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CLOSE - OUT SHEET

This file is closed as of December 31, 1983.

For further correspondence, please see vol. II.

RECORDS MANAGEMENT SECTION

OFFICE MEMORANDUM

EGT-LEAP
 EGT-EXPORT INDUSTRY
 EGT-CONSTRUCT LOAN
 INDUSTRY PROJ.
 EGT-URBAN DEV. III
 EGT-INDUSTRY SECTOR
 (CENTRAL)
 EGT 1733/CK935
 EGT-ENERGY SECTOR
 EGT-PORT SAID PORT
 EGT-AGRIC. DEV. (2)

DATE December 14, 1983

TO Files *fw*

FROM John Wall, Senior Economist and Suman Mehra, Loan Officer, EMIDA *SM*

EXTENSION 32458 and 32460

SUBJECT EGYPT: Mr. Lari's Visit to Egypt (October 26 - November 1, 1983)
 Discussions with the Economic Team

1. During his recent mission to Egypt, Mr. Lari met with H.E. Dr. Shindy, Minister of Investment and International Cooperation, Dr. Shafey, First Undersecretary in the same Ministry, H.E. Dr. Salah Hamed, Minister of Finance, H.E. Eng. Abaza, Minister of Electricity, H.E. Dr. El Said, Minister of Economy, H.E. Eng. Hilal, Deputy Prime Minister for Production and Minister for Petroleum, and H.E. Dr. Ganzouri, Minister of Planning, to discuss relevant policy issues, particularly those pertaining to energy. A summary of each of the meetings is set out below.

Meetings with H.E. Dr. Shindy

2. Mr. Lari first commented on the likely low level of the FY84 lending program. A \$4 million loan had been approved recently for a water supply and engineering project; the two other prospective loans, agricultural mechanization and construction industry, had some important issues that needed to be resolved. With regard to the proposed agricultural mechanization project, a substantial amount of preparation work still had to be done; it was, therefore, doubtful whether project processing could be completed in FY84. The prospects for the construction loan were somewhat better, but a fundamental institutional issue still remained to be dealt with. At present it seemed that FY84 commitments would, at best, be in the range of \$130 million. Additional agriculture sector projects (within the notional allocation of about 30% of overall lending requested by the Government) could not be processed this fiscal year because of lack of preparation as well as the need to clarify policy and institutional questions. Mr. Lari indicated that, as Dr. Shindy was aware, he would be meeting with the agriculture ministers during his stay to discuss and agree on a strategy for future Bank lending in the sector.

3. In the medium term there was potential for increasing lending levels to approximately \$600 million annually inclusive of lending for the energy sector (which, of course, awaited government action on energy policy).

4. Alluding to the problem of lack of identification capacity, Dr. Shindy said that missions from the Bank as well as other donors were needed to help identify projects. He acknowledged that FY84 commitments could be low; however, he expected the picture to improve and cited the following possibilities: Shoubrah el Kheima (to cover the shortfall), transmission and distribution, construction, agroindustries, export promotion, and technical institutes. Dr. Shindy drew a distinction between the lines of credit for industry and agroindustry (which Bank staff said were already available) and loans for directly productive investments in industry and agroindustry, by placing emphasis on the need to develop self-contained projects. With regard to energy, he indicated that the Government's and the Bank's objectives were the same, i.e., to reach world prices in 10-12 years, but the means by which the Government expected to reach this goal differed from those suggested by the Bank. He stopped short, however, of explaining in what way the two approaches were different.

5. In closing the meeting, Dr. Shindy inquired about: (a) the possibility of arranging for some training needed by staff in his Ministry in project evaluation; and (b) about the status of the proposed Bank loan for export promotion. Mr. Lari said that we would explore the possibilities of meeting the Ministry's request for training needs on return to Washington. With regard to the second question, a mission was about to arrive in Cairo to continue with the preparation of the proposed project with a view to having it ready for consideration by the Bank's Board about the middle of 1984.

6. In a subsequent meeting with Dr. Shindy, the following subjects were discussed (agriculture sector matters are recorded in a separate memorandum). Dr. Shindy pressed the Bank to expedite the construction sector loan and said that it should be directed to the Ministry of Housing. Some 85% of the public sector construction companies were under the jurisdiction of that Ministry and the Government accorded priority to strengthening the public rather than the private sector companies. The Steering Committee had dealt with a broader spectrum of construction activities, and he believed that the alternative outlined above was preferable and would resolve the institutional issue. Mr. Favilla clarified that the proposed loan was intended to be the first of a series of loans aimed at the overall revitalization of the construction industry, including both private and public sector companies. Mr. Lari indicated that the Bank would review the project concept in light of the Minister's comments.

7. Turning to the proposed El Obour New Town Project, Dr. Shindy said that although there was an urgent need for housing in Egypt, the Government did not want to borrow on Bank terms for this. The Government would, however, be prepared to accept Bank funds for infrastructure for the industrial park included under the project. Dr. Shindy also asked for early Bank assistance for the cement subsector with priority for new cement plants to meet Egypt's large cement needs (rather than for storage and distribution). Mr. Favilla responded that the areas for future Bank assistance for cement would be clarified once the ongoing review of the investment program was completed, and that, in the meantime the Bank had explored the possibility of assistance to the Tourah Cement Company but they were not interested.

Meeting with Dr. Shafey

8. Mr. Lari opened the meeting with an overview of the problems facing the FY84 lending program, and outlined the potential for increased lending once the Government took appropriate policy actions, particularly those dealing with energy. Dr. Shafey responded that Dr. Shindy was more concerned about the quality of lending and its direction (i.e. to productive sectors) rather than the levels per se. Mr. Lari asked whether the Government's proposal for raising revenues through energy prices as part of the proposed IMF standby still stood at the levels discussed earlier, i.e., LE 150 million on an annual basis in January 1984 and LE 300 million on an annual basis in July 1984. Dr. Shafey replied in the affirmative on the amounts but went on to say that, given the complexity of the energy policy issue, its economic and social implications, the fact that President Mubarak's administration was fairly "new", and the elections were upcoming in April 1984, movement on energy policy during the next few months was unlikely. Dr. Shafey said that, while it was appropriate for the Bank to discuss the subject with the Government, it should stop short of imposing strict conditionality on lending. Referring to the ambitious Five-Year Plan and the urgent investment needs, Mr. Lari said that unless additional resources were mobilized the Plan targets would not be realized.

9. Mr. Lari then flagged the issue of the foregone revenues on account of the rapidly growing activity in the free trade zone. Dr. El Dersh, Undersecretary, Ministry of Investment (who was also present), said there had been a proposal to review the question of the free trade zone in Port Said before President Sadat's death, but it had not been addressed since. Dr. Shafey also alluded to the need to channel workers remittances more effectively into productive investments.

10. Dr. Shafey then turned to the need to improve the Bank's image on two counts. First, there was a concern among government agencies that there were too many Bank missions visiting Egypt to "study and restudy" projects. Second, there was a negative public image prevailing since the time of Nasser which needed changing.

11. In response to Dr. Shafey's query about the status of the resident mission, Mr. Lari said that possible candidates for the job of resident representative were being identified. He added, however, that to some extent the results of his mission would have an impact on the question of the resident mission. For example, if there was little or no progress on the issues being discussed, e.g., energy policy, and if the level of new loan commitments was low, the need for a mission at this time would have to be re-examined.

12. Finally, Mr. Lari mentioned that he had gathered in Europe that the commercial banking community was becoming increasingly concerned about the consistent 2-3 month delays in Egypt's debt service payments to commercial banks. Mr. Lari thought this was probably due to administrative problems, and urged that the situation be corrected to avoid the possible perception in the financial community that Egypt was beginning to face liquidity problems.

Meeting with H.E. Dr. Salah Hamed

13. Upon arriving in the Minister's office Mr. Lari was informed that at 10 a.m. the Ministers of Economy and Electricity would join the discussions. Consequently, a few minutes were spent with Dr. Salah Hamed discussing the budget picture and his efforts to reduce the budget deficit. Dr. Salah Hamed referred to measures to reduce inflationary pressures in the economy, such as encouraging more public savings and soaking up excess liquidity. He intended to do this through the following:

- a) Better administration of the existing tax structure and referred to a USAID program of technical assistance to the Government of Egypt;
- b) Bring up-to-date large tax arrears (the Government expects considerable progress in this area during the year). Introducing a series of small adjustments, including changes in the income tax rates to distinguish more clearly between commercial and productive activities. Limiting tax exemptions and gaining control over the leakages through Port Said. (In discussing the customs duty exemptions and leakage problem at Port Said, Dr. Hamed again asked the Bank for a study of the effectiveness of Egypt's duty exemption system and tax concession on the productivity and encouragement of investment measures. Dr. Hamed mentioned that he spent 30% of his time dealing with abuses resulting from this exemption system);
- c) Rationalizing subsidies (he stated his expectation that bread prices would be increased shortly, after the election of November 3); and
- 4) Curbing the rate of growth of expenditures (the main measure he mentioned was postponing the automatic employment of school graduates from two to three years after they have graduated).

14. Dr. Salah Hamed was then joined by Dr. El Said, Minister of Economy and Eng. Abaza, Minister of Electricity. At the beginning of the meeting Mr. Lari introduced the purpose of his mission, mentioning the agreement reached during the Annual Meetings with the Government to continue the discussion in late October about the structure of energy price increases that would be consistent with the revenue proposal made to the IMF. Dr. Salah Hamed brought up the question of supplementary financing for the Shoubrah El Kheima power station and requested a loan of US\$58 million to cover part of the shortfall. He added that the Bank had made the loan for this project before it had specified a position on energy policy; the supplemental loan, therefore, should not be caught up in the Bank's reluctance to lend for energy investments until an agreement is reached with the Government on an acceptable policy framework for energy. He went on to say that in their meeting in Washington, Mr. Clausen had agreed to study the issue. Mr. Lari responded that we had continually studied the matter but still found it difficult to

separate lending for electricity development from the adoption of a sound energy management policy. Mr. Lari then referred to the objective of raising energy prices to international levels over a ten-year period; and within this period, to develop a three- or four-year action program, including taking pertinent initial steps. Mr. Lari handed over a price scenario based on the revenue proposal made by the Government to the IMF, and said that it was one of the various possible alternatives to begin to reduce the sharp price distortions among the different forms of energy. Mr. Lari added that reaching agreement on an energy program would allow the Bank to go forward with an active lending program. In this way, well in excess of US\$450 million could be processed in this fiscal year, US\$550 million in 1985 and US\$600 million in 1986. Unfortunately, so far, the lending program for this year comprised only US\$4 million (water supply and sewerage engineering loan); the remaining projects (agricultural mechanization, construction industry and DIB VI) had issues standing on the way of rapid progress.

15. Dr. El Said welcomed the Bank's position with respect to energy pricing; it appeared to allow flexibility. He added that the Government's revenue proposal for energy may not be exactly in the terms that had been discussed earlier with the IMF. The initial starting point may be somewhat less, and the timing later; as an example, he mentioned energy price increases amounting to LE 100 million (the original proposal was LE 150 million) to be effected in the Spring or Summer rather than in January. He asked that should this be the case would the Bank find it acceptable? Mr. Lari replied that nothing that he could say should in anyway be taken as a support for watering down or weakening the commitment made by the Government to the IMF. But should the understanding with the IMF be modified, we, of course, would have to study the implications of it. Mr. Lari further stated that we could not agree automatically in advance without knowing just what kind of agreement the Government would come to with the IMF. Dr. El Said said that the Government may not be in a position to adjust energy prices before the April election; nevertheless, he hoped the Bank would be able to advise on the appropriate structure of prices once an agreement on the revised revenue target has been reached with the IMF.

16. The discussion then turned to power. Dr. El Said indicated that the prices of electricity would likely be increased even before an agreement with the IMF; the Cabinet had already given the green light to this. Eng. Abaza, Minister of Electricity, restated the plea for Bank financing of power projects, most particularly the supplemental loan for Shoubrah El Kheima. He worried that if the beginning of the IMF program would be delayed until after the elections and, therefore, the Bank would wait until then to reactivate its funding power, it may be another year before additional financing would be forthcoming to complete the project; this would be too late and would result in a very unfortunate withholding of one thousand megawatts.

17. While being sympathetic with the problem presented by Eng. Abaza Mr. Lari clarified the Bank's policy on supplemental loans. He said that it is not usual for the Bank to make such loans; they are made only in special circumstances to reward improvements on sectoral policies. Unfortunately, this was not the case in Egypt.

18. In the end, everyone agreed that energy prices were very low and needed to be increased. There then ensued a general discussion of what should be the role of international prices in setting economic prices.

Meeting with the Ministry of Electricity

19. After cordial salutations, Mr. Lari resumed the discussion held that morning with Eng. Abaza in the office of Dr. Salah Hamed, and affirmed the Bank's readiness to finance the power sector further once an appropriate policy framework had been put in place for energy. Mr. McKechnie and Mr. Mathai then explained the rationale for the structure of prices recommended by the Bank, highlighting the pressing need in terms of efficiency and financial viability to raise power prices. Mr. Mathai described the situation facing EEA as not being able to cover its debt servicing, a very serious matter.

20. Eng. Abaza felt that the World Bank was unfairly squeezing the power sector; EEA had been raising its prices while the petroleum sector had not. Shoubrah El Kheima was proceeding very satisfactorily and he saw no reason why, after being associated with it, the Bank was unwilling to participate further. Mr. Lari remarked that it was a problem when good projects were moving well but policy reforms were lagging. Although we wanted to continue financing EEA's activities, low energy prices were making the system expand very rapidly. To meet the load growth forecast, large investments would have to be carried out, thus, in our view, straining Egypt's resources. The comprehensive energy policy the Bank was postulating was aimed at bringing about a more appropriate balance between supply and demand for energy; price adjustments were a major component of this policy.

21. With the support of the EEA's staff, Eng. Abaza described the substantial progress made in raising electricity prices for different users and outlined the current proposals to increase them further. A third increase in household and a second increase in industrial rates, particularly for high voltage users such as fertilizer and aluminum factories, was scheduled this November. The proposed November increases would be as follows: 30% for high voltage users (Kima and aluminum), 20% for most of the rest of the industry, and for residential rates, 10% for lower slabs and 20% for the highest. All in all, the November increase would raise an additional LE 23 million in revenues; a subsequent increase envisaged for next July would generate an additional LE 20 million. These two combined would add up to LE 43 million over the year compared to only LE 37 million necessary to reach a 5% rate of return agreed with the Bank. Mr. Lari congratulated Eng. Abaza for the progress made and requested that EEA keeps the Bank informed about the tariff measures.

Meeting with H.E. Dr. El Said

22. Mr. Lari opened the discussions by referring to the understanding reached in Washington with the Government to firm up during his visit the details of the energy price increases, following the proposals made to the IMF. He added that the discussions so far had not resulted in much progress.

Dr. El Said responded by saying that, in his view, some progress had been made; with the help of the Bank, the Government was now able to define the specific energy price increases to meet the revenue target discussed with the IMF (LE 150 million in January and LE 300 million in July 1984). The next step would be either to make a counter proposal or to agree with the scenario prepared by the Bank. Responding to Mr. Lari's question of when a decision could be expected, Dr. Said said it would be taken before the arrival of the IMF mission in mid-November. Dr. El Said suggested that, in his talks with the IMF, Mr. Lari should depict the situation as one of imminent action, by emphasizing that the Government is demonstrating its willingness to move by the steps being taken to increase power rates. Dr. El Said went on to reaffirm the intention of the Government to adjust prices by mentioning that the price of bread would be increased before the arrival of the IMF mission.

23. Mr. Lari then referred to the low lending program in FY84, adding that the construction industry loan seemed to be at an impasse with the Government. Dr. El Said said that he would like to move fast on the export promotion loan. Mr. Lari responded by saying that, other things remaining equal, the loan could be ready for Board approval early next fiscal year. Dr. El Said mentioned that he had appointed the Chairman of the Export Development Bank (EDB) and the first Board meeting was to be held the following week. The EDB has a capitalization of LE 50 million. Mr. Lari stated that the DIB loan was another possibility for this FY but we were concerned about Mr. Kabodan's leaving and the prospect of his taking a number of experienced staff from DIB. Mr. Lari also referred to the problem of low salaries in DIB as a disincentive to attracting and retaining competent staff. Dr. El Said acknowledged this problem; but said they were thinking of a very good chairman to replace Mr. Kabodan, someone the Bank had many dealings with. He saw the exodus of high level staff from DIB not as a major problem but as a chance to introduce new talent into the institution.

24. Mr. Lari also mentioned the proposed Port Said Port Rehabilitation Project. Dr. El Said welcomed this, saying that he was keen to improve the facilities of the port and, in this way, promote export industries. Dr. El Said welcomed the Bank's involvement in export promotion policies and hoped that the Bank would be responsive to the Government's requests for more involvement in productive activities in agriculture and industry. Then Dr. El Said said he was hesitant to accept the rush to mechanization as this will increase the import content of agriculture. He would rather like to see the World Bank involvement to strengthen the domestic industry to produce agricultural equipment. Mr. Favilla responded that, for the time being, he did not see much chance for domestic production of the kind of agricultural machinery that we were talking about. The Bank program was to test imported equipment and introduce it into farming activities by means of bringing competition in supplies. Dr. El Said said he had many qualifications about these programs and that he would rather see the Bank support the development of local industries for mechanization.

Meeting with H.E. Eng. Hilal

25. Mr. Lari began the meeting by referring to the Government's discussions with the IMF and to the fact that the IMF had in a sense delegated the Bank the task of agreeing with the Government on the structure of energy price increases as part of the overall revenue target. Mr. Lari explained that for this purpose the Bank had calculated one scenario which demonstrated that the revenue the Government had indicated to the IMF, i.e., LE 150 million in January 1984 and LE 300 million in July 1984, would allow a significant first step in the direction of reducing the sharp distortions in energy prices. He then handed over a copy of the price scenario prepared by the Bank to Eng. Hilal.

26. Eng. Hilal welcomed the Bank's efforts to convince the Egyptian authorities to raise energy prices; in a way, he had tried to do this alone. He felt that for the first time the message was getting through. Everyone in the Cabinet was talking about the need to increase energy prices, even the Prime Minister. The Prime Minister had agreed to some steps in the past, including a high price for household gas and agreeing subsequently to increases in electricity prices. Eng. Hilal added that he had been able to convince the Government to increase power rates on a regular basis, proceeding at six-month intervals, but in his view it would be better every three months. The problem Eng. Hilal foresaw was passing through the party process the decision to increase energy prices; another problem was the upcoming elections in April 1984. Eng. Hilal went on to say that he, having tried so many times in the past to get agreement on energy price increases, had decided to take the position of providing technical information to the Cabinet and allowing it to go through the political process of deciding on energy price increases. Recently, he had prepared a paper giving four alternatives for raising energy prices. The member of the Cabinet most enthusiastic was the Minister of Economy; the Minister of Finance and the Minister of Electricity also agreed with the need to increase energy prices. These had focused on one of Eng. Hilal's scenarios. The Minister of Planning basically agreed with the proposal, but took a slightly different approach, that the whole structure of prices, not only energy prices, needed adjustment. According to Eng. Hilal, the Prime Minister was worried about two things: the price spiral that would follow from increasing energy prices, and secondly, the short-term political effects of price increases. On the other hand, the Prime Minister had been talking in terms of price increases and had made a variety of decisions that were in sympathy with the need to maintain higher energy prices.

27. In order to supply information to the Cabinet on what effects could result from increased energy prices, Eng. Hilal mentioned that he had formed a group headed by Undersecretary Abdullah for energy planning. A priority need was to estimate what would be the effects on other commodity prices of increasing energy prices and then to estimate the income effects on different classes. The Prime Minister felt that he needed this information so that he could adjust some wages at the same time he increased energy prices. Eng. Hilal went on to say that in the Cabinet there was basic agreement to go ahead with an increase of energy prices; the President among others agreed

with this, but that the forthcoming elections interceded. Nevertheless, it was possible to have a small increase in January before the elections. Eng. Hilal described this as a springboard step, lower than the one that would follow after the elections; this then would be followed by a Five-Year Program of sustained price adjustments. Mr. Lari welcomed this information and asked if we could have a copy of the paper that Eng. Hilal had prepared giving the alternatives for price increases. Eng. Hilal promised this paper to Mr. Lari through Dr. Shindy's office.

28. The second topic Mr. Lari raised was that of the organization of the construction industry and its relationship to a pending Bank loan. Mr. Lari explained the problem as one of having proceeded with the project on the understanding of the Government's intent to set up a higher Interministerial Council for the construction industry. The project had been prepared on that basis and now Dr. Kafrawi, had changed his mind wishing the project to be restricted to his ministry only. This presented the Bank with a problem because other important ministries and the private sector would be excluded. In responding, Eng. Hilal explained some of the history of the construction industry and went on to point out that Dr. Kafrawi's ministry controls up to 80% of the construction activity in Egypt. Nevertheless, in the end Eng. Hilal said he could decide only on the basis of facts and those were not in front of him. He suggested to Dr. Shafey that his ministry prepare a memo explaining the situation, giving the views of different ministers and on that basis have a meeting to discuss and decide the issue. Mr. Favilla pointed out that it was the Bank's intention to support a series of loans by financing time slices of the import content of the construction industry program and that as soon as the funds in one tranche run out it would be possible assuming good progress, to have other loans. Eng. Hilal appreciated this position and said they would try to have a meeting to sort out this issue.

Meeting with H.E. Dr. Ganzouri

29. Mr. Lari opened the meeting by thanking Dr. Ganzouri for his cooperation with the investment review mission. Mr. Lari then described the purpose of his visit as one of getting acquainted with Egypt. In addition he wanted to check up on the lending program and discuss energy policy issues with the Government. Mr. Lari described the Bank's view on the establishment of a ten-year program of adjusting energy prices toward international levels and referred to the Government's discussion with the IMF, including the role of the Bank in working out detailed price increases.

