reassessment is usually made shortly after the completion of public works which affect the productivity of the land.

Insurance and Freight

The UAR delegation mentioned that the Drainage Project Authority may wish to ensure through Egyptian insurance companies those goods which are to be imported under the Credit, and it was understood that premiums to be paid in Egyptian currency would not be reimbursable under the Credit. Similarly, it was understood that no part of the cost of freight moved on Egyptian vessels to be paid in Egyptian currency would be reimbursable under the Credit.

UNITED ARAB REPUBLIC

INTERNATIONAL DEVELOPMENT ASSOCIATION

By A. E. Lutfi
Authorized Representative

By D. E. Hord
Europe, Middle East and
North Africa Department

Dated at Washington, D.C.

April 17, 1970

Amendments to draft conditions of Contract for Local Construction Contracts

- A. The contractor shall keep the machinery in good working condition in order to perform the required rate of production. To ensure this, qualified technicians of the Authority and the suppliers will be permitted to carry out periodical inspections of the machinery. In cases where maintenance of any machinery is in their opinion urgently required, technicians of the Authority or the suppliers will carry out the necessary repairs and maintenance at the contractor's expense if the contractor fails to do so himself within a reasonable period.
- B. As soon as possible after the award of the Contract, the Contractor shall nominate a sufficient number of staff (mechanics and operators) to be trained in the operation and maintenance of the machinery at the Authority's Training Center. Upon receipt of instructions from the Authority, the Contractor will send his nominees to the Center for a period of not more than two months, at his expense, for training at the discretion of the Authority. The machinery shall be operated and maintained only by personnel who have received the Authority's certificate of competency.
- C. The machinery will not be utilized by the contractor for work other than on the Project (as defined in the Annex attached to the Contract) until the Project shall have been completed. After the Project shall have been completed and when the machinery is no longer required for the Project, the contractor shall not, without the approval of the Authority in writing, utilize the machinery except in carrying out works similar to the Project.

U.A.R. - Drainage

Mr. Robert S. McNamara

September 30, 1969

Michael L. Lejeune (signed) Michael L. Lejeune

U.A.R. - Drainage Project - Consultations on
Appointment of Director

Although the negotiators reached agreement last Friday on the language of an Agreed Minute providing for consultations on the appointment of the Director of the Authority responsible for the project, Minister Zaki reopened the question privately with me yesterday (Monday). I think I convinced him of the usefulness of consultations for ensuring a sound choice of Director and good relations with the Bank. He also seemed to appreciate the argument that in the Bank we had to try to treat all member countries equally in these matters and that we had, accordingly, reached agreement on consultations in circumstances similar to the U.A.R. case (new project, new Authority) with such countries as India, Pakistan, Argentina and Brazil as well as with those where problems of suitable management were acute, such as Senegal, Paraguay, Zambia, etc.

His problem, however, is that while he has been able to settle all the other issues on his own authority (questions of engaging consulting services, for example) he will have to clear this issue in Cairo, presumably with Nasser and probably in the face of opposition from Cabinet colleagues. Nevertheless, at the end of our meeting, which covered the question in only a general way, he seemed ready to undertake to get consultations accepted in Cairo, although he still might wish to ask for some modification of the language of the Agreed Minute to make it more palatable.

I think I have reached agreement with him; he badly wants this IDA credit and now sees this as the only remaining hurdle. But (a) I have yet to see whether the modifications he may propose are acceptable and (b) it is still possible he may raise the subject all over again with you. If he raises it with you before discussing it again with me I suggest you ask him to explore the problem further with me. If he really considers this a serious problem, we need to know more precisely where his difficulty lies.

cc: Mr. Knapp
Mr. Benjenk
Mr. Hartwich

MLL:ab

Memorandum for the Record

September 30, 1969

Michael L. Lejeune

UAR - Drainage Project - Consultation on Appointment of Director

We have been having a protracted and rather difficult negotiation with the Egyptian negotiators over the question of the consultation on appointment of the Director of the Authority under the Minister of Irrigation which is to carry out the project. This negotiation has been carried on between Mr. Hartwich of my Department and Dr. El-Sayeh of the UAR Delegation. They have been negotiating over the language of a paragraph on this subject in the Agreed Minute of Discussions which also covers some other subjects. As of Friday evening, they had reached agreement on some language which Dr. El-Sayeh said he was ready to recommend to Minister Zaki.

On Monday afternoon I had a meeting with Minister Zaki and the Delegation attending the Annual Meeting in which we covered a number of subjects and in which I made clear that as far as the drainage project was concerned I understood the negotiations were completed with the exception of a minor point on procurement. We discussed such details as the timing of the presentation to the Executive Directors and probable date of signature, assuming no hitches (such as failure to conclude arrangements with the U.S. on rescheduling Egyptian debt). We also discussed future possible projects.

At the end of the meeting, the Minister asked to see me alone. During this private discussion, he asked me to consider changing the understanding about consultation, and as we discussed the question in some detail it became clear that he would like to have no consultation but only an understanding about the qualifications and experience called for in any candidate appointed as Director of the Authority. I described the Bank's standard policy on consultation and said what the Minister appeared to be asking for was that an exception to it be made for Egypt. I told him that I felt that to start off a new relationship between the Bank and the UAR by making exceptions to the Bank's normal policy would be a poor beginning. The Minister said that he felt that the Bank could hardly be in a position to judge, on the basis of information submitted, a man whom it did not know and within a context which the Bank could not fully appreciate. I conceded that this was indeed difficult, and for this very reason the Bank did not seek to have the final word but merely to have its views taken into account. Moreover, we felt that an obligation by a government to make known to the Bank ahead of time the particulars of an intended appointee had a salutary effect on the process of selection.

September 30, 1969

The Minister then said that he had no disagreement, personally, with the Bank's position, but while he had the authority to settle on almost all the matters which had arisen during the negotiations, this matter was one which would perforce have to be taken to other Ministers. While he did not say so, he implied that it was a matter which would have to be taken to Nasser. He said he did not wish a contentious matter like this to upset the momentum of mutual understanding which had built up between the Bank and Egypt. He was concerned lest this point should forestall the successful conclusion of the credit.

I told him that in its relations with its various member countries the Bank could not discriminate. Consultation on appointments was important to us in many of the smaller and more backward countries, and it made it easier for us to obtain it in such countries when we could assure them that we equally got such commitments from such countries as India, Pakistan, Brazil and Argentina. If only for this reason we would not likely make an exception for the UAR.

The conversation ended with the Minister saying that he would like to think about the matter some more. He was reluctant to ask for an exception to the Bank's standard policy. However, he hoped that we appreciated that the requirement for consultation presented him with a difficult problem in the Cabinet. He might wish to suggest some change in the wording of the Agreed Minute.

cc: Mr. McNamara
Mr. Knapp

Mr. Benjenk
Mr. Hartwich

MLL:neb

Mr. J. Burke Knapp

September 26, 1969

Michael L. Lejeune (signed) Michael L. Lejeune

UAR: Nile Delta Drainage Project - Recovery of Costs

1. The green cover appraisal report on the Nile Delta Drainage Project dated April 18, 1969 assumed that all capital costs of the drainage system (i.e. pumping stations, main drainage canals and field tile drainage) would be recovered without interest over 20 years from the users by a drainage charge under legislation in force in the UAR, and that operating and maintenance costs of the drainage system would be covered by a land tax. The report stated that assurances would be sought during negotiations that the legislation authorizing the collection of these charges and taxes would cover the capital and recurrent costs of the project, and provide effective procedures to ensure their prompt collection.

2. Further explanation of the UAR legislation during negotiations has revealed that the drainage charge provides for the recovery of only the capital invested in the field tile drainage and the maintenance costs of such tile drainage. There is no specific provision in any legislation for recovering the costs of the main drainage canals and pumping stations included in the project nor for recovering the operating costs of any part of the drainage system. However, the revenues from the land tax currently do, in fact, cover all operating and maintenance costs and part of the capital costs of the irrigation and drainage systems, even though that is not an explicit objective of the legislation. The land tax is based upon the productivity of the land and is reassessed automatically every ten years. If the productivity of the land increases significantly, an earlier reassessment can, and normally does, take place after notification by the Ministry concerned to the Ministry of Finance that the works have been completed.

3. We estimate that the combined drainage charge and the anticipated increases in land tax revenues within the project area will cover all operation and maintenance costs of the whole project, as well as all capital costs without interest over the life of the project. It is not possible for the UAR delegation to agree to a comprehensive assurance to this effect in the Credit Agreement, since the land tax is based on the principle of agricultural productivity and not on cost recovery.

4. In these circumstances I propose that we be satisfied with the following covenant in the Credit Agreement:

"The Borrower shall make suitable arrangements to ensure the recovery from users of irrigated land drained by the works included in the Project, by way of charges, of (a) the maintenance costs of the field tile drainage in the area of the Project, and (b) over a period of 20 years, the capital invested in field tile drainage in the area of the Project without interest."

In addition, the agreed minutes on the negotiations would state that the basis of the assessment of the land tax is agricultural productivity and that, although a reassessment has to be made according to the law only every ten years, it is in practice made shortly after the completion of public works which affect the productivity of the land. Do you have any objection?

ps/mib

JH
Jupper/DHartwich/ent

SEP 26 1969

Cleared with and cc: Sir Kenneth Guinness

cc:

MPB

U.A.R. - Delta Drainage
Project

Mr. J. Burke Knapp

September 26, 1969

Michael L. Lejeune

(signed) Michael L. Lejeune

UAR - Nile Delta Drainage Project

The attached memorandum has to do with the recovery of the costs of the drainage project. It explains that the covenant we have negotiated with the Egyptians is for reasons of Egyptian law different from the covenant recommended in the Appraisal Report approved by the Loan Committee. However, taken together, the covenant and the land tax law provide for as much recovery of the costs as was contemplated in the Appraisal Report recommendation.