30. Dr. Ganzouri responded by saying he was more concerned than any one else of the need to generate additional public savings to help reduce the budget deficit, which he had planned for its removal by the third year of the Five-Year Plan. Unfortunately, this would not happen mainly because of the low petroleum prices; nevertheless, he hoped it would be possible by the fourth or fifth year of the Plan. Regarding the proposed IMF program and the Government's proposal to increase petroleum prices, Dr. Ganzouri felt there was wide agreement among the ministers to carry out the necessary adjustments

in energy prices, but for political reasons action would be delayed until July 1, 1984. Dr. Ganzouri referred to an earlier intention to raise bread prices but the Government had found that there were obstacles in doing so; they would move shortly on this front but raising petroleum prices was not so easy.

31. Mr. Wall described the status of the investment review mission; its members were returning to Washington to prepare working papers. On the basis of these papers, along with the Government's reactions to them, a draft report would be completed by the Summer of 1984. Discussions with the Government on the report would likely take place sometime after Ramadan.

32. Dr. Ganzouri urged that the working papers be sent to the Government as early as possible, three weeks before they would be discussed, so that the Government could make use of them in preparing the 1984/85 Annual Plan. He added that the final follow-up report for 1982/83 would be done in January and they will begin work on the Third Plan in March. Therefore, he felt February would be a good time to receive the papers and have the discussions.

Cl. with and cc: Mr. Lari (EM1)

cc: Messrs. Chaufournier (RVP)
Picciotto (EMP)
Rovani (EGY)
Dubey (EMNVP)
Colaco (EM1)

SMehra/JWall/AJFavilla:orp

EGT- CONSTRUCTION
INDUSTRY
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Character
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1 1 OF 3

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MR. MOINI, WORLD BANK STAFF, GUEST AT THE HOTEL MERIDIEN,
CAIRO, ARAB REPUBLIC OF EGYPT.

PROPOSED COMPOSITION AND FUNCTIONS OF TECHNICAL COMMITTEE (TC)
FOR CONSTRUCTION SECTOR SHOULD IDEALLY BE AS FOLLOWS:

A. COMPOSITION, TC TO CONSIST OF REPRESENTATIVES OF SIX
MINISTRIES (HOUSING, INDUSTRY, TRANSPORT, IRRIGATION, PLANNING
AND MANPOWER AND TRAINING), TWO EACH FROM PUBLIC AND PRIVATE
SECTOR CONTRACTING COMPANIES, FOUR LOCAL SECTOR SPECIALISTS, ONE
EACH FROM CONTRACTORS ASSOCIATION AND SYNDICATE OF ENGINEERS.
PARTICIPATION OF PRIVATE SECTOR IMPORTANT TO GIVE THEM A FORUM
AND PROVIDE ESSENTIAL INPUTS INTO THE PROCESS. TC COULD BE
LARGER IF GOVERNMENT WISHES TO INCLUDE OTHER AGENCIES/ASSOCIATIONS
LIKE TOMOHAR AND GOHBPR. PRESUMABLY, FIRST UNDERSECRETARY OF THE
MINISTRY OF HOUSING WOULD BE THE CHAIRMAN BUT A QUALIFIED AND
EXPERIENCED DEPUTY CHAIRMAN TO DIRECT DAY TO DAY WORK WILL NEED
TO BE APPOINTED. DEPUTY CHAIRMAN COULD BE ASSISTED BY THE FOUR
LOCAL SECTOR SPECIALISTS REFERRED TO ABOVE AND OTHER TECHNICAL
EXPERTS AS NEEDED. IF THE TC IS TO INDEED FULFILL WHAT WE HOPE
IT CAN IN THIS MODIFIED FORM, THE DEPUTY CHAIRMAN AND THE LOCAL
EXPERTS SHOULD BE FULL TIME.

B. MAIN FUNCTION OF THE TC IN THE SHORT RUN SHOULD BE TO PROPOSE

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INFORMATION BELOW NOT TO BE TRANSMITTED

CLASS OF SERVICE: TELEX

927 325 HOMER UN

DATE: 12/12/83

SUBJECT:
EGYPT - Construction Sector Ln.DRAFTED BY:
RZaborski/SMalik:abEXTENSION:
32459

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1 → 2 OF 3

32459

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FOR IMPLEMENTATION TO THE MINISTER OF HOUSING THE RECOMMENDATIONS OF THE CONSTRUCTION/CONTRACTING STUDY. TC SHOULD COMMISSION AND SUPERVISE ADDITIONAL TECHNICAL WORK BY FORMING TASK FORCES AND WORKING GROUPS NEEDED TO TRANSLATE STUDY RECOMMENDATIONS INTO CONCRETE PROPOSALS FOR IMPLEMENTATION IN THE AREAS OF COORDINATION (BIDDING PROCEDURES, STANDARDS AND CODES, CONDITIONS OF CONTRACT, BUILDING PERMIT SYSTEM, ETC.) CONSTRUCTION RESOURCES (MANPOWER, MATERIALS, EQUIPMENT, TECHNOLOGY, FINANCE), PLANNING, EFFICIENCY OF PUBLIC SECTOR COMPANIES, ETC.

C. RE BANK PROJECT, TC SHOULD PROVIDE CONTINUITY AND A FOCAL POINT FOR A POLICY DIALOGUE. MORE SPECIFICALLY FOR THE FIRST LOAN WE ENVISAGE TC TO FIRSTLY DEVELOP WITH THE ASSISTANCE OF BANK A TWO YEAR PROGRAM OF ACTION WHICH WILL BE AGREED DURING NEGOTIATIONS SECONDLY DRAW UP JOINTLY WITH THE BANK TOR FOR CONSULTANTS FOR TECHNICAL WORK WHICH WILL BE FINANCED UNDER BANK LOAN AND GUIDELINES THIRDLY ADMINISTER (I.E./MONITORING, ACCOUNTING AND REPORTING) THE TA COMPONENTS FOR MANAGEMENT TRAINING AND TC AND THUS BE OUR COUNTERPARTS FOR THE LOAN AND COORDINATE ACTIVITIES IN SUPPORT OF SUPERVISION OF PROJECT AND FINALLY TO UNDERTAKE ANY OTHER RESPONSIBILITY THAT MIGHT BE AGREED DURING NEGOTIATIONS.

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OF
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WORLD BANK OUTGOING MESSAGE FORM Cable, Telex

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OF

OFFICIAL DEPT/DIV
ABBREVIATION

MESSAGE NUMBER

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(FOR CASHIER'S USE ONLY)

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32459

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START
2 HERE

D. PLEASE HAVE SHAFETY FORWARD TO US A.S.A.P. FINAL DECISION AND
DETAILS OF PROPOSAL SO BANK CAN MAKE FINAL JUDGEMENT ON HOW TO
PROCEED. REGARDS. FAVILLA.

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END
OF
TEXT

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INFORMATION BELOW NOT TO BE TRANSMITTED

CLASS OF SERVICE: TELEX

TELEX NO.: 325 HOMER UN

DATE: 12/12/83

SUBJECT:
EGYPT - Construction Sector Ln.

DRAFTED BY:
RZaborski/SMalik:ab

EXTENSION:
32459

CLEARANCES AND COPY DISTRIBUTION:

AUTHORIZED BY (Name and Signature):

Alberto Favilla, Division Chief

DEPARTMENT:

EMENA CP 1 A

SECTION BELOW FOR USE OF CABLE SECTION

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THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION
OFFICE MEMORANDUM

EGT - CONSTRUCTION
INDUSTRY PROJECT

DATE: December 9, 1983

TO: Files

FROM: George C. Zaidan, Chief, EMPID

EXTENSION: 3-3047

SUBJECT: EGYPT - Construction/Contracting Industry Loan

1. During my visit to Cairo, I discussed with various Egyptian officials the institutional aspects of the above loan following the Government's refusal to set up a High Policy Council and Technical Committee for this sector attached to the Ministry of Housing. As noted in my telex of November 21, 1983, I pursued with Mr. Malik the idea of establishing such a Council within the Ministry of Planning and attaching the Technical Committee to the National Investment Bank but all officials -- the Minister of Planning, the head of NIB and others which I consulted informally -- felt that this was not a feasible proposition for both political and technical reasons. It was pointed out that Mr. Kafrawi, the Minister of Housing would have to go along with any revised proposal and all, in particular the Minister of Planning, emphasized that Kafrawi was very sensitive about "turf" and that he would therefore almost certainly oppose the proposed alternative. Equally important was the point made repeatedly that the Ministry of Planning had planning responsibilities but was not in charge of implementation; furthermore it was a weak Ministry. For these reasons, the Chairman of NIB (an ex-Under-Secretary at the Ministry of Planning) as well as the Minister of Planning felt that the Ministry of Planning and NIB were not appropriate institutions to conduct the proposed work.

2. In the light of the above and at the suggestion of Mr. El Shaffei, I met Mr. Kafrawi on December 6, 1983 to gain a better understanding of the basis of his position and to see whether he had any counter proposals following his refusal to set up the High Policy Council. Present at the meeting were Mr. W. Moini and Mr. Salah Fahmy, First Under-Secretary of the Ministry of Housing. Mr. El Shaffei, who had planned to attend was unable to do so but was fully briefed about the outcome.

3. Mr. Kafrawi opened the meeting by noting that the World Bank did not appear to be serious in helping the construction/contracting sector and was overly bureaucratic having already worked on this project for 4-5 years. I responded by saying that we were now in the final phase and that we could negotiate a sizeable loan if agreement in principle could be reached on establishing adequate institutional mechanisms for the development of the sector. In that context, I asked how he proposed to implement the recommendations of the

Construction/Contracting Industry Sector Report. There were about 70 such recommendations in five general areas -- building codes; bidding procedures; prices, production and distribution; training and technological development; and the administration of public sector contracting and building material companies. These recommendations were too general in their present form to be implemented: for example the building code needed to be revised; or, as another example, to make bidding procedures more competitive and efficient a system for pre-qualification needed to be established, general conditions of contract needed to be written, etc... This kind of work needed substantial technical preparation before it could be implemented. The Technical Committee had been proposed to undertake this work under the guidance of a High Policy Council which would review the findings and take appropriate decisions concerning implementation.

4. Mr. Kafrawi then made some general and fairly critical comments about the Bank's high handedness in "imposing conditions." He was particularly incensed because the Bank had raised the High Policy Council matter with the Prime Minister who had "fully supported his position." In a revealing comment he said that he is open to all reasonable recommendations from the World Bank but as soon as he feels that pressure is applied and these become "conditions" he reacts negatively and strongly "even though this may bring harm to the country." He then emphasized his desire to bring about improvements in the sector and said he was determined to establish the Contractor's Association soon -- which was an important recommendation of the Sector report. A draft law had been prepared by his staff. He was confident he could overcome the Minister of Finance's concern about the budgetary implications. He was keen to proceed with the implementation of the other recommendations of the report. However, he was adamant about not establishing a High Policy Council which he viewed as unnecessary and as curtailing his authority. I enquired into whether he was prepared to appoint a Technical Committee within his Ministry to translate the recommendations of the report into actionable programs. He said he was prepared to do this and that Mr. Salah Fahmy should be its Chairman (since this would be full time job, Mr. Fahmy could provide general direction to the group and appoint a full time Deputy to undertake this task). He asked that a draft note be prepared outlining the proposed composition and functions of this Committee. I emphasized that I was not a position to commit the Bank as to whether the establishment of such a committee would provide a sufficient institutional base for a project of this nature and magnitude. I noted that IBRD being a development bank was particularly concerned in ensuring adequate institutions to achieve sector policy improvements. I encouraged the Minister to submit to the Bank a counter proposal for review by Bank management. If such a proposal were acceptable to Bank management and we were to proceed with this project, the Technical Committee would have to be established prior to negotiations and a two-year work program for this Committee would have to be agreed at negotiations. The Committee would also administer appropriate TA components of the loan.

5. Following the meeting, I briefed Mr. El Shaffei about its main conclusions. He offered to collaborate with Mr. Salah Fahmy in preparing the note requested by the Minister. If approved by him, Mr. Shindi would then convey to the Bank the Government's counter proposal. When we receive this letter a second YC review meeting should be convened to decide whether and on what basis to proceed to the Loan Committee.

6. Subject to our receiving a satisfactory counter proposal re: the functions and composition of the Technical Committee, I believe we have a sufficient basis for proceeding to the Loan Committee. The formation of a Technical Committee will ensure that work continues on translating the sector report's recommendations into actionable program thus providing a necessary (but not sufficient) condition for sector policy reform. If we can agree on an adequate two-year program and we can ensure that we have an ongoing formal policy dialogue on these sectoral issues in the context of the supervision of this project, all the necessary ingredients to ensure sectoral policy reforms will be in place since the technical work and our ongoing dialogue will provide the "conditionality" for further loans to this sector. The major difference between the earlier proposal and the present one is that under the present proposal implementation of appropriate measures will only be secured in the Ministry of Housing (which undertakes a major share of contracting work in the country), whereas under the High Policy Council it was envisaged that implementation would cover all the Ministries concerned with contracting. While this was the formal position, there is nothing to prevent Mr. Kafrawi (or his successor) in the new set up from recommending to the Cabinet appropriate policy changes that should cover all other Ministries.

7. Although I believe that the revised set up could lead in practice to results that are substantially in line with those envisaged in the earlier proposal, I believe this to be the case only if we can reach agreement during negotiations on a satisfactory two year work program as well as ensure a formal policy dialogue on the progress of this work. I therefore believe it would be advisable to go to the Loan Committee with a proposal for a smaller loan (say \$100 million) and to seek the Committee's authorization to increase this amount to \$150 million during negotiations if satisfactory understandings can be reached at that time on the two year program and policy dialogue. This proposal could be discussed after we get a formal Government response on this question.

cc: Messrs. Picciotto, Finzi,
Coudol Malik, Deshpande
Lari, Favilla, Zaborski, Moini (o/r)
Kinawy, Hajicostas, Kaden

GCZaidan:dt

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

EGT-LHAP
EGT-LAKE MANZALA

EGT-AGRICULTURE SECTOR
G.W. NUBARIYA

EGT-CONSTRUCTION

November 29, 1983 INDUSTRY

Messrs. Zandan (ofr)
Deshpande (ofr)

H.E. Eng. Hassaballa Mohammed El-Kafrawi
Minister of Development, Housing and Land
Reclamation
1 Ismail Abaza Street
Cairo, Egypt

Your Excellency:

My colleagues and I would like to thank you for meeting with us during our visit to Egypt in October.

I greatly appreciated the opportunity to learn about your plans for reclaiming new lands to add to Egypt's cultivable area and increase agricultural production. Our discussions were also very helpful in clarifying the Bank's future role in your Ministry's land reclamation activities. I would like to briefly review the projects which you proposed for Bank financing, the next steps for their preparation, and the resources to fund the design work. Subsequent to our meeting, my colleagues discussed the preparation arrangements together with Mr. El Toudy and GARPAD.

The low-lying lands in the Lake Manzala and South Hussaniya areas, which you have asked the Bank to finance, offer very attractive opportunities to develop farmland. An area of 50,000 - 70,000 feddans has been identified and could serve some 10,000 families. This land is probably best suited for rice and berseem, although some portions may be suitable for other crops. The next steps to prepare the project for Bank appraisal include the completion of soil and groundwater surveys, topographical mapping and infrastructure design. A portion of the funds needed from UNDP, about \$250,000, are in the process of being secured and GARPAD has indicated that they would like to take a \$1 million advance from the Bank's Project Preparation Facility. We would be pleased to make the necessary arrangements for the advance as soon as we receive a formal request from the Government. If the surveys and design work outlined above are started without delay, the project could be appraised by the Bank in September 1984. The preparation of the proposed second project in West Nubariya requires updating of the feasibility study for which we understand consultants are being hired. At the same time, in developing the second project, it would be important to draw on the experience under the ongoing first project to ensure that the crop production in the area will be at satisfactory levels.

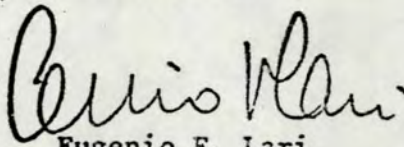
We are also very pleased about your support for a Bank mission to visit Egypt in January, and together with your Ministry, review the investment program for land reclamation and determine priority investments based on sound economic and technical criteria. We very much hope that this review will lead to further Bank assistance for new land development.

With regard to the proposed construction sector loan, Excellency, we have discussed your views here in Washington and Mr. Zaidan is currently in Egypt to review the matter further. I hope that it will be possible to find a viable solution and complete the processing of the proposed loan without delay.

In closing I would like to reconfirm our interest in continuing to work with your Ministry and expand the scope of the Bank's activities in further strengthening the construction industry and developing new agricultural lands.

With kind regards.

Sincerely,



Eugenio F. Lari
Director

Country Programs Department 1
Europe, Middle East and North Africa Region

Cleared with & cc: Messrs. Favilla (EMIDA) Quicke (EMPAL)
cc: Dr. El-Naggar (EDS)
Messrs. Picciotto, Goffin, Finzi (EMPDR), Zaidan (EMP1D),
van Wersch (EMPAL)

SMellina:mbw

ELT-DIC SECTOR (DIB 6)

ELT-EXPORT ~~INDUSTRIES~~ ~~AJP~~

ELT-CONSTRUCTION ~~INDUSTRY~~ ~~RWZ~~ ~~SAWM~~
PROJECT

ELT-DIC SECTOR

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HILFHILTONCAIRO 24.11.83

TO WORLDBANK WASHINGTON

ATTN MR UGO FINZI COPY FAVILLA AND COUDOL

FOLLOWING ARE RESULTS OF MY VISIT TO EGYPT.

ALPHA ON DIB SIX ZAFAR KHAN AND HIS TEAM WERE ABLE TO
SUBSTANTIALLY COMPLETE APPRAISAL AND MISSION SHOULD BE IN
POSITION TO PREPARE WHITE

SAR ON RETURN STOP A SHORT MISSION
IN JANUARY WILL COMPLETE APPRAISAL

STOP PROVIDED GOVERNMENT COMPLETES LEGAL
ESTABLISHMENT OF NEW HANDICRAFT BANK

AND REPLACES DIB CHAIRMAN WITH
PERSON ACCEPTABLE TO THE BANK WE

SHOULD BE ABLE TO NEGOTIATE THIS
PROJECT IN THE SPRING OF 1984

BETA PROGRESS ON EXPORT PROJECT

ALSO ENCOURAGING STOP EXPORT DEVELOPMENT
BANK HAS BEEN LEGALLY ESTABLISHED

AND DYNAMIC CHAIRMAN HAS BEEN

APPOINTED STOP HE WILL ASSUME HIS FULL TIME
RESPONSIBILITIES ON JANUARY 1ST ALLOWING US

TO BEGIN APPRAISAL IN SECOND HALF OF JANUARY 1984

STOP OTHER ASPECTS OF PROJECT PROGRESSING

SATISFACTORILY AND EYE SEE NO MAJOR

ISSUES STOP HOWEVER MUCH TECHNICAL

WORK REMAINS TO BE DONE INCLUDING FINAL

SELECTION AND APPRAISAL OF INTERM EDITARIES AND

PREPARATION OF SOLID PIPELINE CAN BE

COMPLETED DURING FORTHCOMING

JANUARY MISSION BUT WE WILL OBVIOUSLY

DO OUR BEST.

GAMMA ON CONSTRUCTION PROJECT PROPOSAL

TO INVOLVE MINISTRY OF PLANNING AND

NATIONAL INVESTMENT BANK INSTEAD OF

HOUSING MINISTRY HAS NOT MET

WITH GOVERNMENT CONCURRENCE STOP

EL-SHAFEI OPPOSED TO THIS SOLUTION
ON GROUNDS THAT KAFRAWI WHOSE
CONCURRENCE IS NEEDED WILL ALMOST
CERTAINLY OPPOSE THIS STOP THIS
IS ALSO THE STRONG VIEW OF THE
MINISTER OF PLANNING STOP ALSO
CHAIRMAN OF NATIONAL INVESTMENT BANK
WHO WAS PREVIOUSLY THE FIRST UNDERSECRETARY
OF THE MINISTRY OF PLANNING
ADVISED AGAINST THIS APPROACH ON
GROUNDS THAT MINISTRY OF PLANNING
HAS LIMITED ABILITY IN
ENSURING IMPLEMENTATION OF
MEASURES PROPOSED BY TECHNICAL
COMMITTEE STOP HE ALSO DOES
NOT BELIEVE THAT NATIONAL INVESTMENT
BANK CAN ENSURE THIS WITHOUT
STRONG BACKING OF KAFRAWI
WHICH HE DOUBTS WILL BE FORTHCOMING
STOP FOR ALL THESE REASONS EYE
PLAN TO MEET KAFRAWI WITH
EL-SHAFEI TO SEE WHETHER
HE IS PREPARED TO RECONSIDER
ESTABLISHMENT OF HIGHER COUNCIL
OR ONLY TECHNICAL COMMITTEE WITHIN
HIS MINISTRY STOP EYE WILL
OBVIOUSLY BE NON-COMMITTAL CONCERNING
THE BANK REACTION TO ANY PROPOSAL
BY KAFRAWI STOP WE WILL HAVE
TO DECIDE IN WASHINGTON WHETHER
TO PROCEED AND IF SO SIZE OF
LOAN ON BASIS OF WHAT KAFRAWI
IS PREPARED TO DO.
DELTA TO BE ABLE TO MEET WITH KAFRAWI ON
DECEMBER FOUR WHO IS NOW ABROAD
EYE AM PROPOSING TO EXTEND MY STAY IN EGYPT BY TWO DAYS AND
RETURN TO WASHINGTON ON MONDAY
DECEMBER FIVE RATHER THAN DECEMBER
THREE.
EPSILON EYE HAVE ALSO MET WITH
HILAL FIRST UNDERSECRETARY OF
THE MINISTRY OF INDUSTRY AND
CLARIFIED FOR HIM A NUMBER
OF POINTS HE HAD CONCERNING
SCOPE OF PROPOSED STUDY AND ITS
RELATIONSHIP TO OTHER ONGOING
BANK AND USAID STUDIES STOP ON BASIS
OF THESE DISCUSSIONS EYE AM HOPEFUL
THAT MINISTRY WILL AGREE TO PROCEED
WITH OUR PROPOSAL AFTER INTRODUCING
SOME MODIFICATIONS STOP EYE PLAN
TO MEET WITH HILAL TO
PURSUE THIS MATTER ON DECEMBER FOUR
AND WILL BE ABLE TO GIVE YOU
A BETTER ASSESSMENT OF LIKELY
RESPONSE ON MY RETURN REGARDS ZAIDAN.