The attached memorandum is sent to you solely because the Agriculture Projects Department feels you should know that the question has been solved in a manner different from that initially contemplated.

This is the last matter to be finalized with the Egyptians except for a point on covering the imported costs of domestically supplied equipment for which we are awaiting further information from Cairo. They have agreed to everything else, including consultation on appointments.

1st MLL

Mr. Bernard Chadenet

September 8, 1969

Jack L. Upper

UAR: Luncheon for Negotiating Team

A luncheon will be given by Mr. Sejeune on Thursday September 11 at 1.00 p.m. in Dining Room B for the visiting delegation from the UAR to negotiate the Nile Delta Drainage Project. The UAR delegation will be accompanied by Dr. Ashraf Ghorbal, Minister in Charge of UAR Interests Section, Embassy of India in Washington. The members of the UAR delegation are listed below:

Dr. Hamed El Sayeh, Undersecretary, Ministry of Economy and Foreign Trade
Dr. Fouad El Kholy, Undersecretary, Ministry of Irrigation
Dr. Gad Labib Gad, Deputy (Legal) Adviser in the Government Council
Mr. Kotb El Riedy, Deputy Director-General, Mechanical and Electrical
Department, Ministry of Irrigation
Mr. A. R. Hammoud, Commercial Counsellor in the UAR Interests Section,
Embassy of India
* Mr. Fikry Kalliny, Economic Adviser, Ministry of Economy and Foreign
Trade
Dr. Mohammed Amer, Assistant Director, Drainage Research Department,
Ministry of Irrigation

* After typing we discovered that Mr. Kalliny would not be a member of the delegation.

JUpper/emt

Mr. Osman Ali

September 8, 1969

Jack L. Upper

UAR: Luncheon for Negotiating Team

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Mr. A. R. Hammoud, Commercial Counsellor in the UAR Interests Section,
Embassy of India
* Mr. Fikry Kalliny, Economic Adviser, Ministry of Economy and Foreign
Trade
Dr. Mohammed Amer, Assistant Director, Drainage Research Department,
Ministry of Irrigation

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JUpper/emt

UNITED ARAB REPUBLIC
MINISTRY OF ECONOMY AND FOREIGN TRADE
THE MINISTER

UAR- Delta
Drainage 1880
SEP 8 1969

13483

Cairo, September 4 , 1969

Mr. Michael L. Lejeune,
Director,
Europe, Middle East and North
Africa Dept.,
International Bank for Reconstruction
and Development
U.S.A.

Dear Mr. Lejeune,

I am grateful for your letter dated 22nd August, 1969.
I studied carefully points raised in it and have the pleasure to
inform you that the negotiating team has full information
concerning all the points.

As you probably know by now the team is composed of the
following officials:-

- Dr. Hamed A. EL Sayeh
Under Secretary of State for Economic Co-operation - Ministry
of Economy and Foreign Trade
- Dr. Fouad Hassanein El Kholy
Under Secretary of State - Ministry of Irrigation.
- Mr. Abdel Rahman Hammoud
Commercial Counsellor - U.A.R. Embassy in U.S.A.
- Engineer Kotb Farag Fargali El Reedy
Deputy Director General Mechanical & Electrical Administration
Ministry of Irrigation.
- Dr. Gad Labib Gad
Assistant Legal Counsellor, State Council
- Dr. Mohamed Hassan Amer
Assistant Director of Works. Drainage Research Bureau,
Ministry of Irrigation.

These gentlemen are fully authorized to negotiate all
technical and financial problems and I am sure that they are ready
to cooperate fully with the Bank's negotiating team.

With reference to your remark concerning settlement of
credit arrears and compensation for foreign nationals. I am happy
to state that we are doing our best to reach suitable settlement
on all the remaining claims.

(del'd by hand
by Mr. Hammoud
9/8/69
v)

UNITED ARAB REPUBLIC
MINISTRY OF ECONOMY AND FOREIGN TRADE
THE MINISTER

- 2 -

I shall be arriving to Washington during the last week of September and I will be looking forward to meeting with you and your colleagues in the Bank.

Yours Sincerely,



(Hassan Abbas Zaki)

Minister of Economy and
Foreign Trade

*United Arab Republic -
Delta Drainage
Project*

Mr. Edward J. Donovan

September 4, 1969

Michael L. Lejeune

United Arab Republic - Negotiations for Nile Delta Drainage Project

Starting Monday, September 8, could you arrange to have
coffee served twice a day for approximately 12 persons, in
Room C-612.

cc: Mr. Both


J. Upper/emt

SEP 4 1969