MMMN

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MESSAGE NUMBER

TEST NUMBER
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DR. ERFAN SHAFAY, FIRST UNDERSECRETARY, MINISTRY OF INVESTMENT
AND INTERNATIONAL COOPERATION, CAIRO, EGYPT.

BOOK OF TWO:
FURTHER TO MY TELEX OF NOVEMBER 8, 1983, CONCERNING VISIT
OF MR. HIKMET ULUGBAY
DIRECTOR GENERAL OF THE TREASURY
MINISTRY OF FINANCE
MALIK PROPOSES TO JOIN MR. ZAIDAN BEGINNING NOVEMBER 18 FOR
ANKARA, TURKEY
A PERIOD OF ABOUT A WEEK. BEST REGARDS, FAVILLA, WORLD BANK.

MR. OSMAN SIKLAR
GOVERNOR
CENTRAL BANK OF TURKEY
ATATURK BULVARI NO. 40
ANKARA, TURKEY

TELEX - 42405

42

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OF
TEXT

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CLASS OF SERVICE: TELEX

927

TELEX NO.: 348 GAFEC UN

DATE: 11/16/83

SUBJECT:

EGYPT: Official Visits

DRAFTED BY:

RWZaborski:bp

EXTENSION:

32459

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AUTHORIZED BY:

Alberto J. Favilla

DEPARTMENT:

CEM1

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SECTOR
ELT - CONSTRUCTION
INDUSTRY

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ABBREVIATION

3-3047

MESSAGE NUMBER

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TEST NUMBER
(FOR CASHIER'S USE ONLY)

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DR. ERFAN SHAFAY, FIRST UNDERSECRETARY, MINISTRY OF INVESTMENT

NILE HILTON HOTEL, CAIRO, EGYPT

AND INTERNATIONAL COOPERATION, CAIRO, EGYPT.

FOR MR. ABHAY DESHPANDE COPY MR. ZAFAR S. KHAN, WORLD BANK

FURTHER TO MY TELEX OF NOVEMBER 8, 1983, CONCERNING VISIT

STAFF MEMBERS, GUESTS AT YOUR HOTEL.

OF MR. ZAIDAN, WOULD LIKE TO ADVISE YOU THAT MR. SURINDER

ALPHA. ARRIVING AS PLANNED TWA FLIGHT 882 AT 12.45 PM ON FRIDAY

MALIK PROPOSES TO JOIN MR. ZAIDAN BEGINNING NOVEMBER 15

NOVEMBER 18. GRATEFUL YOU INFORM KABODAN AND SHAKWEER.

A PERIOD OF ABOUT A WEEK. BEST REGARDS, FAVILLA, WORLD

BETA. IN ADDITION TO MEETINGS WE DISCUSSED WOULD LIKE YOU TO

ALSO ARRANGE WITH SHAFAY MEETINGS WITH MINISTER OF PLANNING AND

HEAD OF NATIONAL INVESTMENT BANK AS EARLY AS POSSIBLE AFTER OUR

ARRIVAL. PLEASE ENSURE THAT WE ARE ABLE TO SEE MINISTER OF

PLANNING SOONEST AFTER MY ARRIVAL.

GAMMA. GRATEFUL YOU ALSO INFORM AL KASHEF OF MY VISIT AND SEE

WHETHER HE IS ABLE TO HAVE BREAKFAST WITH ME ON SATURDAY

NOVEMBER 19 AT THE NILE HILTON. MALIK WILL BE JOINING ME TO

DISCUSS ONE OR TWO MATTERS REGARDING CONSTRUCTION INDUSTRY

PROJECT.

DELTA. SINCE WE HAVE NOT RECEIVED REPLY FROM HILAL CONCERNING

PUBLIC SECTOR ENTERPRISES WE HAVE DECIDED THAT VISIT BY LEROY

JONES AND TANDON WOULD BE PREMATURE AT THIS POINT. WE WILL

DISCUSS THESE MATTERS IN LOW KEY FASHION. BEST REGARDS, ZAIDAN,

INTBAFRAD.

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OF
TEXT

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CLASS OF SERVICE: TELEX

927 92222

DATE: 11/16/83

SUBJECT:

EGYPT: General

DRAFTED BY:

GCZaidan:dt

EXTENSION:

3-3047

CLEARANCES AND COPY DISTRIBUTION:

cl. with & cc: Mr. Zaborski

cc: Messrs. Favilla, Wall,

AUTHORIZED BY (Name and Signature):

George C. Zaidan, Chief

DEPARTMENT:

EMPID

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OFFICE MEMORANDUM

EGT- CONSTRUCTION
INDUSTRY PROJECT

DATE October 19, 1983

TO Mr. Douglas Gustafson, Director, CEM

FROM Robert Picciotto, Director, EMP

EXTENSION 3-2707

SUBJECT EGYPT - Construction Industry Project
Your Memorandum of October 7, 1983

You have raised an important issue related to the large subsidy element in the terms of repayment under Bank lending through financial intermediaries. We have been aware of the preferential treatment of subborrowers of Government-owned DFCs compared to subborrowers of other DFCs or banks established under Law 43.

As you know the Fund is engaged in a dialogue with the Government on reform of the exchange rate aimed at unification of commercial bank pool rate and free market rate. Recently, the Government has made some changes in the foreign trade regime where exporters are now allowed the most favorable exchange rate, an indication of Government interest in eliminating the divergence in the two rates. It is our understanding that some changes have also been made in the commercial rates for current transactions. This rate is now very close to the free market rate.

The exchange rate issue was discussed at the Yellow Cover review meeting. It was agreed that the economic mission now in the field will report back to the Bank the Government's current thinking on this issue, given the changes which have already occurred and those being contemplated in the context of the IMF discussions. The covering note to the Loan Committee will explicitly raise this issue after clarifying the Bank's understanding of the more recent changes in the exchange rate regime and any commitment or understanding the Government may have given to the Fund.

We agree that mobilization of resources from institutions other than Government-owned DFCs is inhibited by the present practice. However, the only lasting solution to the problem is a reform of the exchange regime. The so-called free market is fragmented and volatile. The large fluctuations in this market are such that lending for the priority purposes of the project would be inhibited (and the related development benefits would be postponed) if the "simple" solution which you offer were to be adopted. While not ideal, the arrangement whereby subborrowers bear an effective borrowing cost of 16-17% seems acceptable considering the projected inflation rates in Egypt and current interest rates in the international capital markets.

Cleared with and cc: Mr. Favilla

cc: Messrs. Dubey, Lari (o/r), Finzi,
Ljung (o/r), Zaidan (o/r)

SMalik: mz

OFFICE MEMORANDUM

FILES
EGT Construction Ind.

DATE October 12, 1983

TO Messrs. C. Dewey, Acting Director, IND and H. Kohli, Acting Asst. Director,
THROUGH Mr. M. Long, Chief, INDFD *M.L.* Policy, IND
FROM J. Chanmugam, INDFD *J. Chanmugam*

EXTENSION 72641

SUBJECT EGYPT: Construction Industry Project - Yellow Cover SAR

1. The project is aimed at bringing about institutional and policy reforms in the construction sector, upgrading management skills in contracting companies, raising professional standards, and strengthening the capabilities of two financial intermediaries to lend to this sector. It is the first such project to be undertaken by the Bank. The meeting on the yellow cover appraisal report was held on October 4.

2. The proposed Bank loan is for \$125 million, of which \$5 million is for technical assistance and \$120 million is for onlending (through the Development Industrial Bank and Bank Misr--both recipients of other Bank loans) to contracting companies and to enterprises engaged in manufacturing construction materials. The construction sector is acknowledged to be inefficient and is a major bottleneck in the execution of the country's investment plans. The project was identified and developed in the context of an extensive Bank-financed study of the sector and subsequent discussions held with the Egyptian authorities on the implementation of the recommendations of the study; it is envisaged as the first in a series of sector-oriented lending operations to foster an efficient construction industry. The proposed strategy is to be commended and I recommend we endorse the course of action to be followed in this project.

3. Sector related objectives are to be addressed, coordinated and supervised through a government appointed High Council for Construction to be chaired by the Minister for Development Housing and Land Reclamation with a representative Board of Directors from relevant government ministries, public and private contracting companies, organizations and associations connected with contracting, and four experienced consultants. This Board will have its own Technical Secretariat to prepare and submit plans and studies, monitor implementation of Board resolutions and to coordinate activities of the various agencies concerned with the contracting industry. Regional staff are quite right in insisting that prior to negotiations, the Government should undertake to establish the High Council (and the secretariat) and agree with the Bank on the terms of reference of its mandate, and prior to Board presentation the institution and its secretariat should be legally established and staffed with key people. Priority areas for the secretariat's work are likely to include a review of legislation affecting the sector, establishment of national contracting standards, registration and classification of contractors, government payments and supervision procedures, and development of training programs; the Region agreed to prepare a working draft of an action program at least for the first year, to be discussed at negotiations with the details to be agreed upon as a condition of loan effectiveness. In addition, the passage of legislation to create an Egyptian Federation of Contractors which is needed to represent and be the spokesman on behalf of the

contracting companies particularly in dealings with the Government--the principal employer in Egypt of contractors, will also be a condition of loan effectiveness. The conditionality actions outlined above are necessary to ensure the commitment of the Government.

4. The \$5 million technical assistance component of the Bank loan would be used to finance the services of consultants and other experts needed by the High Council and its secretariat for its own work, as well as to undertake a comprehensive management development program to upgrade the skills of senior staff in the contracting companies (and will be mandatory for those public sector companies which use the credit component for the purchase of construction equipment). The concentration of technical assistance at this time on senior managers of the contracting companies, and to help them analyze and solve company problems, is fully justified. The government has expressed interest in entrusting the delivery of technical assistance for management development to the ILO. Standard Bank procedures will be followed in selection of the entity to be responsible for TA and the TA contract (including the names and credentials of the three key members of the team) will be submitted to the Bank for approval. The signing of the contract will be a condition of effectiveness, as will be the creation of a steering group from the High Council and the two participating banks to monitor the TA program. At the review meeting, there was a discussion of how the training program was to be evaluated, the criteria to be adopted and the feedback mechanism to ensure that the training was indeed effective. Regional staff provided a detailed explanation including the plan for regular review of progress with the TA agency and the High Council's Steering Group. A portion of the TA component will be made available to the two participating banks to engage consultants to assist them in appraising loan applications from contracting companies--a sector in which their experience is limited, and to enable their staff to attend relevant training courses. The proposed TA program is well conceived and appropriate, with adequate safeguards to ensure that the resources are used effectively.

5. The arrangements proposed for the \$210 million credit component to be onlent by DIB and Bank Misr are appropriate for the project and consistent with IDF practices. Both institutions are experienced and knowledgeable. The credit is to be notionally allocated equally to the two banks with timely reallocation of funds following periodic review of commitments. Sub-loans to manufacturers of building materials and construction equipment (excluding cement, steel and bricks whose investment requirements are of a magnitude likely to require direct Bank assistance) will be appraised by the banks in accordance with their normal practices. The Region agreed to provide more information in the SAR regarding the manufacture of construction materials in Egypt and the prospects for its development. Since their experience in dealing with contracting companies has been limited, the two institutions will follow detailed appraisal guidelines prepared by the Bank in making sub-loans to contractors. These guidelines are based essentially on financial and operational aspects applicable to contracting companies and we suggested that consideration be given to also include in the appraisal an analysis of the likely benefits to the economy resulting from the investment. Clarifications were sought at the meeting regarding the use of historical operational ratios of public sector contracting companies as a basis for screening the performance capability of applicant companies; Regional staff explained that the intention was not to use such ratios in isolation but only to

serve as benchmarks in analyzing performance and that other factors would also be taken into account. With regard to typical working capital financing for purchase of spare parts, input materials and working tools required by contracting firms which may require quicker and more flexible processing of sub-loan applications than for investment financing, the Region explained that the pipeline did not include any purely working capital sub-projects; furthermore, it was important as a learning experience in this first operation that each of the applications from contracting companies be subject to the discipline entailed in the proposed procedures even though it may be somewhat more time consuming.

6. The issue of the exchange rate to be adopted in the project was discussed at some length. The proposal is for the sub-loans to be denominated in US dollars with sub-borrowers repaying their sub-loans in local currency converted at the official exchange rate. The latter continues to be at a substantial premium over the open market rate whereby private companies convert local currency into foreign currency. This premium is therefore equivalent to a significant subsidy for sub-borrowers utilizing the proposed line of credit from the Bank, and we recommended to the Region the adoption of the open market rate in the project. Regional staff pointed out that the government had insisted upon the official exchange rate, and that the IMF was presently discussing the exchange rate regime with the Egyptian authorities which could result in changes in due course. Since the matter of which exchange rate should be adopted could not be resolved at the meeting, the Region undertook to refer the issue we had raised to its Management for consideration.

cc: Messrs. Picciotto, Finzi, Zaidan, Malik (EMP)
Dubey, Gregory (EMNVP)
Lari, Favilla, Zaborski (EM1)
Rajagopalan, Hardy (PAS)
Kaden (TRD)
Dervis, Segura, Rowat, Stern, Ms. Haug (IND)
Levitsky, Hanson (INDFD)

JChanmugam:adh

OFFICE MEMORANDUM

DATE October 11, 1983
 TO Files
 FROM Alberto J. Favilla, Division Chief, Country Programs
 Department 1, EMENA Region
 EXTENSION 3-2464

SUBJECT 1983 Annual Meetings: Discussions at the 1983 Annual Meeting
 With the Egyptian Delegation, September 28, 1983

Egyptian Delegation

H.E. Dr. Moustapha Kamel El-Said
 Governor (Bank) and Minister of Economy
 (for part of the meeting)
 H.E. Prof. Wagih Shindy
 Minister of State Investments
 and International Cooperation
 Dr. Erfan Shafey
 Alternate Governor (Bank) and First Under-
 secretary, Ministry of State Investments
 and International Cooperation
 Mr. A.H. Kabodan
 Chairman, Development Industrial Bank
 Mr. Nabil Sadek
 Minister, Embassy of Egypt in Washington
 Dr. M. Roushdi Barakat
 Counsellor, Embassy of Egypt
 Dr. Abdel El-Labban
 Head of Minister's Cabinet, Ministry of State
 Investments and International Cooperation

Bank

Messrs. Chaufournier
 Dubey
 Lari
 Colaco
 Moreau
 Picciotto
 Goffin
 Zaidan
 Favilla
 Ms. Mehra
 Messrs. Moini
 Venkatraman
 Wall
 Zaborski

1. The meeting of the Egyptian delegation with Regional Management took place at the Sheraton Washington Hotel on September 28, 1983.

2. After welcoming the delegation to Washington, Mr. Chaufournier asked if there were any points which they wished to raise. Speaking on behalf of the delegation, Dr. Shindy made six points:

- (i) The Government welcomed the Bank mission which would be visiting Egypt in October to review the Five-Year Investment Program; he hoped this would help lay the basis for increased Bank lending in the future.

- (ii) He wished to stress the importance of the Bank concentrating its work on productive investments, especially in the agro-industry and industrial sectors, which enjoyed the Government's highest priority.
 - (iii) In particular, the proposed Export Promotion Project would be extremely helpful, and the Government looked forward to the Bank processing it as quickly as possible.
 - (iv) With regard to the Construction Industry Project, it was important to differentiate between the immediate, pressing needs of the industry, especially for imported equipment, and the administrative framework for the sector, which could be worked out at a later date. Given the importance of the sector and its pressing need for foreign exchange, he hoped that it would be possible to send an Egyptian delegation quickly to negotiate the proposed loan.
 - (v) The need for technical institutes was a very important area with manpower needs in excess of 400,000 annually. The Government intended to finance the construction but needed foreign exchange for equipment. However, because this was a service rather than a directly productive sector, it would be difficult for the Government to borrow on Bank terms. The Government had asked several bilateral agencies for assistance, and it would be helpful if Bank funds could be blended with more concessional funds.
 - (vi) Finally, Dr. Shindy noted that while the Government had been successful in attracting commitments from external donors, it needed help in the area of monitoring and follow-up of external assistance.
3. With regard to Dr. Shindy's first point, Mr. Chaufournier noted that based on Mr. Favilla's last mission, the Government and the Bank had reached agreement on the broad composition of the Bank's lending program; there were, however, some issues which required clarification. The first concerned the Government's preference not to borrow Bank funds for civil works. In the past, the Bank had financed both equipment and civil works (the power projects were cited as an example). As a result of the Government's new attitude, the size of the Bank's FY83 lending program had already been lower than anticipated, because of the decrease in the loan amount for the Road Maintenance Project. For the future, the net result of this would be a substantial decrease in the amount which the Bank could lend in the short run, since additional projects were not readily available. It would also make it more difficult for the Bank to supervise projects during their entire period of execution if the Bank were only involved in financing equipment, which comes at the end of the project cycle. Dr. Shindy replied that the Government was concerned about the overall level of indebtedness and accordingly would review the question of Bank financing for civil works on a case by case basis.

4. With regard to Dr. Shindy's second point, Mr. Chauffournier noted that the proposed Bank lending program, the bulk of which was in industry and agriculture, seemed to be in line with the Government's emphasis on productive projects. Mr. Favilla commented that the percentage distribution of the Bank lending program (i.e. 30% for industry, 30% for agriculture, 30% for infrastructure and 10% for technical education) was based on the Government's proposed sectoral allocation. Dr. Shindy noted that even within the productive sectors it would be preferable to select the more directly productive investments.

5. Mr. Picciotto said that he had a few outstanding questions concerning the composition of the program. What was the Government's view concerning Bank financing for the El Obour Project? Dr. Shindy replied that he felt non-Bank sources of financing should be secured for this project, although the proposed industrial park component could perhaps be a candidate for a Bank project since it would be a directly productive investment. Mr. Goffin then asked about activities in agriculture: was the Government interested in pursuing a project such as Lake Manzala for which a considerable amount of preparation work had already been done? Dr. Shindy responded that agricultural development in the areas of drainage, irrigation, mechanization, research and extension, etc. were important and should, of course, be pursued; however, agroindustry had the highest priority. Mr. Chauffournier pointed out that we still have large amounts of undisbursed funds available from the two agroindustry loans and if we were to concentrate only on agroindustry projects in the agriculture sector, we could only make loans every second or third year. He went on to stress that it was important to agree on the details of the program for agriculture given the lead time involved in developing projects in this difficult sector.

6. With regard to the Construction Industry Project, Messrs. Favilla and Zaidan stressed that institutional reform as reflected in the proposal to establish the High Council for Construction was needed to start the process of improving the structure of and environment for the industry. The proposed loan (\$125 million) was envisaged to be the first of a series, which would gradually tackle the constraints inhibiting the efficiency and development of the sector. The proposal to establish such an institution had not come from the Bank but had been assigned a high priority in the Government's Construction/Contracting Study, which had been endorsed in principle by the many agencies involved. Further, the Bank had already shown a good deal of flexibility in its approach to the question. Messrs. Chauffournier and Lari noted that it would be difficult to go to the Board with just a loan for equipment, given the urgent need for institutional reform. Dr. Shindy maintained that construction was one of the key sectors in the economy and there was an urgent need for the loan now: the administrative details could be worked out later. The Bank agreed to provide Dr. Shindy with a list of options concerning the institution.

7. In response to the Bank's query, Dr. Shindy clarified that the Government's interest was in Bank assistance (blended with more concessional funds) for technical institutes under the Ministry of Higher Education. This was in addition to the ongoing Bank-assisted vocational training programs in industry and construction. The Government was planning to change its formal education system and to develop technical education as a new channel at the primary and secondary levels, not merely a follow-on to primary and secondary education, to emphasize such training; Bank assistance for this purpose would, therefore, be helpful.

8. With regard to Dr. Shindy's last point, Mr. Chaufournier asked if the meeting with Mr. Abbott (who would travel to Egypt in November to assist MIIC in planning the development of a system for monitoring and follow-up of external assistance) had been helpful. Dr. Shindy thanked the Bank for making Mr. Abbott available and noted that what was required initially was not lavish equipment, but a simple workable system.

9. Other topics discussed were: the marked improvement in the disbursements of Bank loans; overdue service payments; the large number of closing dates coming up for projects with \$190 million still undisbursed.

10. With regard to strengthening the FY84 lending program, Mr. Chaufournier said that he understood DIB was running out of funds to commit. Mr. Kabodan briefly explained the difficulty with the EIB and KfW lines of credit and the fact that the DIB V Loan would be committed by the end of December. Mr. Zaidan promised to send a mission as quickly as possible. Mr. Lari noted that a loan to help rehabilitate Port Said, while relatively small (about \$15-\$20 million), could possibly be prepared for this year's program and asked about the Government's attitude concerning the project. Dr. Shindy replied that the Government was interested in strengthening the free zone at Port Said and that there were about 8-10 projects there which could be interesting.

11. Mr. Chaufournier noted that the Bank would give the delegation a note on energy to provide a basis for discussion during Mr. Lari's visit in late October. Dr. Shindy reiterated the Government's request for supplementary financing for the Shoubrah El Kheima Project, and Mr. Chaufournier replied that the Bank's position that all further assistance in the energy sector was predicated on action on a comprehensive policy for the energy sector, stated during Mr. Clausen's visit in January 1983, had not changed.

12. Finally, in response to Dr. Shafey's question, the Bank explained that, with regard to the resident mission, the scope of the mission had been agreed and the Bank was processing the request internally, including identifying candidates for the position. A short list would then be sent to the Government.

13. At the end of the meeting, Dr. Shindy noted that while there were differences of opinion between the Government and the Bank on some questions, he very much appreciated the dedication of all the Bank staff working on Egypt. Mr. Chaufournier thanked Dr. Shindy and the delegation.

Actions to be Taken

14. The following actions were agreed to be carried out by the Bank:

- (a) The "Plan" review mission to help firm up the composition of the lending program (paragraph 2).
- (b) Consult the Government on each occasion before including finance for civil works in individual projects (paragraph 3).
- (c) Try to concentrate lending on productive activities, with increased emphasis on agroindustry (paragraph 4).
- (d) Provide a list of options to the High Policy Council for Construction on the proposed construction loan (paragraph 6).
- (e) Explore the possibility of providing assistance for technical institutes (paragraph 7).
- (f) Mr. Abbott to visit Egypt in November 1983, to help establish the monitoring system requested by Prof. Shindy (paragraph 8).
- (g) Send a mission to explore the possibility of another line of credit for DIB (paragraph 10).
- (h) The note on energy was given to the Delegation on September 29, 1983. Mr. Lari to continue the discussion on energy pricing in Egypt in late October 1983 (paragraph 11).
- (h) Complete the steps precedent to the establishment of the Resident Mission and send the list of candidates to the Government (paragraph 12).

Cl. with and cc: Mr. Lari (EM1)

cc: Messrs. Chaufournier, Dubey, Reitter, Gregory (EMNVP); Picciotto, Goffin, Pranich, Finzi, Stewart (EMP); Colaço, Moreau (EM1)

RWZaborski:hj (845-2)

OFFICE MEMORANDUM

Mr. Condon

Mr. Fraz

what did you

EGT-CONSTRUCTION
INDUSTRY PROJECT

TO: Mr. Robert Picciotto

DATE: October 7, 1983

FROM: Douglas Gustafson

SUBJECT: Egypt - Construction Industry Credit Line

1. As we discussed, I would like to bring to your attention the issue that the proposed terms of repayment of the line of credit raises. As we understand it, sub-borrowers under this line of credit will be paying interest and principal in Egyptian pound equivalent at the highest official exchange rate (HOPR). This rate is currently 84 piasters to the dollar. This is indeed a considerable subsidy that borrowers under the proposed line would get in comparison to borrowers who secure foreign exchange loans from institutions such as joint venture commercial banks or IFC. This is because the latter borrowers have to secure their foreign exchange on the free market at a price of about piasters 110-115 to the dollar. This is a 30-40% differential reflecting the grossly overvalued Egyptian currency.

2. You should also note that the differential varies from time to time. In 1981, following the devaluation of the HOPR from 70 to 84, both rates were basically identical. The point, however, is that the devaluation of the HOPR normally lags substantially behind its erosion, and in the meanwhile considerable effective subsidies take place. Under the present differential, it is far more advantageous to Egyptian companies to refinance their foreign debt by an equivalent amount of local debt (particularly since local LTD carries an interest rate of 13%) rather than assume the risk of having to pay their debt at a higher exchange rate after a devaluation.

3. You should finally note that the same problem occurs in the DFC line of credit that the Bank has been providing to DIB. It is difficult to see the justification for this subsidy. It effectively excludes more commercial sources of funds in favor of substitution of Bank funds, while it is the reverse that should be happening.

4. The solution is simple. Pass on the full foreign exchange risk to borrowers so that whether they borrow from IBRD, IFC or private sector banks (in Egypt or abroad) the foreign exchange ramifications are the same.

cc: Mr. Lari

AH/DG:lb

EGT-Construction Ind

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WHEN REPLYING TO THIS MESSAGE REFER TO : TCP MT

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URGENT

ATT: MR. GEORGE ZAIDAN
CHIEF, INDUSTRIAL DEV. AND FINANCE DIV.
WORLD BANK

I SHALL BE IN WASHINGTON (VISTA INTERNATIONAL HOTEL
TEL:(202) 4291700) FROM THE THIRD TO THE SEVENTH OF OCTOBER
TO ATTEND THE EGYPT-U.S. INVESTORS SEMINAR.

HOPING TO MEET YOU AS WELL AS ENG. ABDULSALAM KENAWI
BEST REGARDS

ENG. ABDULRAHMAN ELKASHEF

93137 MISIC UN

PLS ANSWER BACK

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93137 MISIC UN

PLS PASS THE FOLLOWING TLX TO

93137 MISIC UN

CAIRO: 29/9/83

ATT: MR. GEORGE ZAIDAN
CHIEF, INDUSTRIAL DEV. AND FINANCE DIV.
WORLD BANK

I SHALL BE IN WASHINGTON (VISTA INTERNATIONAL HOTEL-
TEL:(202) 4291700) FROM THE THIRD TO THE SEVENTH OF OCTOBER TO
ATTEND THE EGYPT-U.S. INVESTORS SEMINAR.

PLS ADVISE ENG. ABDULSALAM KENAWI WITH MY ARRIVAL
BEST REGARDS

ENG. ABDEL RAHMAN ELKASHEF

93137 MISIC UN

PLS PASS THIS TLX TO MR. G. ZAIDAN AS THE MATTER IS IMPORTANT

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INDUSTRIAL REGION

INDUSTRIAL DEVELOPMENT AND FINANCE

DATE RECEIVED **OCT 03 1983**

COUNTRY/IDF

Egypt - Const Ind.

LOAN/CREDIT NO.

ACTION IN

SM/A/D

699

OFFICE MEMORANDUM

EGT-Construction Ind.

DATE: September 23, 1983

FILE COPY

TO: Mr. Ugo Finzi, Acting Assistant Director, EMP

FROM: Francois Etti, Acting Division Chief, EMPID

EXTENSION: 3-3056

SUBJECT: EGYPT - Construction Industry Project
Yellow Cover SAR

see "Bk Reports"

1. Please find attached for your review a copy of the SAR for the above project. The report takes into account the comments received from the Programs Division. Also attached are Parts III and IV and Annex II of the President's Report prepared by the Programs Division. The recommendations in the report are in line with the Decision Memorandum dated July 28, 1983 and the comments received from the SVPOP's office as documented in Mr. Zaborski's memorandum to files dated August 10, 1983.

Principle Features of the Project

2. The Bank-financed study of the Egyptian Construction/Contracting Industry contains comprehensive recommendations for improving the efficiency and for developing the capacity of the domestic construction industry in Egypt. Given the numerous issues and constraints -- institutional, practices and procedures, Government policies -- facing the industry, the proposed loan of \$125 million is envisaged to be the first in a series that will successively address selected priority issues. The project is thus designed to focus on institutional reforms that can improve the longer term environment in which the industry has to operate. In addition, the project encompasses crucial technical assistance components which are likely to contribute to improved performance of the public sector companies, and strengthen the capability of the participating banks in evaluating sub-projects in the course of the implementation of the project. An added feature of the project is the preparation of guidelines for use by the participating banks in appraising subborrowers in this complex sector. The project accordingly has the following components:

- (i) A DFC line-of-credit for an amount of \$120 million to be made available to DIB and Bank Misr for onlending to contracting companies in the public and the private sectors as well as to equipment leasing companies and producers of building materials and small items of construction equipment. Since the objective of the project is to assist small and medium size contracting companies, only enterprises with an annual turnover of less than LE 100 million in 1980/81 would be eligible. The credit would not be preallocated between either the two banks or between the public and the private sector, but would

be available on a first come first served basis. However, the project agreements with the participating banks would stipulate that they would make their best efforts to ensure the maximum possible financial support to the private sector. There will be no free limit for subloans to contractors for import of construction equipment. Subloans will carry a fixed interest rate for the life of the loan equivalent to the Bank rate plus 3 percent spread for the banks' plus 1 1/2 percent for the Government which will take the variable interest rate risk and the foreign exchange risk between the US dollar and currencies owed the Bank and also to generate an adequate amount to repay the cost of the technical assistance component for management development. The interest rates will be reviewed annually to reflect changes in the cost of similar, alternative funds to Egyptian borrowers, and the new rates will be applied to the uncommitted portion of the loan;

- (ii) A technical assistance program for management development of the contracting companies at a foreign exchange cost of \$4.6 million. The ILO has agreed in principle to administer the program which will be mandatory for public sector contracting companies which avail of the line of credit. This will be confirmed by an agreement between the ILO and the Government to be signed before loan effectiveness. The management development program will provide for a combination of academic inputs and practical on-the-job coaching, with accent on the latter. The program is detailed in the SAR (pp 49-61);
- (iii) A technical assistance component equivalent to \$200,000 for the High Council for Construction to enable its technical secretariat to hire consultants, prepare short studies and make proposals for the implementation of the various important recommendations of the Construction/Contracting Industry Study. During the period between Board presentation and loan effectiveness, an action program focussing on the priorities will be agreed with the technical secretariat; and
- (iv) A technical assistance component equivalent to \$200,000 for the two participating banks to enable them to strengthen their subproject evaluation capability. Both banks will recruit, under Bank guidelines, consultants and also deputize their staff to attend training courses abroad and/or in Egypt.

Major Issues

3. Institutional Reform. Draft articles for a High Council for Construction, prepared by the Steering Committee of the Ministry of Development, Housing and Land Reclamation, were reviewed by the Bank and found satisfactory. The Minister for Development, Housing, and Land Reclamation, while recognizing the need for such an institution, has not taken a final decision for its establishment. The emphasis on institution building, however, is necessary in the current Egyptian environment. As per the DM and the comments received from the SVPOP's office it is proposed that (i) prior to negotiations we should have an agreement with the Government on the terms of reference for such an institution and its technical secretariat; (ii) prior to Board presentation the institution and its technical secretariat would have to be legally established and staffed with key people; and (iii) prior to loan effectiveness we would have to agree with the technical secretariat on an action program. The Bank's position has been conveyed to the Government in a letter from the Acting Director, CPI to the Minister of Investment and International Cooperation dated August 25, 1983. While the proposed institutional changes represent an important element in the further development of the construction/contracting industry in Egypt, they can only be effective with strong Government support and commitment to proceed rapidly. We should do everything possible to secure this. But if we are not successful the Bank should seriously consider whether the proposed institutional changes should not be part of a second project while this project ensures that some of the key shortcomings of this industry are addressed through alternative and interim mechanisms (i.e. via continuation of the work by a formal steering committee). The Bank's final position on the institutional aspects should be determined in the light of the Government's response to our letter of August 25, 1983.

4. Financing of Technical Assistance - The Government has proposed to charge, like under the recent Agroindustries loan, a spread of 1 percent to cover the variable interest rate risk and the foreign exchange risk between the US dollar and currencies owed the Bank. To generate an adequate amount to repay the cost of the technical assistance component for management development, the Government will add an additional one-half of one percent margin on the credit component. The decision meeting agreed that the proposed method of financing technical assistance was acceptable so long as the participating banks were assured of a margin of 3 percent.

5. Allocation of Funds Between the Public and the Private Sector - Based on a discussion with the private sector contracting companies and the two participating banks which indicated that demand for construction equipment from private contracting companies in the next three years will not be sufficient to absorb one-half of the credit component, the appraisal mission had recommended that for the first construction sector loan there be no specific allocation between the public and the private sectors. The decision meeting endorsed the recommendation, but further agreed that the project agreements with the two banks should stipulate that they would make their best efforts to ensure the maximum possible support to the private sector. As per the comments of the SVPOP's office the Agreed Minutes will reiterate the importance the Bank attached to the private sector and explain why it had agreed that a specific allocation of the proceeds of the proposed loan was not necessary to reach the objective of promoting and developing the private sector.

6. Proposed Timetable - Assuming the Bank receives shortly a favorable response from the Government on the institutional issue referred to in paragraph 3 above, the following timetable for project processing is proposed:

(i)	YC Review by Projects Department	10/04/83 (at 3:00 p.m. in
(ii)	Draft GC Document to Programs Division	10/11/83 room H10-152)
(iii)	Loan Committee Package to Project Director	10/18/83
(iv)	Loan Committee Package to Programs Director	10/25/83
(v)	Documents to Loan Committee	11/03/83

7. Comments on the draft SAR may please be conveyed to Mr. Surinder Malik (3-3056).

Attachments

cc: Messrs Dubey, Gregory (EMNVP), Colaco, Ms. Schaeffer, Favilla (3), Zaborski, Ahmed (EMI), Picciotto, Pranich, Elliott, Ljung, Zaidan, Coudol, Deshpande, Kinawy, Hadjicostas (EMP), Rajagopalan (PAS) (8), Dervis (5), Dewey (IND), Swahn (EDC), Abu-Akeel (LEG) (2), Hattori, Ms. Linder (LOA), Burki (IRD), Kaden (TRD), Gustafson (CEM)
Reports Desk (2)
EMENA Information Center

SMalik:js

September 23, 1983

Mr. Ugo Finzi, Acting Assistant Director, EMP

Francois Etti, Acting Division Chief, EMPID ϕ

3-3056

EGYPT - Construction Industry Project
Yellow Cover SAR

"Bank Reports"

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Major Issues

3. Institutional Reform. Draft articles for a High Council for Construction, prepared by the Steering Committee of the Ministry of Development, Housing and Land Reclamation, were reviewed by the Bank and found satisfactory. The Minister for Development, Housing, and Land Reclamation, while recognizing the need for such an institution, has not taken a final decision for its establishment. The emphasis on institution building, however, is necessary in the current Egyptian environment. As per the DM and the comments received from the SVPOP's office it is proposed that (i) prior to negotiations we should have an agreement with the Government on the terms of reference for such an institution and its technical secretariat; (ii) prior to Board presentation the institution and its technical secretariat would have to be legally established and staffed with key people; and (iii) prior to loan effectiveness we would have to agree with the technical secretariat on an action program. The Bank's position has been conveyed to the Government in a letter from the Acting Director, CPI to the Minister of Investment and International Cooperation dated August 25, 1983. While the proposed institutional changes represent an important element in the further development of the construction/contracting industry in Egypt, they can only be effective with strong Government support and commitment to proceed rapidly. We should do everything possible to secure this. But if we are not successful the Bank should seriously consider whether the proposed institutional changes should not be part of a second project while this project ensures that some of the key shortcomings of this industry are addressed through alternative and interim mechanisms (i.e. via continuation of the work by a formal steering committee). The Bank's final position on the institutional aspects should be determined in the light of the Government's response to our letter of August 25, 1983.

4. Financing of Technical Assistance - The Government has proposed to charge, like under the recent Agroindustries loan, a spread of 1 percent to cover the variable interest rate risk and the foreign exchange risk between the US dollar and currencies owed the Bank. To generate an adequate amount to repay the cost of the technical assistance component for management development, the Government will add an additional one-half of one percent margin on the credit component. The decision meeting agreed that the proposed method of financing technical assistance was acceptable so long as the participating banks were assured of a margin of 3 percent.

5. Allocation of Funds Between the Public and the Private Sector - Based on a discussion with the private sector contracting companies and the two participating banks which indicated that demand for construction equipment from private contracting companies in the next three years will not be sufficient to absorb one-half of the credit component, the appraisal mission had recommended that for the first construction sector loan there be no specific allocation between the public and the private sectors. The decision meeting endorsed the recommendation, but further agreed that the project agreements with the two banks should stipulate that they would make their best efforts to ensure the maximum possible support to the private sector. As per the comments of the SVPOP's office the Agreed Minutes will reiterate the importance the Bank attached to the private sector and explain why it had agreed that a specific allocation of the proceeds of the proposed loan was not necessary to reach the objective of promoting and developing the private sector.

6. Proposed Timetable - Assuming the Bank receives shortly a favorable response from the Government on the institutional issue referred to in paragraph 3 above, the following timetable for project processing is proposed:

(i)	YC Review by Projects Department	10/04/83 (at 3:00 p.m. in
(ii)	Draft GC Document to Programs Division	10/11/83 room H10-152)
(iii)	Loan Committee Package to Project Director	10/18/83
(iv)	Loan Committee Package to Programs Director	10/25/83
(v)	Documents to Loan Committee	11/03/83

7. Comments on the draft SAR may please be conveyed to Mr. Surinder Malik (3-3056).

Attachments

cc: Messrs Dubey, Gregory (EMNVP), Colaco, Ms. Schaeffer, Favilla (3), Zaborski, Ahmed (EMI), Picciotto, Pranich, Elliott, Ljung, Zaidan, Coudol, Deshpande, Kinawy, Hadjicostas (EMP), Rajagopalan (PAS) (8), Dervis (5), Dewey (IND), Swahn (EDC), Abu-Akeel (LEG) (2), Hattori, Ms. Linder (LOA), Burki (IRD), Kaden (TRD), Gustafson (CEM)
Reports Desk (2)
EMENA Information Center

 SMalik:js

OFFICE MEMORANDUM

EGT-DFC Sector (Export Project) MENA

DATE September 19, 1983

TO Mr. A. Favilla, Chief, EM1A

FROM George C. Zaidan, Chief, EMPID *gr. SA.*

EXTENSION 3-3047

SUBJECT EGYPT - Points for possible discussion at the Annual Meeting
arising out of my visit of September 10-14, 1983

EGT-Construction Industry
EGT-DFC Sector (SSI II)

1. Three projects in industry were discussed during my visit of September 10-14, 1983 in the context of the review of the report - "Program for the Development of Manufactured Exports". The first concerns a project to support exports as described in the Attached Aide Memoire. The second was the construction/contracting industry project. And the third was a second loan in support of small scale-industry. This memo only brings out the points we or the Egyptians may raise at the Annual Meeting. I will give you a fuller report on my discussions on return to Washington.

2. Export Project. Receptivity for this project is very high and the Minister of Economy is very keen to have us proceed very quickly as outlined in the Aide-Memoire. We can pre-appraise on this basis in November, 1983 and I hope we can complete the appraisal in one more mission. One issue that the Minister of Economy may raise is whether the Bank project could be used to finance working capital for exports (pre-shipment). The working capital loans would be available in the form of pre-shipment finance against confirmed export orders or letters of credit. It would be repaid in foreign exchange. Either the new Export Development Bank or a commercial bank could on-lend these funds. I believe that, subject to our assessment of demand, we should respond positively. This is the major issue requiring management agreement in the Bank. If IND (Kohli or Dervis) agree, I think we can go ahead.

3. Construction/Contracting Industry Project. I raised the matter with Shindi but got no reaction beyond a bland statement that we should proceed with this project as quickly as possible and that the formation of the High Council could follow during implementation. Kafrawi was not in town. I asked Shindi to give us a formal reply at the Annual Meeting. This is an item we should raise. We should be prepared either for no answer or for a negative answer. In the latter case we need to review our position in the Bank during the Yellow Cover review of the project and specifically whether we raise the issue with Hilal or proceed with a satisfactory substitute for the High Council (e.g. a de facto group such as the Steering Committee to work on the key issues that need to be addressed in the construction/contracting industry sector).

4. SSI-II. We learnt that the Government proposes to set up a new Bank to support the Handicraft Sector. This bank would be registered under the commercial code (i.e. will be able to accept deposits which would be its major source of funds) and be a Law 43 bank with full freedom to set its own salary scales. It would be owned as follows: 21% divided equally between DIB, Banque du Caire and National Bank; 10% from the Misr Re-Insurance Co.; 10% from the Police Fund; 10% from the Association of Productive Cooperatives; and the remainder from the private sector. Kabodan will most probably become the Chairman of this new bank and will leave DIB (all this is unofficial). The next loan to support SSI should look into whether we can use this new bank in addition to DIB as a channel. Also, if it is confirmed that Kabodan will leave DIB, who succeeds him is critical. No one within DIB has the caliber to become Chairman (This point was independently and informally made to us by Ali Negm). And without a suitable Chairman, I do not believe we should continue lending to DIB. An issue related to the appointment of a new Chairman is the salary level of the Chairman and indeed the salary scale of DIB staff generally. If DIB could be put under Law 43 or if an alternative solution could be found to allow DIB staff to receive market salaries (e.g. through a special law such as the one setting up the Export Development Bank), then this would strengthen DIB considerably. We have raised this matter on a number of previous occasions without much success. But there is now a special opportunity to do so to encourage the appointment of a suitable successor to Kabodan and to ensure equity between the new Handicraft bank and DIB which will cater to a similar market. Ali Negm suggested we raise this issue during the Annual Meeting discussions. We might do so and continue these discussions in the context of the preparation of SSI-II.

cc: Messrs. Wall, Zaborski
Ettori, Coudol (o/r), Malik, Khan (o/r)

GCZaidan:dt



Record Removal Notice

File Title Construction Industry Project - Egypt, Arab Republic of - Loan 2460 - P005044 - Correspondence - Volume 1		Barcode No. 900922		
Document Date 15 September, 1983	Document Type Telex			
Correspondents / Participants To : Surinder Malik, Acting Chief, ECA MENA From : D. F. King, Financial Controller, John Laing International				
Subject / Title Transfer of Funds				
Exception(s) Financial Information d				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website. <table border="1"><tr><td>Withdrawn by Chandra Kumar</td><td>Date 16-Mar-15</td></tr></table>	Withdrawn by Chandra Kumar	Date 16-Mar-15
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3-3047

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START
2 HERE

TO: ENGINEER A. ELKASHEF, CHAIRMAN, STEERING

COMMITTEE. THANKSURTELEX OF SEPTEMBER 6, 1983 RECEIVED IN FULL
ONLY TODAY. UNFORTUNATELY EYE AM NOT ABLE TO CHANGE MY PLANS AT
THIS TIME SINCE ONE OF THE MAJOR PURPOSES OF MY VISIT IS TO
DISCUSS THE PROMOTION OF MANUFACTURED EXPORTS WITH MINISTRY OF
ECONOMY. EYE HOPE TO SEE YOU DURING MY VISIT AND TO DISCUSS HOW
WE CAN ACTIVATE PROCESSING OF THIS PROJECT. BEST REGARDS,
GEORGE C. ZAIDAN, CHIEF, INDUSTRIAL DEVELOPMENT AND FINANCE
DIVISION, EUROPE, MIDDLE EAST AND NORTH AFRICA REGION, INTBAFRAD.

END
OF
TEXT

NOT TO BE TRANSMITTED

CLASS OF SERVICE:

TELEX

TELEX NO.:

93137 MISIC UN

DATE: 09/08/83

SUBJECT:

EGYPT - Construction Indus.

DRAFTED BY:

GCZaidan:dt

CLEARANCES AND COPY DISTRIBUTION:

cc: Mr. Favilla

AUTHORIZED BY (Name and Signature):

George C. Zaidan, Chief,

DEPARTMENT:

EMENA/IDF Division

SECTION BELOW FOR USE OF CABLE SECTION

CHECKED FOR DISPATCH

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

Egt - Construction Industry
1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

August 25, 1983

His Excellency
Prof. Dr. Wagih Shindy
Minister of Investment and
International Cooperation
Ministry of Investment and
International Cooperation
8 Adly Street
Cairo, Arab Republic of Egypt

Dear Prof. Dr. Shindy:

Re: Proposed Construction Industry Sector Project

It is with great pleasure that I am writing to you to report on the status of the above following your request to Mr. Chauffournier during his recent visit to Egypt. In so doing, I hope for your assistance in resolving some of the outstanding issues so that we can continue to process rapidly the proposed loan and support the development of the construction industry in Egypt.

As you may remember, a Construction/Contracting Industry Study was undertaken in 1981 by a team of Egyptian and foreign consultants under the guidance and supervision of a Steering Committee (Eng. Abdel Rahman El Kashef, Chairman) of the Ministry of Development, Housing and Land Reclamation. The study concluded that the sector's general organization needed to be substantially strengthened to be able to play a more meaningful role in the country's development process. It found in particular that functional responsibilities for major activities are not clearly defined, and the industry itself is poorly organized. Public sector companies operate under the jurisdiction of several ministries with no single ministry or agency responsible for their overall development. There is a lack of effective institutions or associations to group the professions involved at the design and supervision stages, as well as of material producers and contractors. Other problems identified include: weak planning and management of construction at the national, firm and site levels; inappropriate technologies; significant shortages of skilled and semi-skilled labor, key technicians and managers at each level; poorly utilized construction equipment; shortages of building materials; and, the lack of financial incentives to the industry. To overcome these constraints, the study proposed a series of measures ranging from matters of a highly technical nature to those that concern the overall management of the industry and the environment under which it operates. The study's recommendations were discussed and endorsed in a three-day symposium in January/February 1982 in Cairo chaired by H.E. Mr. Kafrawi and were also later endorsed by the various ministries concerned.

I am sure you would agree that the cost to the economy resulting from low quality workmanship, significant delays in completing work and excessively high prices has been enormous; and we welcome the high priority accorded by the Government to improve the construction industry's capacity in order to support Egypt's development objectives. This is reflected in the new Five Year Development Plan in which construction is projected to constitute 47% of total gross fixed investment. However, in order to achieve increased productivity in quality and quantity, there is a pressing need to undertake institutional reform along the lines discussed above with the aim of making more efficient use of existing capacity in the industry.

Consistent with this objective, the Construction/Contracting Industry Study recommended the establishment of a new single institution to replace the existing four Supreme Councils for building materials, the construction industry, irrigation and agriculture and for transportation. The new institution would provide the necessary coordination among the ministries involved in construction and also represent a balanced cross section of the industry. It would be responsible for determining general objectives, policies, plans and programs so as to increase the capacity and improve the potential of the construction/contracting industry and monitor implementation thereof. The new institution would have its own small technical secretariat to enable it to gradually implement the recommendations of the Construction/Contracting Study, the most important of which would be to review tendering procedures, payment and supervision procedures, research and training and legislation affecting the industry.

The proposed Bank loan of \$125 million equivalent is envisaged to be the first in a series of loans to support the Government's efforts in developing the construction/contracting industry. It has been designed with the cooperation of the Steering Committee and would focus on upgrading the skills of management in public sector contracting companies, strengthening the capability of the financial institutions (DIB and Bank Misr) to evaluate and supervise loans in the sector, and helping to improve the production capacity of construction firms by the provision of finance for equipment and machinery for the manufacturing of building materials. As part of the loan, important institutional reforms would be carried out to help improve the efficiency and potential of the construction industry.

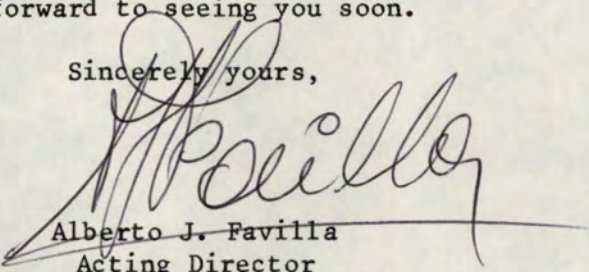
After initial discussions in June 1982, and agreement on the scope and design of the proposed loan earlier in the year, the Bank preappraised the project in November 1982. After the cabinet had approved the proposed loan in principle, the project was appraised in May 1983. The next step prior to inviting the Government for negotiations is to reach agreement with it on the setting up and terms of reference for the new institution mentioned above and its technical secretariat. A draft charter was prepared by the Steering Committee and reviewed by the appraisal mission (please see the attached). We would be grateful if the Government could forward to us its agreement to establish such an institution, including its proposed terms of reference. In view of the key role that the new institution would play in facilitating the development of the construction sector, the institution and its technical secretariat would have to be legally established and staffed with key people

before we would present the proposed project to our Board. During the period between Board presentation and loan effectiveness, we would like to agree with the technical secretariat on an action program indicating the priorities of the various reforms in the contractual, financial and professional practices, based on the recommendations of the study.

As you know, this project constitutes a very important part of this year's program, given the weakness of the program; and we would greatly appreciate your timely assistance in furthering what we understand is a consensus on the need for and type of institutional reform required to improve the efficiency of this key sector in Egypt's economy.

I very much look forward to seeing you soon.

Sincerely yours,



Alberto J. Favilla
Acting Director

Country Programs Department 1
Europe, Middle East and North Africa Region

!Cleared with and cc: Mr. Zaidan!

!SMalik/RZ³aborski:hj (779-50)!

EGYPT - CONSTRUCTION INDUSTRY PROJECT
Higher Council for Construction

The inefficiency of the Egyptian construction/contracting industry can be mostly attributed to the unhealthy structure of the industry as a whole. Revitalization of the industry requires a new institutional framework more responsive to the needs of the industry. There is a need for an institution to effectively guide and assist the construction sector to significantly increase productivity and improve quality. Due to the multisectorial process of building and construction, better coordination of government regulatory measures and policies followed by appropriate adjustments is a prerequisite if the construction sector is to operate efficiently.

Based on the recommendations of the construction/contracting industry study, the steering committee of the Ministry of Housing proposed that the Government establish a Higher Council for Construction with the mandate to oversee the development of the entire sector. The Council, which should be composed of the representatives of the industry, should determine the general objectives, policies, plans and programs to develop the construction/contracting industry so as to increase capacity, improve the potential and monitor implementation thereof.

The members of the Higher Council should represent a balanced cross section of the entire industry and provide a forum for all sides to discuss matters of common concern and propose solutions to alleviate the problems and constraints of the construction industry. Thus, representatives of various ministries (Housing, Industry, Transport, Irrigation, Planning, and Manpower and Training), public and private sector contracting companies as well as various other organizations and agencies (TOMOHAR, GOHBPR, Contractors Association, Syndicate of Engineers, Federation of Construction Materials) would constitute the Higher Council. In addition, a few qualified and experienced construction specialists could be nominated to be members of the Council.

The Higher Council would have its own full time general secretariat, chaired by a Secretary General with the rank and functions of a deputy minister, appointed by decree upon the recommendations of the Council. An essential prerequisite for the full time staff of the general secretariat is technical expertise in the construction/contracting industry. The secretariat will be generally responsible for implementing the policy established by the Council and would prepare studies and make recommendations to the Council regarding important aspects of the industry including: (a) registration and classification of contractors; (b) tendering procedures; (c) development of standard contract documents; (d) formulation of building codes; (e) distribution of building materials and (f) other legislation affecting the construction industry. The secretariat will also (i) monitor and follow-up the implementation of the resolutions of the Council and (ii) coordinate the activities of the various agencies concerned with the construction industry's operations.

Under this scheme the existing agencies (e.g., TOMOHAR and GOHBPR) would not be affiliated to the general secretariat. Any recommendations made by the secretariat and any resolutions adopted by the Council for strengthening these agencies in the areas of construction manpower training and construction research will be implemented by these agencies themselves with the assistance and supervision of the general secretariat. The general secretariat will be empowered to hire consultants and form consultative committees in various areas to assist the Higher Council in addressing issues referred to it.

August 24, 1983

OFFICE MEMORANDUM

EGT-Construction
Industry.

DATE August 10, 1983

TO Files

FROM Robert W. Zaborski, Loan Officer, EM1DA

EXTENSION 3-2459

SUBJECT EGYPT: Construction Industry Project

1. Mr. Köpp called on August 5, 1983 with Mr. Stern's comments on the Decision Memorandum for the above project. Mr. Stern felt that, given the importance of the institutional aspects of the project, the conditions (mentioned in para. 6 of the Decision Memorandum) should be advanced one stage, i.e., the Higher Council and Technical Secretariat should be legally established by the time of negotiations, the key people appointed by the time of Board presentation, and an action program developed by the time of effectiveness. I explained that, after a great deal of discussion and thought, we had decided that the most effective way to get the Government to move on establishing the institution was to apply the maximum amount of Bank leverage during the period between negotiations and Board. With the current Cabinet configuration and the way it discussed and approved loans, it was after negotiations that the most effective case for the institution could be made to the widest possible audience in the Cabinet. The problem had been that, while the ministers concerned had all reacted favorably to the proposal, the minister responsible had not yet acted. To insist on the legal establishment of the institution before negotiations, would most probably only delay the process because sufficient discussion could not take place until afterwards. Mr. Köpp agreed that this sounded like a reasonable approach. On the question of developing an action program for the institution before effectiveness, I agreed that since the construction report had outlined many of the problems in the sector, we could develop, before effectiveness, an agreed action program on the priority reforms for the sector which would then be monitored during the Bank's regular supervision missions.

2. Mr. Köpp then asked if the competitive bidding procedure, which ceased the direct order method, was reflected in a public law. I replied that it was actually based on a 1957 Procurement Law. The problem was that it had only been in the last few years that the Government had started implementing it seriously, in response to bottlenecks in the sector and in line with its new emphasis on the private sector. Mr. Köpp then explained that Mr. Stern wanted the Government to reconfirm its commitment on this competitive procedure during negotiations. I replied that, while it could be a bit delicate to get the Government to reconfirm that it would execute an existing law, something could be drafted by which we could get this commitment.

3. With reference to para. 11 of the Decision Memorandum, Mr. Köpp said that Mr. Stern felt the Bank should, in the Agreed Minutes, reiterate the importance it attached to the private sector and explain why it had agreed that a specific allocation of the proceeds of the Bank loan between public and private sector companies was not necessary to reach the objective of promoting and developing the private sector construction industry.

Cleared with and cc: Mr. Köpp (SVPOP)

cc: Messrs. Chaufournier, Fitchett (EMNVP); Lari, Colaço, Povey, Favilla, Wall, Ahmed (EML); Picciotto, Finzi, Pranich, Zaidan, Elliott, Jones, Deshpande, Malik, Kinawy, Hadjicosatas (EMP); Rajagopalan (PAS); Dewey, Kholi (IND); Henriod, Kaden (TWD); Abu Akeel (LEG); Ms. Linder (LOA)

RZaborski:hcj (795-18)

TA-NON-12

August 5, 1983

Distribution Below

for S. K. Malik *[Signature]*

3-3055

EGYPT - Construction Industry Project
Draft Staff Appraisal Report

- W/att.*
1. Attached please find a copy of the draft SAR on the above mentioned project. I shall appreciate receiving your comments by August 16, 1983.
 2. The guidelines for use by the participating banks as well as the subproject appraisal reports are still under preparation. These will be distributed for your review and comments at a later date and included in the Project File.

Attachment - draft SAR

Distribution:

Messrs. Abu-Akeed, Coudol (o/r), Desphande, Favilla (3),
Hadijocostas, Kaden, Kinawy, Swahn, Zaborsky, Zaidan

SMalik:js

OFFICE MEMORANDUM

DATE August 2, 1983

TO Files

FROM Robert W. Zaborski, Loan Officer, EMIDA

EXTENSION 3-2459

SUBJECT EGYPT: Meeting with Dr. Shindy

EGT-Water Supply
& SewerageEGT-Textile (3)
EGT-Education (5)
EGT-Urban
SectorEGT-heap
EGT-Resident Rep.
EGT-General Sector
(TA to MIIC)
EGT-Construction Ind.
EGT-Water Supply &
Sewerage Edg. TA.
EGT-Transport Sector
(Port Said)
EGT-Industry Sector
(Cement)

1. Mr. Chauffournier met with Dr. Shindy, Minister of Investment and International Cooperation (MIIC) for about 45 minutes on July 18, 1983 at the latter's request. Also attending the meeting were Dr. Shafey, the new Undersecretary in MIIC (for the last half hour), and I.

2. Dr. Shindy opened the meeting by saying that he had found Mr. Favilla's recent mission useful. He had five points that he wanted to raise with Mr. Chauffournier.

3. The first point was that, in reviewing the tentative proposals for a Bank lending program, which Mr. Favilla had discussed in Egypt, he felt that there should be a greater focus on productive investments, and that what was needed were more projects like El Dikheila Steel, although they did not have to be as large, of course. In this regard, perhaps a Bank mission to the Ministry of Industry to go over the Ministry's planned investments would be helpful.

4. The second point concerned the resident mission. The Minister felt that what was needed were staff who could help identify projects and then follow-up. On the staffing, he suggested that a fairly senior and a junior staff member would be a good start. In response to his query about the current status of the preparatory steps, Mr. Chauffournier replied that after Mr. Favilla had agreed on the terms of reference for the mission, we were now processing the Government's request internally; the next step would be for the Bank to propose a list of candidates to the Government.

5. The third point concerned technical assistance for the Ministry of Investment. Dr. Shindy noted that he had requested this assistance in October and had raised it again during Mr. Clausen's visit. He had now been in his position for almost a year; time was passing quickly. Mr. Chauffournier replied that we very much supported his efforts to improve his Ministry's ability to plan and coordinate foreign assistance; unfortunately after we had received Dr. Shindy's letter in early June, Mr. Weiner and some of the key staff who were familiar with the request, were away from the Bank. Mr. Weiner had returned in mid-July, and the Bank would now be in a position to reply.

6. The fourth point concerned a request from Dr. Shindy that two Bank group staff (one from the Bank and one from IFC) help his Ministry for a four to six month period to train staff in project evaluation and set up the necessary systems and norms. Mr. Chauffournier noted that we had received similar requests from a number of countries, and it was extremely difficult to identify and make available the staff with the necessary qualifications; we would do what we could.

7. Finally, Dr. Shindy requested that a World Bank economist help his Ministry to develop ideas to channel workers' remittances and other sources of foreign exchange, which were currently lying in unproductive three month time deposits, into productive investments. The economist, who should have worked on Egypt and be familiar with its economy, could come to Egypt two or three times a year to work with the Investment Authority. Mr. Chaufournier said that these were all useful points and that we would follow up on them as soon as we could.

8. Mr. Chaufournier then stressed that the Bank lending program, particularly FY84, was extremely weak. Given the absence of energy-related projects for which the Bank could not now lend (as he had discussed in an earlier meeting with the Minister), the remaining program needed to be strengthened. The FY84 program amounted to only three projects for about \$290 million. On the Construction Sector Project, I noted that a Bank mission had recently visited Egypt and had successfully appraised the project except in one crucial respect - the institutional aspects. I explained the background and status of the Higher Council and its technical secretariat. Dr. Shindy said it would be useful if the Bank would write him a two page action oriented letter which would set out our ideas about what was necessary. In response to a question on the Regional Water Supply and Sewerage Engineering Project, Dr. Shindy said he would prefer to exclude Italians from cofinancing for the engineering loan because of delays which had recently been experienced in finalizing Italian cofinancing arrangements. I mentioned that a project for the rehabilitation of Port Said had been identified recently and it might be possible to process it for FY84, although the amount was relatively small, \$15 million. Mr. Chaufournier mentioned that Mr. Kabodan had told him that DIB would commit its funds by the end of this year and had asked that processing of the project (currently an FY85 project) be expedited. At this point, Dr. Shindy reiterated his concern that the lending program did not have enough productive projects. I mentioned two sectors: cement (Mr. Sood was in Egypt, in part, to explore the possibilities of projects in the subsector) and textiles; and Dr. Shindy felt that these were appropriate sectors for Bank involvement. On the latter, we had recently written GOFI offering to use funds under the Textile I Project to finance feasibility studies for two projects, Misr El Wusta and wool textile rehabilitation. Since the closing date had passed and we were leaving the account open for six months, it was important to move expeditiously. (I subsequently gave Dr. Shafey a copy of our recent letter to GOFI on the subject.) I also mentioned that we had just advanced the Export Promotion Project from FY86 to FY85. Dr. Shindy then asked about Abu Tartur. I explained that the Bank and IMC had reached agreement on the project scope, and thus the Bank had agreed to amend the closing date in order to finance the necessary feasibility study, which would take about 15 months to complete. Dr. Shindy asked if it would be possible to do one year of the project earlier. Mr. Chaufournier replied that until the feasibility study was completed, it would be premature. Dr. Shindy then mentioned that he felt engineering industries might be a profitable area for Bank involvement, and I noted that we had been interested in the subsector for some time. With regard to the next vocational training project, Dr. Shindy noted that a study of the technical institutes had been prepared covering the next three to five years; we asked that this be made available to the next

mission for its review. Dr. Shindy then noted that there was an acute shortage of housing and asked how Egypt could solve this problem. Mr. Chauffournier noted that he thought that it was the Government's view that the urban sector was not suitable for financing on Bank terms, although he felt that the Bank had a lot to offer in the sector. Dr. Shindy said he thought it would be helpful if a team could visit Egypt to look at the housing problem. Finally, Dr. Shindy noted that the latest economic report had made the point that the drainage program was not working and asked that we write him what the problems were.

9. In closing, Mr. Chauffournier promised that the Bank would follow up on these points and get back to the Minister.

Cleared with and cc: Mr. Chauffournier (EMNVP)

cc: Messrs. Lari, Favilla (o/r), Moini (o/r), Wall, Bhattacharya, Ahmed,
Ms. Mehra (EM1)

OFFICE MEMORANDUM

DATE August 1, 1983

TO Files

FROM Robert W. Zaborski, Loan Officer, EM1DA

EXTENSION 3-2459

SUBJECT EGYPT: Mr. Chaufournier's July Visit to Egypt

Egt. Lu 1804
Egt. Lu 1842
Egt. - Construction Indust.

1. The following matters were discussed during Mr. Chaufournier's July visit to Egypt concerning the industrial finance sector.

DIB - In a brief discussion with Mr. Chaufournier, Mr. Kabodan said that he expected to completely commit Bank funds under Loan 1804-EGT by the end of this calendar year and asked if the processing for the next line of credit could be expedited. I noted that DIB would be the recipient of funds under the Construction Industry Loan and mostly probably under an export promotion loan. We promised to review the situation after returning to Washington.

MIDB - MIDB and the Government are still reviewing the proposed changes in the subsidiary loan agreement. Mr. Sultan maintains that existing subloans should be changed to reflect the fact that MIDB borrowers are now allowed to repay in Egyptian funds; he is also maintaining that the interest rate at which MIDB receives the funds from the Government be only slightly increased. Dr. Shafey the new Undersecretary in the Ministry of Investment and International Cooperation asked for the Bank's advice. I told him that we had drafted the amendment to the subsidiary agreement to include the possibility that existing subloans would continue to be repaid in dollars and that this was a question for the Government to decide. On the question of the interest rate, I said that the purpose of the exercise was to put MIDB on a par with DIB, not give MIDB an unfair advantage. Based on a rough calculation, we thought that MIDB should receive the funds from the Government at around 12%. I promised we would get back to him on this.

In a discussion with Mr. Chaufournier, Mr. Sultan asked if the Bank would be willing to extend for six months the period of commitments. Mr. Chaufournier replied that we would consider this if we could agree on a plan for expeditiously committing the remainder of the loan. Mr. Sultan also enquired about the possibility of a new line of credit from the Bank. Mr. Chaufournier replied that this would depend upon the Government's priorities and the Five Year Plan.

Construction Industry Project - In a meeting with Dr. Shindy and Mr. Chaufournier, I explained the difficulties we were having with the institutional aspects of the construction industry project and asked for the Minister's assistance in this regard. Dr. Shindy recommended that the Bank send him a short action-oriented letter on which basis he would pursue the matter.

cc: Messrs. Favilla, Zaidan, Malik, Deshpande

RZaborski:hj (795-9)

Egt. Construction Industry

7-28-83

yellow

THE WORLD BANK
DECISION MEMORANDUM TRANSMITTAL SHEET

TO: Distribution Below

DATE: July 28, 1983

FROM: *Suman Mehra*, Acting Division Chief

~~Chairperson, Decision Meeting~~

COUNTRY/PROJECT: EGYPT: Construction Industry Project

Issues Paper Date: June 22, 1983	Decision Meeting Date: June 30, 1983	Loan Committee Date: October 5, 1983	Scheduled Board Presentation Date: December 20, 1983	Yellow Cover Review: Waived ☐ Not Waived ☒
Estimated Costs: Total: NA Foreign:	Proposed Loan/Credit Amount: US\$125 m.	Amount in Approved Lending Program: US\$125 m.	Amount and Source of Co-Financing: NA	

1. DECISIONS SOUGHT

None

2. SPECIAL FEATURES

- A. Loan amount increased to US\$125 million from US\$91.8 million (within Egypt's FY84 approved lending program).
- B. Project designed to be first in series in support of Bank strategy to reform sector and would: (i) initiate institutional and policy reform (see para. 6 for conditionality re establishment of Higher Council and Technical Secretariat); (ii) upgrade management skills in public sector construction companies (with training program); (iii) strengthen financial intermediaries (through technical assistance), and (iv) provide lines of credit to public and private sector companies through the financial intermediaries.
- C. Guidelines for appraisal of contracting companies developed.

3. SECTOR POLICY ISSUES

(a) List Problem Projects in sector:

NA

(b) List major covenants not in compliance:

NA

(c) List major sector policy issues covered. Use simple descriptions, e.g., prices, staffing, maintenance, etc. Institutional, equipment rationalization/balancing/utilization, management deficiencies, lack of finance, initiate policy reforms (tendering procedures, contracts, standards, norms, specifications, fostering competition between public and private sector).

DISTRIBUTION

- 1. Mr. Stern, SVPO, through *RV* (initial) Mr. Chaufournier (3 copies with Issues Paper and Project Brief)
- 2. Standard Distribution:

OFFICE MEMORANDUM

DATE July 28, 1983

TO Distribution Below

FROM Robert W. Zaborski, Loan Officer, EM1DA

EXTENSION 3-2459

SUBJECT EGYPT: Construction Industry Project
Decision Memorandum

1. A decision meeting was held June 30, 1983 on the issues paper for the above project, dated June 22, 1983. Attending were: Messrs. Zaidan, Malik, Kinawy, Hadjicostas (EMP); Fitchett (EMNVP); Henriod (TWD); Favilla (Chairman), S. Ahmed and Zaborski (EM1);

Bank Strategy in the Sector (Issues Paper, para. 8)

2. The mission explained that the project should be viewed as part of the Bank's overall strategy to assist the Government in overcoming the constraints and developing the potential of the construction sector. The poor performance of the industry, which was a serious bottleneck in the fulfillment of Egypt's National Development Plan, was due not only to the shortage of resources, but more importantly to the inadequate structure of the industry. Hence what was required was a long-term and multifaceted approach which should have a number of objectives: (i) assist the Government in undertaking reforms of institutions to make them more effective in improving the capability of the construction sector; (ii) assist the Government in undertaking policy reforms leading to enhanced efficiency; (iii) develop training programs focussing on management and technical skills and trades; (iv) finance the resources to be imported for the construction industry to assist it in performing more cost effectively, either through direct loans (cement, steel, etc.) or through commercial and/or development banks; (v) assist in setting up leasing operations through direct IFC participation; (vi) assist financial institutions to strengthen their capability to evaluate loans for this industry; (vii) encourage the private sector and foster its competition with an invigorated public sector.

3. Towards this end, the Bank had financed a study of the construction/contracting industry, prepared under the guidance and supervision of a Steering Committee of the Ministry of Development, Housing and Land Reclamation (MDHLR), which was discussed in a three day symposium in late January 1982 in Cairo chaired by the Minister of MDHLR and widely attended by representatives of the various ministries, contracting companies, World Bank and others concerned with the construction sector. The symposium produced a broad consensus, later confirmed by the ministries involved, concerning the report's analysis and recommendations. Through a number of education projects, the Bank has also been assisting the Government in its national program to train construction workers, most recently in a vocational training project, approved in April 1983, which would continue support for the Government's efforts to increase the supply and upgrade the quality of skilled and semi-skilled manpower in the construction sector.

4. The proposed construction industry project, which was envisaged to be the first in a series, in support of the objectives mentioned above, would: (i) initiate the process of institutional reform by the provision of technical assistance to the institution to be established by the Government in order to prepare an action plan on which the Bank would then comment prior to its implementation; (ii) upgrade the management skills in contracting companies; (iii) strengthen the capability of two financial institutions to evaluate and supervise subloans to contracting companies in the sector; (iv) help to improve the capacity of the construction sector by the provision of finance for construction equipment and machinery for the production of building materials by construction enterprises.

5. The mission explained that the emphasis on institution building was necessary in the current Egyptian environment. For over two decades since nationalization, the sector had operated without well defined rules and regulations since the Government served as client, contractor and material distributor. The Government recently ceased the direct order method ^{1/} and introduced a policy to encourage greater participation of the private sector; accordingly the legislation affecting the industry needed to be updated. Furthermore, such an institution should provide the necessary coordination among the ministries involved in construction and should also represent a balanced cross section of the industry in order to ensure that the views of the contractors themselves, both public and private, were fully represented.

6. The meeting agreed that the Government should establish an institution for pursuing the implementation of the major recommendations of the Construction/Contracting Industry Study. Prior to negotiations, we should have an agreement with the Government on the terms of reference for such an institution and its technical secretariat; prior to Board presentation, the necessary legal steps should have been taken establishing this institution; and by loan effectiveness, the head and key members of the technical secretariat should have been appointed. The meeting further agreed that during project implementation we would agree with the new institution on an action program indicating the priorities of the various reforms in contractual, financial and professional practices.

Amount of the Loan (Issues Paper, para. 5)

7. The meeting agreed that in view of the immense needs of the sector, estimated at some US\$300 million a year, the loan amount should be increased to US\$125 million.

Criteria for Appraising Subprojects (Issues Paper, para.6)

8. The mission explained that appraising contracting companies was very different from appraising manufacturing enterprises and required knowledge of the contractor's activities, his operating environment and operating risks and his competence in handling risk. Since the sub-project evaluation capability

^{1/} During 1962 to 1978, the public sector companies received almost all their work on a negotiated basis under which each company was allocated work directly by a client ministry.

of the financial intermediaries in this area was limited, the mission had joined the staff of the two participating banks in an in-depth appraisal of four public sector contracting companies. Based on this experience and a review of the operating and financial ratios for the last 6 years of a representative sample (i.e. 15 medium size public sector companies) of Egyptian contracting companies, guidelines were being prepared for use by the financial intermediaries in appraising sub-projects under the loan. A summary of these guidelines would be included in the SAR and would be agreed during negotiations.

9. In addition to these guidelines, certain other criteria have been agreed upon with the Steering Committee and the two banks in the utilization of Bank funds and would be confirmed during negotiations. For example, since the project aims to assist small and medium size contracting companies, only enterprises with annual turnovers of less than LE 150 million would be eligible; there would be no free limit for subloans to public sector contracting companies for import of construction equipment since appraisal procedures would be newly designed and the banks would have to become familiar with the methodology; the requests for loans for certain categories of equipment would be given priority over others, for example, the purchase of tools and machines used to maintain, repair and overhaul currently owned construction equipment, associated facilities and related plant, including spare parts would be given the highest priority while loan requests for the purchase of new construction equipment having little relationship to past or current needs of the company but in anticipation of gaining entry into other new areas of construction/contracting would generally be given a lower priority; and, the management development program would assist medium size contracting companies to set up in-house equipment leasing to better monitor and subsequently improve utilization rates.

10. The criteria established under the guidelines, the mandatory management development program for the sub-borrowers in the public sector and the transition from the old system of direct order to a free, competitive system for public works would help ensure more efficient management practices and the economic use of the borrowed funds.

Allocation of Funds Between the Public and Private Sectors
(Issues Paper, paras. 9-10)

11. The mission explained that private sector contracting companies were new and largely involved in housing (not requiring expensive imported equipment). They were only now cautiously diversifying into other activities. Based on extensive discussions with private sector companies and a review of the existing portfolios of the participating banks, the mission felt that the absorptive capacity of the private sector for Bank funds under the proposed loan was limited. The mission also explained that there was little risk of the public sector preempting these funds; the participating banks greatly preferred lending to private over public sector companies. Furthermore, if a percentage allocation were stipulated in the legal documents (and the Government, in this case, would no doubt press for the highest possible allocation for the public sector), this could reduce the flexibility

of the banks in lending to private sector companies. For these reasons, the mission agreed with the strong preference of the Ministry of Investment and International Cooperation that there be no specific allocation for the first construction loan. The meeting endorsed this recommendation, but further agreed that the project agreements with the participating banks should stipulate that they would make their best efforts to ensure the maximum possible financial support to the private sector.

Onlending Arrangements and Financing of Technical Assistance
(Issues Paper, para. 12)

12. The mission explained that the Government of Egypt would be the borrower. The Government would onlend the credit component to the two banks under a subsidiary loan agreement satisfactory to the Bank. For administrative convenience and coordination, the credit component would be notionally allocated equally to the two banks, who would then be responsible for payment of the Bank's commitment charge on their portion of the credit. In order to reward good performance and act as an incentive to the banks to generate the maximum volume of business they can process, the status of commitments would be periodically reviewed by the Bank with the Government and the banks. In the event that either of the banks did not commit the funds available to it within a reasonable period, the Government would transfer the uncommitted portion to the other bank. This would not require any change in the legal documents.

13. The mission further explained that in order to finance the technical assistance program for management training it had developed the following mechanism. The Government would charge a margin of 1 1/2 percent over the Bank rate to: (i) cover the variable interest rate risk; (ii) the foreign exchange risk between the US dollar and the currencies owed to the Bank, and (iii) generate an adequate amount to repay the cost of the technical assistance component for management development. The financial intermediaries would add a margin of 3 percent and the subloans would carry a fixed interest rate for the life of the subloan equivalent to the prevailing Bank rate plus 4 1/2 percent. The subborrowers would repay the loan at the official exchange rate at the time of repayment and thus carry the risk between the Egyptian pound and the US dollar. The interest rates would be reviewed annually to reflect changes in the cost of similar, alternative funds to Egyptian borrowers, and the new rates would be applied to the uncommitted portion of the loan. Under this proposal, with the current Bank rate of 10.5 percent, the final cost to the subborrower would be 15 percent; this was comparable with the dollar rates prevailing in the international capital markets (LIBOR + 2 percent or currently about 12 1/2 percent), even after allowance was made for the fact that conversion of US\$ in LE pounds would be made at the official commercial exchange rate of .84 under the Bank loan compared to the free market rate of about 1.10 in most other cases. The interest rate structure would also be attractive to the banks due to the 3 percent spread which is considered adequate.

14. The meeting agreed that given the importance attached to the management development program and the Government's tight fiscal situation, the proposed method of financing technical assistance was acceptable so long as the participating banks were assured of a margin of 3 percent.

Cleared with and cc: Messrs. Zaidan, Malik, Abu Akeel, Kaden .

cc: Messrs. Chaufournier, Fitchett (EMNVP); Lari, Colaço, Povey, Favilla (o/r), Wall, Ahmed (EM1); Picciotto, Finzi, Pranich, Elliott, Jones, Ljung, Coudol, Deshpande, Kinawy, Hadjicostas (EMP); Rajagopalan (3)(PAS); Swahn (EDC); Dewey, Kohli, Dervis (IND); Henriod (TWD); Ms. Linder (LOA)

RZaborski:hj (786-7)

July 11, 1983

Files

Robert W. Zaborski, Acting Division Chief, EMIDA

3-2459

Lending Program Review

1. The following decisions were taken at the director level review of the lending program on July 8, 1983:

FY84

El Obour: made a reserve project
Construction Industry: increased to \$125.0 million
Agricultural Credit for Mechanization: after much discussion, left as is
Regional Water/Sewer. Engineering: as is
Maintenance Rehabilitation for Irrigation Drainage: Added as a reserve for \$70 million.

Estimated
Board a/

-
3rd Quarter
4th Quarter
October
-

FY85

Port Said Rehabilitation: Made an FY85S for \$15 million, with strong hopes to advance to FY84
Export Promotion: advanced from FY86

FY86S

Lake Manzala and New Land Devt. II: left as FY86S with commitment from Projects to make them strong candidates for advancement.

cc: Messrs. Favilla (o/r), Moini (o/r), Mss. Mehra, Jones (EM1)

a/ When committing the Department, these estimates will be used.

Egt - Agr. Sector
(New Land Dev 2)
Egt - Leap

Egt - Urban Dev. 3
Egt - Construction Industry
Egt - Agriculture Credit
Egt - Water Supply & Engineering
& T.A.
Egt - Agr. Sector
(Canals & Open Drains Maint.)
Egt - Transport Sector
(Ports II)
Egt - D.F.C. Sector. Manufactured
Exports Dev. Study
Egt - Lake Manzala

OFFICE MEMORANDUM

EGT-Construction Industry

DATE: June 28, 1983

TO: Mr. Surinder K. Malik, Mission Leader

FROM: George C. Hadjicostas, Senior Civil Engineer, EMPTA, Mission Member

EXTENSION: 32639

SUBJECT: EGYPT - Construction Industry Project - Issues Paper

I refer to your Issues Paper, dated June 27, 1983 on the proposed Construction Industry Project in Egypt. Although your paper describes the Construction Industry in Egypt and its problems very effectively and proves the importance and need for a Bank loan, your recommendation that the Bank refrains from making this loan unless, prior to negotiations, the Government establishes the High Council for Construction or some other mechanism to review and implement the recommendations of the Construction/Contracting Industry Study is too severe and would be detrimental to the development of the Construction/Contracting Industry of Egypt.

The Study came out with a large series of very useful findings and recommendations. Although I agree with the need to carry out the institutional reforms suggested in the Study, it is not certain that by simply establishing a Higher Council for Construction, or such similar body, it would succeed to bring about these reforms when one takes into account the present environment and bureaucracy of Egypt.

Having these problems into mind, our proposed project was designed, so that benefiting Public Sector Companies would be required to accept academic courses, including on-the-job coaching, in Enterprise Management, as a prerequisite for receiving a sub-loan to purchase equipment. This condition fulfills one of the most basic and essential needs of the Construction Industry and implements one of the major recommendations of the Study. Improving the management of Public Sector Contracting Companies could prove to be the turning point in the Construction/Contracting Industry of Egypt.

The proposed project is very well designed, is self contained and it would help the industry develop, by improving the internal resources of the Contracting firms. For this reason I suggest that the recommendation made is reconsidered, and the requirement for the establishment of a body or mechanism to implement the recommendation of the Study as a condition for negotiations be waived. Instead at negotiations the Government should be asked to reconfirm the fact that they already have accepted the recommendations of the Study and to give assurances that they would start implementing them forthwith, using existing Government Services, or the Steering Committee whilst arranging for appropriate legislation to be enacted for establishing this special body.

On the question of allocation of funds between public and private sector I consider that it would be more beneficial to the industry, if we adopt the view of the Steering Committee, namely to allocate 70 to 75% of the loan to the public sector. Such a distribution would help elevate a greater number of public companies, which, after all, are and will continue to be the backbone of the Construction/Contracting Industry in Egypt.

cc: Messrs. El Maaroufi, Kinawy, Li, Socknat
Zaidan, Zaborski

GCH/mj

OFFICE MEMORANDUM

2460-EGT
6/28/83

DATE June 28, 1983

TO Mr. Surinder K. Malik, Mission Leader

FROM George C. Hadjicostas, Senior Civil Engineer, EMPTA, Mission Member

EXTENSION 32639

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2 yrs. have
already
passed.

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cc: Messrs. El Maaroufi, Kinawy, Li, Socknat
Zaidan, Zaborski

GCH/mj

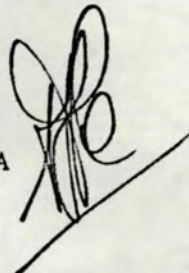
OFFICE MEMORANDUM

EGT-Construction Industry

DATE June 27, 1983

TO Distribution Below

FROM Alberto J. Favilla, Division Chief, EMLDA



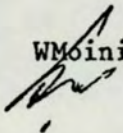
EXTENSION 32464

SUBJECT EGYPT - Proposed Construction and Contracting Industry Project

The Decision Meeting on the Issues Paper of the above project dated June 22, 1983, will be held at 3:00 p.m. on Thursday, June 30, in Room H-7148.

Distribution:

Messrs. Chaufournier, Dubey, Richardson (EMNVP); Lari, Colaço, Ms. Schaeffer, Favilla, Zaborski, Wall (EML); Picciotto, Finzi, Pranich, Elliott, Jones, Ljung, Coudol, Deshpande, Kinawy, Hadjicostas (EMP); Rajagopalan (PAS); Swahn (EDC); Fuchs, Kohli, Dervis (IND); Kaden (TWD); Abu Akeel (LEG); Hattori, Ms. Linder (LOA); Mayer (LOACS); Gustafson (CEM)

 WMoini:hj

Cl. with and cc: Messrs. Zaidan, Malik

Egt. Construction Industry

6-22-83

OFFICE MEMORANDUM

DATE June 22, 1983

TO Mr. George C. Zaidan, Division Chief, EMP ID

FROM Surinder K. Malik, ^{SG2}EMP ID

EXTENSION 3-3056

SUBJECT EGYPT - Construction Industry Project
Issues Paper

1. A mission consisting of Messrs. Deshpande, Hadjicostas (EMP), Gates (consultant) and myself visited Egypt during May 14 - June 2, 1983 to appraise the first construction industry project. Mr. Coudol joined the mission during May 15 - May 19 and Mr. Austen (ILO) during May 29 - June 2, 1983. The mission conducted discussions with the Government (Ministry of Development, Housing and Land Reclamation and Ministry of Investment and International Cooperation), the Steering Committee of the Ministry of Housing, the financial intermediaries, technical and training organizations, and public and private sector contracting companies. The agreements reached with the Government and principal issues that remain were recorded in an Aide-Memoire which is attached. The major project issues are discussed below following summary descriptions of the Egyptian construction/contracting industry and the proposed construction industry project.

I. The Egyptian Construction/Contracting Industry

2. The Egyptian construction/contracting industry has come under considerable strain since the opening up of the economy in 1974 and Government efforts to accelerate the rates of investment and economic growth. The industry has proven to be a major bottleneck in the implementation of the Plan, and the cost to the economy due to lower quality of workmanship, significant delays in completing work and excessively high prices have been enormous. A comprehensive analysis of the sector with specific recommendations for improving the efficiency and for developing the capacity of the industry is contained in the Bank-financed study prepared by a team of Egyptian and foreign consultants under the guidance and supervision of a Steering Committee of the Ministry of Housing and Reconstruction ^{1/}. The primary and overriding characteristic of the industry is Government dominance. Government is involved in financing, organizing and managing construction enterprises as well as in supplying human, material and financial resources. It produces, allocates and distributes key building materials; trains construction manpower; provides equipment; determines the technology to be used; and, finances most construction activity. Functional responsibilities for these various activities are not generally separated, leading to a blurring of functions encouraging delayed payments by the client, inadequate project supervision, and largely ignored contractual requirements on the part of the contractor. The industry has suffered from a preoccupation by the Government with getting work done by public sector contractors with very little control over costs. While all the main factors of production (management, personnel, equipment, building materials and finance) of the construction industry are in short supply, the lack of good management is the most severe constraint to the efficient operation of the industry.

^{1/} Arab Republic of Egypt - Construction/Contracting Industry Study, Final Report, July 1981.

3. Given the multisectorial process of building and constructing, better coordination of Government regulatory measures and policies followed by appropriate adjustments is a prerequisite for the entire construction sector to operate efficiently. At present the industry is itself poorly organized and lacks effective institutions and associations of the professions involved. There is an urgent need to undertake reforms of institutions to unify and to make more effective the presently fragmented responsibility and inadequate capacity of the sector. There is a need for industry-wide agreement on tendering procedures, strengthened prequalification requirements and contract documentation; an updating of the body of legislation dealing with the sector and its strict enforcement; Government leadership in influencing the use of materials and equipment through design and specifications; effective use of building permit system; the development and use of standards and cost norms; increasing the stock of trained manpower; introduction of management courses as part of the obligatory curriculum for professions likely to contribute managers for the construction industry; and, improvements in Government's payment procedures and planning. Revitalization of the industry will require a new institutional framework more responsive to the needs of the industry.

II. Project Description

4. The project's main objective is to assist the Government in the implementation of a number of important recommendations of the Bank-financed Steering Committee report on the Egyptian Construction/Contracting Industry. More specifically, the major objectives of the first construction sector loan are to: (i) bring about the much needed institutional reforms along the lines recommended by the report; (ii) reduce Government dominance of the sector by reforms in policies and procedures by the provision of technical assistance to the new institution to be established under (i); (iii) upgrade the skills of the senior staff of public sector contracting companies in order to strengthen management ability to organize and deploy resources in a more efficient manner; (iv) open up access to institutional finance by the use of more than one financial intermediary; and (v) help improve the capacity of the construction sector by the provision of finance for construction equipment and machinery and equipment for the production of building materials.

5. The above project objectives and the main project components were outlined in the Project Brief (July 12, 1982) and have remained essentially unchanged. Assuming an overall loan figure of US\$100 million, loan proceeds will be allocated among technical assistance and credit components as follows:

A. Technical Assistance

- (i) \$4.6 million for technical assistance for the Management Development Program. Many managers in the public sector companies are well educated, but are lacking experience in, or exposure to, good management related to executing construction work. Two decades of direct order work, cost plus contracts, non-competitive operations, with no predetermined total cost targets, and no real incentives for improving performance have

contributed to this situation. The management development program will provide for a combination of academic inputs and practical on-the-job coaching, with accent on the latter. Under the program, which will be compulsory for those public sector companies which avail of the credit component, technical assistance in the form of advisors will be made available to the senior managers to work with them for certain limited periods. The advisors will identify both management training needs and the scope for improvement in management information and operating systems, such as cost systems, plant management systems, and estimating systems. The program has been discussed and agreed with the Steering Committee and chairmen of some 15 public sector companies; it will be detailed in the context of the SAR.

The delivery of the technical assistance will be entrusted to the ILO, which will enter into a contract with the Ministry of Housing and Reconstruction. In order for the project to contribute to longer term development beyond its own immediate life, the project will use the Sadat Institute of Management on a subcontract basis so that it may gain experience in the field of construction management, while at the same time contributing its knowledge of local conditions as well as pedagogical expertise. The ILO will be responsible for the recruitment of the technical assistance team, for provision of training equipment, for subcontracting arrangements and for general administration and technical support. Details of the services to be provided will be the subject of a proposal submitted by the ILO for the approval of the Bank and the Government. The general oversight and monitoring of technical assistance will be the responsibility of the Steering Committee, which will also include representatives of the two financial intermediaries and TOMOHAR.

- (ii) \$200,000 for technical assistance to the High Council for Construction to enable its General (Technical) Secretariat to hire consultants, prepare studies and make recommendations regarding many important aspects of the industry. While the work program will only be finalized after the High Council has been established, priority areas of work are likely to include a review of all legislation affecting the industry, establishing national standards for tendering procedures and contract documents to make competitive bidding more meaningful, and issues dealing with research (GOHBPR) and training (TOMOHAR). Certain other tasks, for example, classification of contractors will be performed by the Contractors Association (draft legislation for the establishment of the Contractors Association is under review by the cabinet).

- (iii) \$200,000 for technical assistance to the Development Industrial Bank and Bank Misr to strengthen their sub-project evaluation capability. Both banks have been recipients of Bank loans in the past and are familiar with Bank procedures for subloan reviews. Bank Misr will strengthen the Investment Centre's General Department for Contracting and Service Companies by engaging one experienced civil engineer on a fixed term contract basis. Both banks will recruit, under Bank guidelines, either foreign or local consultants and also depute their staff to attend training courses abroad and/or in Egypt. Bank funds allocated for technical assistance to the two banks can be utilized against 100% of the foreign costs and 75% of the cost of local consultants.

II. Credit Component

\$95.0 million as credit component to finance the foreign exchange needs of the eligible enterprises in both the public and the private sectors for the acquisition of fixed assets and associated permanent working capital. Eligible enterprises are defined to include (i) contracting companies in the public sector, the private sector and those formed under Law 43; (ii) enterprises involved in the production of building materials (excluding cement and steel) and small items of construction equipment; and (iii) equipment leasing companies.

6. Given the inherent risks in the construction industry and the present limited capability of the participating banks to evaluate sub-projects in the construction sector, the Bank mission participated in the appraisal of four public sector contracting companies in the field with the staff of the two participating banks. All four companies belong in the medium range with annual turnover of between E£ 20- E£ 40 million. A majority of public sector sub-borrowers are expected to fall in this category with individual loan requests of between \$2 to \$5 million. Individual company appraisals (reports under preparation) focus on quality of company management, company activities, amount of subcontracting, stock and status of construction equipment, amount of work at hand, justification for new equipment and spares, past track record and prospects in the next several years. This analysis will be supplemented by standard ratio analysis (operating ratios and financial ratios) used in assessing the creditworthiness of contracting companies and strengthened by the qualitative assessment of technical experts who made site visits, visits to company yards and workshops and held numerous discussions with the chairmen and other senior staff of these companies. Based on these appraisals, a guideline for appraising contracting companies will be prepared for use by the two participating banks. The criteria established in the guidelines would be applied by the banks in appraising sub-projects under the loan.

7. The preappraisal mission in its back-to-office report (November 24, 1982) had stated that the Government had followed up on its decision in early 1979 to cease the direct order method for public works. Competition has increased in recent years through the practice of open bidding (advertisement

in newspapers) and restricted bidding. No new contract is now awarded without free competitive bidding. A good example is the recent award of a new military city contract (at Ef 260 million the largest project ever awarded) to a private sector company. A consortium of public sector companies, headed by Arab Contractors, finished a poor third behind another private sector company. That free competitive bidding is the rule rather than the exception is also borne out by the declining trend in gross margins in the last four years earned by 15 public sector companies for which the mission was able to compile data in the field. However, even the new system has serious deficiencies. There is no contractors' registration board and no system of classification to judge prequalifications of contractors.

III. Project Issues and Recommendations

8. In line with the recommendations of the Construction/Contracting Industry Study (July 1981) and the Bank discussion of the report (October 1981), the first construction industry project has been designed to strengthen institutions that can improve the environment in the longer run. In the short term, the performance of the sector will be improved through the provision of technical assistance to the public sector contracting companies. Given the problems of the sector (Section I above), an institution representing the participants of the industry is needed to gradually start implementing policy reforms in selected priority areas. Such an institution is necessary to coordinate construction activity among various ministries and organizations. The Steering Committee in mid-1982 prepared draft articles for a Construction Industry Development Board (CIDB), which was reviewed by the Bank and found satisfactory. CIDB was to be affiliated to the Council of Ministers, with its own corporate autonomous status and Board of Directors and a mandate to coordinate and to oversee the development of the entire sector. The Board was to represent a balanced cross section of the entire industry, including representatives of various ministries, public and private sector companies as well as other organizations and institutions associated with the construction and contracting industry. The CIDB was to have its own General Secretariat to (i) prepare studies and make recommendations to the Board regarding many important aspects of the industry; (ii) monitor and follow-up the implementation of the resolutions of the Board; and (iii) coordinate the activities of the various agencies concerned with the operations of the industry. The scope of the two existing agencies dealing with training (TOMOHAR) and research (GOHBPR) was to be enlarged and these agencies were to be affiliated to the General Secretariat. In spite of numerous discussions involving six ministries and the Ministerial Committee for Production (headed by a Deputy Prime Minister), the Government had not taken a final decision for the establishment of CIDB at the time of the preappraisal of the project in November 1982. At the suggestion of the Minister for Development, Housing and Land Reclamation the proposal for a Board was discarded in early 1983 in favor of a High Council for Construction, but with the same terms-of-reference as the Board. However, the Minister, while recognizing the need for such an institution, has not taken a final decision on its structure and organization. The Ministry of Investment and International Cooperation will shortly submit a memorandum to the cabinet and the decision of the cabinet will be transmitted to the Bank by end-July. The cabinet had earlier approved in principle the proposed Bank loan for the construction sector.

Recommendation: Given the importance attached to institutional reforms, loan negotiations should be conditional on the passage of a decree, satisfactory to the Bank, for the establishment of a High Council for Construction. In the event, the Government decides against the establishment of a High Council, the Bank should refrain from making the loan unless it is satisfied that an adequate alternative mechanism is established to review and implement the recommendations of the Construction/Contracting Industry Study.

Allocation of Funds Between the Public and the Private Sectors

9. The share of the private sector in the main contracts awarded is estimated at 28 percent in 1981-82. Including sub-contracting for public sector companies, the actual amount of work carried out by private sector companies is about one-half of total turnover. However, in most instances of subcontracts no heavy construction equipment is required and even when needed such equipment is provided by the main contractor. The appraisal mission held discussions with all the large (annual turnover of between E£ 5 and E£ 20 million which put them in the low range of the medium size public sector companies) private sector companies as well as with DIB, which has built up a small construction sector portfolio as a result of past Bank lines-of-credit. Based on these reviews, the mission is convinced that the private sector will be unable to absorb one-half of the credit component in the next 2-3 years. Most of the private sector companies are new and are just finishing their first or second project (during 1961-1973 the operations of the private sector companies were limited by a contract ceiling of E£ 35,000); these companies are mostly involved in housing and are likely to only gradually diversify into other activities. Wherever the private sector companies have been awarded large public contracts (for example, the new military city), conditions of contracts call for the Government to provide the foreign exchange required to execute the works. Most of the funds utilized by the private sector under the loan are likely to be for building materials production rather than for construction equipment. Public sector companies, on the other hand, are involved in more equipment intensive work and a large proportion of their equipment fleet is obsolete and needs to be replaced in the next 4-5 years.

10. The Steering Committee favors an allocation of funds which is roughly in the same proportion as the share of public sector companies (70-75%) and private sector companies (25-30%) in the total turnover. The Ministry of Investment and International Cooperation has proposed that there be no specific allocation of funds as between the public sector and the private sector companies.

Recommendation: The mission agrees with the proposal presented by the Ministry of Investment and International Cooperation that for the first construction sector loan there be no specific allocation, since the main constraint is the absorptive capacity of the private sector and not the danger of pre-emption of resources by the public sector companies. This proposal affords maximum flexibility in lending to the private sector companies and both the participating banks favor lending to the private sector companies over the public sector companies.

Financing of Technical Assistance

11. The Government has agreed with the mission's recommendation that management training be made compulsory for those public sector companies which avail of the line of credit for the purchase of construction equipment. However, in the light of budgetary constraints, the Government does not wish to subsidize the cost of technical assistance.

12. As in the case of the Second Agroindustries loan, the Government proposes to charge a margin of one percent to cover the risks arising out of the variable interest rate and the currency pool. The mission has proposed that the Government add an additional one-half of one percent margin on the credit component to generate an adequate amount to repay the cost of the technical assistance component for management development.

Recommendation: It is proposed that the cost of management training be financed out of the spread of the financial intermediaries. The final cost to the subborrowers will still be subject to a minimum of 15 percent in US dollars and the participating banks' will still have a margin of at least 2 1/2 percent (assuming IBRD rate of 11 percent) which should be adequate.

IV. Next Steps

13. It is proposed that the Bank, after the Decision Meeting, send a telex to the Government stressing the need for institutional reforms referred to in para 8 above. On the assumption that a positive response is received, the following timetable can be adhered to in the further processing of the project.

White Cover SAR	July 25
Yellow Cover SAR	August 26*
Documents to Loan Committee	September 30
Negotiations	October 17
Board Presentation	December 15

*Processing of SAR into yellow is subject to receiving Government confirmation by end-July.

Attachment

cc: Messrs. Chaufournier, Dubey, Richardson (EMNVP), Lari, Colaco, Ms. Schaeffer, Favilla (4), Zaborsky, Wall (EML), Picciotto, Finzi, Pranich, Elliott, Jones, Ljung, Coudol, Deshpande, Kinawy, Hadjicostas (EMP), Rajagopalan (8) (PAS), Swahn (EDC), Fuchs (2), Kohli (5), Dervis (IND), Kaden (TWD), Abu-Akueel (2) (LEG), Hattori, Ms. Linder (LOA), Mayer (LOACS), Gustafson (CEM), EMENA Information Center ✓

SMalik:js

AIDE - MEMOIRE

EGYPT - CONSTRUCTION INDUSTRY PROJECT

1. A World Bank mission visited Egypt during May 14 - June 2, 1983 to appraise the construction industry project. The mission held meetings with the Chairman and members of the Steering Committee of the Ministry of Reconstruction, Housing and Land Reclamation, the staff of the two financial intermediaries, Development Industrial Bank and Bank Misr, technical and training organizations in Egypt, and public and private sector contracting companies. The mission also met with Mr. Samir Koraïem, Senior Undersecretary, Ministry of Investment and International Cooperation and Mr. Salah Fahmy, Senior Undersecretary, Ministry of Reconstruction and Housing.
2. The Bank mission considers project appraisal incomplete since the Government has yet to take a final decision on the establishment of a Council/Board for Construction. This was the most important recommendation of the Construction Contracting Industry Study and is also an integral part of the first construction industry project. The mission was informed that necessary papers will shortly be submitted to the cabinet for a final decision.
3. The rest of the aide-memoire describes the other project elements the appraisal of which has been satisfactorily completed.

PROJECT COMPONENTS

4. The Construction Industry Project has two main components, credit component and technical assistance component.

CREDIT COMPONENT

5. The credit line will be utilized by the Development Industrial Bank and Bank Misr to finance the foreign exchange needs of the eligible enterprises in both the public and the private sectors for the acquisition of fixed assets and associated permanent working capital. Eligible enterprises are defined to include (i) contracting companies in the public sector, the private sector and those formed under Law 43; (ii) enterprises involved in the production of building materials (excluding cement and steel) and small items of construction equipment; and (iii) equipment leasing companies. The purchase of spare parts for existing equipment and replacement of existing obsolete plant and equipment will be given priority over acquisition of new plant and equipment needed to diversify the operations of a contracting company.

TECHNICAL ASSISTANCE

6. The following components constitute technical assistance under the project:

INSTITUTION BUILDING

7. In order to develop better coordination among the participants in the construction/contracting industry, the urgent need to establish a Council/-Board has been well recognized. Given the multisectorial process of building and constructing, it is only through such an institution that better coordination of regulatory measures and policies can be accomplished. The proposed Council/Board should represent a balanced cross section of the entire industry, including representatives of various ministries, public and private sector companies as well as other organizations and institutions associated with the construction and contracting industry. The High Council should have its own General Secretariat which will be responsible for implementing the policy established by the Council. The Secretariat should be empowered to hire consultants and form committees in various areas to assist the High Council in addressing issues referred to it. More specifically, the General Secretariat should (a) prepare studies and make recommendations to the High Council regarding many important aspects of the industry (b) monitor and follow-up the implementation of the resolutions of the High Council and (c) coordinate the activities of the various agencies concerned with the operations of the construction and contracting industry. The scope of the two existing agencies dealing with training (TOMOHAR) and research (GOHBPR) should be enlarged and these agencies should be affiliated to the General Secretariat.

(ii) MANAGEMENT DEVELOPMENT PROGRAM

8. A comprehensive program for upgrading the skills of the senior staff of contracting companies is required to strengthen management ability to organize and deploy resources in a more efficient manner. The proposal submitted to the Steering Committee by the Bank mission in April, 1983 was reviewed and agreed upon. In summary, the management development program provides for (a) a combination of academic inputs and practical on-the-job coaching, with accent on the latter (b) training on the basis of practical cases drawn from their own industry and environment and (c) uses a combination of local and foreign experts. On the job coaching, which will account for a large proportion of the total training component, will be compulsory for those public sector contracting companies which avail of the credit component for the purchase of construction equipment. Academic inputs and workshop methods, on the other hand, will be open to a wider audience from the construction/-contracting industry.

9. The delivery of the technical assistance for the construction management development program will be entrusted to the International Labor Office (ILO), which will enter into a contract with the Ministry of Housing and Reconstruction. The ILO will be responsible for the recruitment of the technical assistance team, for provision of training equipment, for subcontracting arrangements and for general administration and technical support. Details of the services to be provided will be the subject of a proposal submitted by the ILO for government approval. The general oversight and monitoring of technical assistance will be the responsibility of the Steering Committee of the Ministry of Housing and Reconstruction, which will also include representatives of the two financial intermediaries and TOMOHAR.

(iii) PARTICIPATING BANKS

10. In order to undertake appraisal of sub-projects in the construction/contracting sector both the Development Industrial Bank and Bank Misr have proposed to strengthen their project evaluation capability. Bank Misr has proposed to strengthen the Investment Centre's General Department for Contracting and Service Companies by engaging one experienced civil engineer on a fixed term contract basis. In addition, the department will avail of the services of a consultant for appraisal of loan applications. Deputation of the staff of DIB and Bank Misr to attend training courses abroad and/or in Egypt will further strengthen project evaluation capability. Arrangements will also be made to provide assistance and short training sessions to the staff of both banks in the processing of loan applications during the course of World Bank supervision missions.

APPRAISAL PROCEDURES

11. The Bank mission appraised 4 public sector contracting companies in the field with the assistance of the staff of the two participating banks. This appraisal included numerous discussions with the Chairmen and other senior staff of these companies, site visits, visits to company yards and workshops, and an analysis of the data on equipment (existing as well as need for new equipment) and financial performance. The Bank mission is grateful to the staff of these companies for their cooperation and patience. Based on these appraisals, the Bank will prepare a guideline for appraising contracting companies which will be submitted to the participating banks. The criteria established in the guidelines would be applied by the participating banks in appraising sub-projects under the loan.

II. ALLOCATION OF FUNDS

12. The Government of the Arab Republic of Egypt will be the borrower for the loan of between U.S.\$80 - \$100 million. Loan proceeds will be allocated among the 5 project components as (a) U.S.\$200,000 as technical assistance to the High Council for Construction (b) \$100,000 for technical assistance to Development Industrial Bank (c) \$100,000 for technical assistance to Bank Misr (d) \$4.6 million as technical assistance for the Management Development Program and (e) the remaining amount for the credit component. The entire loan would be at the Bank's variable interest rate. The Government would onlend the amount for the credit component and the amount of \$100,000 each for the two participating banks to them under a subsidiary loan agreement which would be at a fixed interest rate. A margin of 1 1/2% could be charged by the Government to cover the variable interest rate risk which it would bear and also to generate an adequate amount to repay the cost of the technical assistance component for management development.

13. The two participating banks will enter into separate project agreements with the Bank regarding the use of the subsidiary loan proceeds. For administrative convenience and coordination, the Government has proposed that it would operate the credit component as follows: the credit would be notionally allocated equally to the two banks, which would then be responsible for payment of the Bank's commitment charge on their portion of the credit.

In the event that, in the judgement of the Government, either of the banks does not commit the funds available to it within a reasonable period, the uncommitted part would be transferred to the other bank. The status of commitments would be periodically reviewed by the Bank with the Government and the banks to enable a timely reallocation of funds, if this should be necessary.

14. Bank funds allocated for technical assistance to the two banks will be utilized against 100% of the foreign costs and 75% of the costs of local consultants. Any amount not utilized for technical assistance would be available to DIB and Bank Misr for onlending in sub-loans. Repayment of any amount utilized by the two financial intermediaries for engaging consultants, training of staff etc. would be the responsibility of the banks themselves.

III. OUTSTANDING ISSUES

COUNCIL/BOARD FOR CONSTRUCTION

15. The Bank mission reviewed the draft articles of the High council prepared by the Steering Committee and considers it a suitable framework for addressing the many constraints faced by the industry. However, the Government, while recognizing the need for such an institution, has not taken a final decision on its organization and structure. Without such a decision the appraisal of the project cannot be considered complete. The mission was informed that the proposal will shortly be submitted to the cabinet for a final decision.

ALLOCATION OF CREDIT COMPONENT

16. Given the need to promote the private sector in the production of building materials and contracting, the Bank mission proposed that the credit component be allocated in such a way that the private sector should receive at least one-half of the total amount allocated for equipment and machinery. The Steering Committee, on the other hand, favors an allocation roughly in the same proportion as the share of public sector companies and private sector companies in total turnover. The Government has proposed that there be no specific allocation of funds as between the public sector and the private sector companies.

ENG. ABDEL RAHMAN EL KASHEF
(CHAIRMAN, STEERING COMMITTEE)

S. K. MALIK
(WORLD BANK)

Cairo, June 1, 1983.

DISTRIBUTION

H. E. Hasballah Mohammad Kafrawi, Minister for Housing and
Reconstruction

H.E. Wagih Shindi, Minister for Investment and International
Cooperation

Mr. Samir Koraïem, Senior Undersecretary, Ministry of Investment
and International Cooperation

Mr. Salah Fahmy, Senior Undersecretary, Ministry of Housing and
Reconstruction

Mr. Abdel Hamid Kabodan, Chairman, Development Industrial Bank

Mr. Mohamed Nabil Ibrahim, Deputy Chairman, Bank Misr.

Members of the Steering Committee.

Egt - Construction
Industry

June 14, 1983

Mr. Abdel Hamid Kabodan
Chairman, Development Industrial Bank
110 El Galaa Street
Cairo, Arab Republic of Egypt

Dear Mr. Kabodan,

Back in Washington, I am just dropping you a line to thank you for your courtesy and assistance to the Construction Industry Project Mission during our stay in Cairo. We are especially grateful for the services of Messrs. Ali Shaen and Aly Mostfa Aly who did an excellent job. Without their assistance, the Bank mission could not have compiled the information needed to appraise the public sector contracting companies.

We are now awaiting final Government decision on institutional reforms. As indicated in the mission's aide-memoire (a copy was left with Mr. Omar), this is the only major issue that remains.

Again, many thanks. Mr. Desphande joins me in wishing you a speedy recovery.

Sincerely yours,

SM

Surinder Malik
Industrial Development & Finance Division
Europe, Middle East and North Africa Region

SM:js

OFFICIAL FILE COPY

OFFICE MEMORANDUM

Files
Egt. Construction Industry

TO: George Hadjicostas, Senior Civil Engineer, EMPTA

DATE: June 10, 1983

FROM: Bob Li, Acting *SL* Chief, EMPTA

SUBJECT: Field Visit to Caterpillar Tractor Works and Training Facilities

u/att
It is confirmed that you can join the Transportation and Construction staff to their visit to the Caterpillar Tractor Works and Training Facilities, details are attached. This field trip (June 15 - June 17, 1983) is expected to enhance your acquaintance of equipment outputs, costs and leasing rates items directly concerned with your current involvement in the Construction Industry project for Egypt.

On your return, you should prepare a brief report on your visit.

Attachments

cc: Messrs. El Maaroufi (o/r), Kinawy (o/r), Socknat

GH:mrr

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TO: ENG. ABDEL RAHMAN EL KASHEF, CHAIRMAN,

STEERING COMMITTEE, MISR ENGINEERING AND CONSTRUCTION COMPANY,
CAIRO, ARAB REPUBLIC OF EGYPT. REFERENCE CONSTRUCTION INDUSTRY
PROJECT. BANK MISSION NOW ANALYZING DATA SUBMITTED BY THE FOUR
PUBLIC SECTOR COMPANIES. IN ORDER TO COMPLETE APPRAISAL OF EGYCO
WE NEED LIST OF EXISTING EQUIPMENT AS WELL AS NEW EQUIPMENT AND
SPARES EGYCO PROPOSES TO PROCURE. EGYCO HAD PROMISED BUT WAS
UNABLE TO COMPLETE LIST BEFORE MISSION DEPARTURE FOR WASHINGTON.
WILL BE GRATEFUL IF YOU CAN COLLECT AND AIRMAIL EGYCO LIST TO THE
BANK. WITH BEST REGARDS, SURINDER MALIK, WORLD BANK.

END
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TEXT

NOT TO BE TRANSMITTED

CLASS OF SERVICE: Telex

TELEX NO.: 93137 MISIC UN

DATE: 6/8/83

SUBJECT:

EGYCO - Construction Industry SMalik:js

CLEARANCES AND COPY DISTRIBUTION:

cc. Messrs. Hadjicostas, Zaborski Surinder Malik

DRAFTED BY:

AUTHORIZED BY (Name and Signature):

DEPARTMENT:

EMENDA/IDF

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1983 JUN 10 PM 12:17

MR. ABDEL RAHMAN EL KASHER, CHAIRMAN

CABLE SECTION

STEERING COMMITTEE, HIGH ENGINEERING AND CONSTRUCTION COMPANY,
CAIRO, ARAB REPUBLIC OF EGYPT, REFERENCE CONSTRUCTION INDUSTRY
PROJECT, BANK MISSION NOW ANALYZING DATA SUBMITTED BY THE FOUR
PUBLIC SECTOR COMPANIES, IN ORDER TO COMPLETE APPRAISAL OF EGYPT
AND NEED LIST OF EXISTING EQUIPMENT AS WELL AS NEW EQUIPMENT AND
THREE EGYPT PROPOSALS TO PRODUCE, EGYPT HAS PROVIDED BUT WAS
UNABLE TO COMPLETE LIST BEFORE MISSION DEPARTURE FOR WASHINGTON,
WILL BE COOPERATE IN NEW LIST COLLECT AND ANALYZE EGYPT LIST TO THE
BANK, WITH THIS REGARD, CONSIDERED FALL, WORLD BANK.

21/2/83

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CAIRO JUNE 1, 1983

FOR MR. GEORGE ZAIDAN

ALL COMPONENTS OF CONSTRUCTION INDUSTRY PROJECT APPRAISED WITH
THE EXCEPTION OF HIGH COUNCIL DUE TO INDECISION ON PART OF MOH.
APPRAISAL THUR INCOMPLETE. MR. KORAIEM WILL SHORTLY SUBMIT
NECESSARY PAPERS TO CABINER FOR FINAL DECISION . DELAY SHOULD
BE EXPECTED . HAVE LEFT DETAILED NOTE FOR MR. FAVILLA WITH HIS
ECONOMIC TEAM. MISSION LEAVING THURSDAY AS SCHEDULED . WILL STOP
IN LONDON FOR ONE DAY TO MEET MR. POLLAN.

BEST REGARDS.

MALIK. RM 1223

✶

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REPLY VIA ITT

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Egt - Construction Industry ^{Met} Project
Mr. Zaiden
Mr. Favilla

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TO: MR. SAMIR KORAIEM, SENIOR UNDERSECRETARY,

MINISTRY OF INVESTMENT AND INTERNATIONAL COOPERATION, CAIRO, ARAB
REPUBLIC OF EGYPT. WOULD LIKE TO INFORM YOU THAT MR. ZABORSKI
PROPOSES MISSION TO EGYPT BEGINNING MAY 21, 1983 FOR ABOUT TEN
DAYS TO JOIN APPRAISAL MISSIONS FOR PROVINCIAL WATER SUPPLY AND
SEWERAGE ENGINEERING AND CONSTRUCTION SECTOR PROJECTS. PLEASE
ADVISE IF TIMING CONVENIENT. BEST REGARDS, FAVILLA, WORLD BANK.

END
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NOT TO BE TRANSMITTED

CLASS OF SERVICE: TELEX

927- 348 GAFEC UN

DATE: May 16, 1983

SUBJECT: EGT: W/S & Sewerage & Const.Ind.

DRAFTED BY: RZaborski:hj

CLEARANCES AND COPY DISTRIBUTION:

cc: Ms. Pacheco

AUTHORIZED BY (Name): Alberto J. Favilla

DEPARTMENT: EM1

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Egt. Construction Industry

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DIST: MR. ZAIDAN
MR. FAVILLA

CONSTRUCTION INDUSTRY

OBJ721 IN 18/07:42 OUT 18/10:06

54092 NSGKD UN

TLX NR.KED 1622/83 17/5/83 1449 HRS.

ATT. MR. GEOFFREY GOWEN

=====

REYTLX 29/4/83 REGARDING COSTING FOR FABRIC WARP 24

WEFT 24 CONSTRUCTION 76 ENDS/CM

64 PICKS/CM

THE COSTING FOR 75X64

----- WIDTH 63 INCH

24X 24

AS FOLLOWS :-

LABOUR L.D. .0734

POWER .0077

AUXILIARY MATERIALS

.0071

DEPRECIATION .0024

INTEREST .0241

YARN COST .5856

TOTAL FABRIC COST L.E. .7003

B.RGDS.

UDNASG

CHAIRMAN

ENG. MAHMOUD IBRAHIM.

54092 NSGKD UN

WORLD BNK 440099#.....

Egt. Construction Industry

OFFICE MEMORANDUM

Egt. - W.S. & Sewerage Engineering

Egt. - Construction Ind.

DATE May 16, 1983

TO Mr. Robert W. Zaborski, Loan Officer, EMIDA

FROM Alberto J. Favilla, Division Chief, EMIDA

EXTENSION 3-2464

SUBJECT Your Mission to Egypt

You will arrive in Egypt on or about May 21, 1983 for a stay of about ten days. While there you should join discussions with the appraisal missions in the field on the Provincial Water Supply and Sewerage Engineering Project and the Construction Sector Project.

Cleared in substance with and cc: Messrs. Shehadeh and Deshpande (EMP)

RZ
RZaborski:hj

OFFICE MEMORANDUM

Yellow

Egt - Construction Industry

DATE: May 10, 1983

TO: Mr. George C. Hadjicostas, Senior Civil Engineer, EMPTA

FROM: A. S. Kinawy, Acting Chief, EMPTA *AS Kinawy*

EXTENSION: 32639

SUBJECT: EGYPT - Construction Industry Appraisal Mission (Loan DFC VII)
Terms of Reference

1. You are hereby authorized to join the Construction Industry Appraisal Mission to Cairo Egypt arranged by the Industrial Development and Finance Division (EMPID) and headed by Mr. Surinder Malik.

2. The mission is scheduled for arrival in Cairo, Friday, May 13, 1983 and departure from Cairo, June 2, 1983. In case the need arises to have your involvement in the Lebanon Project, the Bank will telex you in advance and accordingly you should leave Cairo as instructed.

3. You will cooperate with the mission in all respects and carry out the specific duties described in the Terms of Reference to be issued to the Mission Leader by his Division Chief.

4. On return you will work with the mission for the preparation of the Back-to-Office Report; Issues Paper; and the Staff Appraisal Report.

cc: Messrs. Stewart, Finzi, Zaidan, El Maaroufi (o/r), Malik, Socknat, Li (o/r),
Mahmoud, Muhtasib
Mesdames Doany (o/r), Copley

GH:mrr

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Egt- Construction Industry

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TO: ENG. ABDEL RAHMAN EL KASHEF, CHAIRMAN,

STEERING COMMITTEE, MISR ENGINEERING AND CONSTRUCTION COMPANY,
CAIRO, ARAB REPUBLIC OF EGYPT. REFERENCE CONSTRUCTION INDUSTRY
PROJECT AND MR. FAVILLA'S TELEX OF MAY NINE TO MR. KORAIEM
COPIED TO YOU. WILL LIKE TO MEET WITH YOU ON THE MORNING OF MAY 14
AND THE STEERING COMMITTEE THE SAME EVENING. WILL FURTHER
APPRECIATE IF MISSION MEETINGS WITH AT LEAST TWO PUBLIC SECTOR
COMPANIES CAN BE ARRANGED FOR SUNDAY MAY 15 AND DATA SUBMITTED BY
THESE COMPANIES TRANSLATED INTO ENGLISH. WITH BEST REGARDS, MALIK,
WORLD BANK.

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CLASS OF SERVICE: TELEX

TELEX N

93137 MISIC UN

DATE: 5/9/83

SUBJECT: EGYPT CONSTRUCTION INDUSTRY

DRAFTED BY: SMalik:js *SMalik*

CLEARANCES AND COPY DISTRIBUTION:
cc: Messrs. Deshpande,
Hadjicostas,
Zaborski

AUTHORIZED BY (Name and Signature) *Surinder Malik*

DEPARTMENT: EMENA/IDF

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TO: MR. ABDEL HAMID KABODAN, CHAIRMAN, DEVELOPMENT

INDUSTRIAL BANK, CAIRO, ARAB REPUBLIC OF EGYPT. REFERENCE
CONSTRUCTION INDUSTRY PROJECT. BANK APPRAISAL SCHEDULED FOR
MAY 14 TO JUNE 2, 1983. MISSION WILL LIKE TO MEET WITH YOU ON
SATURDAY MAY 14 AT 13.00 HOURS. PLEASE ADVISE IF TIMING
CONVENIENT. WITH BEST REGARDS, MALIK, WORLD BANK.

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NOT TO BE TRANSMITTED

CLASS OF SERVICE: Telex

TELEX NO.: 92792643

DATE: 5/9/83

SUBJECT:
EGYPT: Construction Industry

DRAFTED BY:
SMalik:js

CLEARANCES AND COPY DISTRIBUTION:
cc: Messrs. Deshpande,
Hadjicostas,
Zaborski

AUTHORIZED BY (Name and Signature):
Surinder Malik

DEPARTMENT:

EMENA/IDF

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TO MR. MOHAMED NABIL IBRAHIM, DEPUTY CHAIRMAN,
BANK MISR, CAIRO, ARAB REPUBLIC OF EGYPT. REFERENCE CONSTRUCTION
INDUSTRY PROJECT. BANK APPRAISAL SCHEDULED FOR MAY 14 TO JUNE 2.
MISSION WILL LIKE TO MEET WITH YOU AND MR. SAMIR DESSOUKY,
GENERAL MANAGER, INVESTMENT CENTER ON SATURDAY MAY 14 AT 11.00
HOURS. PLEASE ADVISE IF TIMING CONVENIENT. WITH BEST REGARDS,
MALIK, WORLD BANK.

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CLASS OF SERVICE: Telex

TELEX NO.: 92242 BANISR UN

DATE: 5/9/83

SUBJECT: EGYPT: Construction Industry

DRAFTED BY: SMalik:js

CLEARANCES AND COPY DISTRIBUTION:

cc: Messrs. Deshpande,
Hadjicostas,
Zaborski

AUTHORIZED BY (Name and Signature):

Surinder Malik

DEPARTMENT:

EMENA/IDF

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OFFICE MEMORANDUM

Egt. Construction
Industry

TO: Mr. Surinder K. Malik

DATE: May 9, 1983

FROM: George C. Zaidan, ^{CW} Division Chief, EMPIDSUBJECT: EGYPT - Construction Industry Project
Appraisal Mission Terms of Reference

1. You will visit Egypt during May 14 - June 2, 1983 to appraise the construction industry project. You will be accompanied by Messrs. Deshpande (EMPID), Hadjicostas (EMPTA), and Gates (consultant). Mr. Austen (ILO) will participate in the mission during May 29 - June 2. Mr. Coudol will also join your mission for approximately one week. Since the main project components have already been agreed with the Egyptian Government during the course of various preparatory missions, the appraisal mission will focus on the following areas:

- (i) Financial Intermediaries: complete the financial and technical appraisal of the two financial intermediaries, Development Industrial Bank and Bank Misr. The financial appraisal will entail only an updating of the banks' operational projections since both banks were recently appraised in connection with the Second Agroindustries Loan (EGT-3426). The technical appraisal, on the other hand, should ascertain the technical assistance needs of the banks to strengthen their project evaluation capability since both banks (especially Bank Misr) lack the expertise to appraise sub-projects in the construction/contracting industry;
- (ii) Management Training Component: discuss the proposed construction management development program with the Steering Committee of the Ministry of Housing as well as public sector and private sector contracting companies, and finalize the scope, content and financing of the program as well as the administrative arrangements for its delivery;
- (iii) Preappraisal of Public Sector Companies: the mission will preappraise at least 4 public sector contracting companies who are envisaged to borrow under the proposed line of credit. To the extent possible this appraisal of sub-projects should be carried out jointly with the financial intermediaries, each of which has already agreed to make one financial analyst and one civil engineer available to work with the mission. The preappraisal should lead to the preparation of a note on appraisal procedures for contracting companies which can be submitted to the two financial intermediaries to assist them in the evaluation of sub-projects under the proposed loan;
- (iv) Institutional Reforms: institutional changes form an important basis for the proposed (and subsequent) construction industry project. A Ministerial decree for the establishment and formation of a High Council for Construction should be in effect not later than loan negotiations. To this end the mission should meet with the Minister of Development, Housing and Land Reclamation to seek his agreement on a time bound plan for the prepara-

tion of draft articles and issuance of a decree for the creation of High Council and a Technical Secretariat. In this connection the mission should also review the progress made in the legislative process for the establishment of the Federation of Egyptian Contractors (Contractors Association); and,

- (v) Lending Arrangements: the onlending arrangements which are proposed to be somewhat similar to the ones used in the Second Agro-industries Project should be reviewed with the Government and, to the extent possible, finalized. Similarly, the mission, after a review of the pipeline of private sector subprojects prepared by the two financial intermediaries, should propose the allocation of funds between the public sector and the private sector sub-borrowers. The mission should also finalize the amounts to be allocated for technical assistance under the proposed project.

2. In addition to the above areas, the mission should also update the performance of the construction sector in recent years and what is envisaged of the sector in the new five year Development Plan. The mission should also review the recent amendments to the procurement law and any changes made or proposed to be made in the conditions of contract.

3. In terms of assignments of mission members Mr. Deshpande will be responsible for appraising the financial intermediaries; Mr. Austen for management development program; and, Mr. Hadjicostas and Mr. Gates for appraising public sector companies.

4. You should review with the Steering Committee and Mr. Samir Koraïem, Senior Undersecretary, Ministry of Investment and International Cooperation, the mission's findings and leave an aide-memoire describing the project elements, agreements reached and principal issues that remain. Within five working days of your return, you should prepare an Issues Paper.

Cleared with and cc: Mr. Zaborski

cc: Messrs. Lari, Favilla, Moini (EM1), Finzi, Pranich, El Maaroufi, Coudol (o/r), Kinawy (EMP), Rajagopalan (3) (PAS), Fuchs, Kohli (IND), Abu-Akeel (LEG), Gustafson (CEM), Kaden (TWD)

Ms. Schaeffer (EM1), Mrs. Linder (CTR)

Messrs. Deshpande, Hadjicostas, Austen, Gates, EMENA Information Center

SMalik:js



Record Removal Notice

File Title Construction Industry Project - Egypt, Arab Republic of - Loan 2460 - P005044 - Correspondence - Volume 1		Barcode No. 900922		
Document Date 06 May, 1983	Document Type Telex			
Correspondents / Participants To : Surinder Malik, Acting Chief, ECA MENA From : D. F. King, Financial Controller, John Laing International				
Subject / Title Transfer of Funds				
Exception(s) Financial Information d				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website. <table border="1"><tr><td>Withdrawn by Chandra Kumar</td><td>Date 16-Mar-15</td></tr></table>	Withdrawn by Chandra Kumar	Date 16-Mar-15
Withdrawn by Chandra Kumar	Date 16-Mar-15			

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TO: MR. ANGUS AUSTEN, DIRECTOR, CONSTRUCTION

MANAGEMENT TRAINING, INTERNATIONAL LABOR ORGANIZATION, GENEVA.
REFERENCE CONSTRUCTION INDUSTRY PROJECT. BANK MISSION TO EGYPT
SCHEDULED FOR MAY 14 TO JUNE 2. WILL APPRECIATE IF YOU CAN
JOIN THE MISSION IN CAIRO FOR ABOUT TEN DAYS TO FINALIZE
CONTENT AND DELIVERY OF MANAGEMENT DEVELOPMENT PROGRAM. PLEASE
CONFIRM TO ENABLE BANK TO MAKE TRAVEL AND OTHER ARRANGEMENTS.
WITH BEST REGARDS. SURINDER MALIK, WORLD BANK.

END
OF
TEXT

NOT TO BE TRANSMITTED

CLASS OF SERVICE: Telex

TELEX NO.: 22271X BIT CH

DATE: 5/4/83

SUBJECT: Egypt Construction Industry

DRAFTED BY:

SMALIK:js *js*

CLEARANCES AND COPY DISTRIBUTION:

AUTHORIZED BY (Name and Signature):

Surinder Malik *Surinder Malik*

DEPARTMENT:

EMENA/IDF

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COMMUNICATIONS DIVISION

Egt - Construction Ind.
Mr. Malik (on) I think we should proceed
to appraise on this basis. Pls. prepare telex 4-28-83
to Koraim (from Favilla) to confirm appraisal
May 14 ... Thank Cr

DISTRIBUTION: SR

Mr. Zaidan

Mr. Favilla, A.

1518 EDT

WORLDBNK440099

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333

EMENA REGION

INDUSTRIAL DEVELOPMENT AND FINANCE

DATE RECEIVED

APR 27 1983

COUNTRY/IDF

Egypt - Const Ind.

LOAN/CREDIT NO.

ACTION BY

family advised
4/27

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92222HILTLS UN

NILE HILTON HOTEL

CAIRO28:4:83

440098 WORLDBANK WASHINGTON

FOR MR ZAIDAN

✓ AAA-GOVERNMENT AGRES TO USE OF DIB

✓ AND BANK MISR BUT NOT NBD

✓ BBB-STEERING COMMITTEE HAS COLLECTED NECESSARY DATA

CCC-CIDB DEAD. HIGH COUNCIL ONLY A

PROPOSAL AT PRESENT. MR KORAIEM AND SC

RECOMMEND ISSUANCE OF DECREE FOR HIGH

COUNCIL BE CONDITION OF LOAN NEGOTIATION

✓ IN THE INTERIM SC WILL PREPARE TOR, ET

✓ FOR HIGH COUNCIL WHICH MAY INCLUDE

✓ MANY OF CIDB FUNCTIONS. IF ACCEPTABLE TO

BANK FULL APPRAISAL CAN START MAY 14.

UNABLE TO SEE MINISTER DUE TO DEPARTURE

OF ELKASHEF TO GERMANY LAST SUNDAY.

LEAVING CAIRO THURSDAY. REGARDS. MALIK

✶

WORLDBNK440099

92354HILTLS UN....

REPLY VIA ITT

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DISTRIBUTION:

SR

Mr. Zaidan

Mr. Favilla, A. ✓

~~111~~

1518 EDT

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WORLDBNK4400998

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92222HILTLS UN

NILE HILTON HOTEL

CAIRO28:4:83

440098 WORLDBANK WASHINGTON

FOR MR ZAIDAN

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AND BANK MISR BUT NOT NBD

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OF ELKASHEF TO GERMANY LAST SUNDAY.

LEAVING CAIRO THURSDAY. REGARDS. MALIK

WORLD BNK 440099

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TO:

ENG. ABDEL RAHMAN EL KASHEF, CHAIRMAN,
STEERING COMMITTEE, MISR ENGINEERING AND CONSTRUCTION COMPANY,
CAIRO, ARAB REPUBLIC OF EGYPT. REFERENCE CONSTRUCTION INDUSTRY
PROJECT. WILL BE ARRIVING CAIRO ON APRIL 22 FOR APPROXIMATELY
ONE WEEK FOR PREPARATORY WORK RELATED TO THE PROPOSED PROJECT.
WILL APPRECIATE MEETING WITH YOU ON THE MORNING OF APRIL 23
AND THE STEERING COMMITTEE THE SAME EVENING TO REVIEW PROGRESS
REGARDING PROPOSED INSTITUTIONAL REFORMS (CIDB) AND DATA
INFORMATION REQUESTED OF PUBLIC SECTOR COMPANIES. WILL ALSO LIKE
TO EXCHANGE VIEWS ON THE CONTENT AND SCOPE OF TECHNICAL ASSISTANCE
RELATED TO MANAGEMENT TRAINING UNDER THE PROPOSED PROJECT.
PLEASE ADVISE IF TIMING IS CONVENIENT. BEST REGARDS, MALIK,
INTBAFRAD.

END
OF
TEXT

NOT TO BE TRANSMITTED

CLASS OF SERVICE:

927- TELE NO.: 93137 MISIC UN

DATE: 4/12/83

SUBJECT:

EGYPT - Construction Industry

DRAFTED BY:

SMalik:iso

CLEARANCES AND COPY DISTRIBUTION:

CL. with and cc: Mr. Zaborski
cc: Messrs. Deshpande, Moini

AUTHORIZED BY (Name and Signature):

Jacques Coudol, Acting Chief

DEPARTMENT:

EMPID

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TO:

MR. MOHAMED I. FARID, VICE CHAIRMAN AND
MANAGING DIRECTOR, NATIONAL DEVELOPMENT BANK, CAIRO, ARAB
REPUBLIC OF EGYPT. REFERENCE PROPOSED WORLD BANK CONSTRUCTION
INDUSTRY PROJECT. MR. MALIK WILL BE ARRIVING IN CAIRO ON APRIL 22
FOR APPROXIMATELY ONE WEEK FOR PREPARATORY WORK RELATED TO THE
PROJECT. HE WILL CONTACT YOU ON ARRIVAL TO SET UP A MEETING AND
TO BRIEF YOU ON THE SCOPE OF THE PROJECT. DURING HIS STAY
MR. MALIK WILL FINALIZE WITH THE GOVERNMENT THE FINANCIAL
INTERMEDIARIES UNDER THE PROJECT, THE FULL APPRAISAL OF WHICH IS
TENTATIVELY SCHEDULED FOR MAY 10 TO MAY 26. PLEASE ADVISE IF
TIMING OF MR. MALIK'S VISIT IS CONVENIENT. BEST REGARDS,
JACQUES COUDOL, ACTING CHIEF, INDUSTRIAL DEVELOPMENT AND FINANCE
DIVISION, EUROPE, MIDDLE EAST AND NORTH AFRICA REGION, INTBAFRAD.

END
OF
TEXT

NOT TO BE TRANSMITTED

CLASS OF SERVICE:

TELEX NO. 927-94089

DATE: 4/12/83

SUBJECT: EGYPT - Construction Industry

DRAFTED BY:
SMalik:isc

CLEARANCES AND COPY DISTRIBUTION:

CL. with and cc: Mr. Zaborski
cc: Messrs. Deshpande, MoiniAUTHORIZED BY (Name and Signature):
Jacques Coudol, Acting ChiefDEPARTMENT:
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Egypt - Construction
Industry

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1983 APR 26 11:20 AM

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SR

Mr. Zaidan

Mr. Favilla, A.

1518 EDT#

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Encouraging!

APR 27 1983

Egypt - Const Ind.

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NILE HILTON HOTEL

CAIRO28:4:83

440098 WORLDBANK WASHINGTON

FOR MR ZAIDAN

AAA-GOVERNMENT AGRES TO USE OF DIB

AND BANK MISR BUT NOT NBD

BBB-STEERING COMMITTEE HAS COLLECTED NECESSARY DATA

CCC-CIDB DEAD.HIGH COUNCIL ONLY A

PROPOSAL AT PRESENT.MR KORAIEM AND SC

RECOMMEND ISSUANCE OF DECREEE FOR HIGH

COUNCIL BE CONDITION OF LOAN NEGOTIATION.

IN THE INTERIM SC WILL PREPARE TOR, ET C

FOR HIGH COUNCIL WHICH MAY INCLUDE

family advised
4/27

① Mr. Corbett - 28
Chairman of the Board

MANY OF CIDB FUNCTIONS. IF ACCEPTABLE TO
BANK FULL APPRAISAL CAN START MAY14. ✓
UNABLE TO SEE MINISTER DUE TO DEPARTURE
OF ELKASHEF TO GERMANY LAST SUNDAY.
LEAVING CAIRO THURSDAY. REGARDS. MALIK

WORLD BNK 440099

92354HILTL UN....

REPLY VIA ITT

To
In Paris
THANK YOU TELX 10/11
S.A.P. BANK AGENTS
TO PROCEED TO APPRAISE
ON MAY 14 ON BASIS OF
YOUR TELX REC FROM ZAIDAN

Handwritten signature

RCA APR 14 0735

248123 WORLDBANK

783 BANSR UN

Egt. Construction
Industry

mc

1983 APR 14 AM 11:28
COMMUNICATIONS DIVISION

FM BANQUE MISR H O CAIRO
TO WORLD BANK

290

INDUSTRIAL DEVELOPMENT AND FINANCE

INDUSTRIAL DEVELOPMENT AND FINANCE

DATE RECEIVED APR 14 1983

COUNTRY/IDF Egypt - Const

LOAN/CREDIT NO.

ACTION BY SM/AD

Distribution:

MxxxxVx

Mr. Zaidan

Mr. Favilla

DD 14/4/83

ATT: JACQUES COUDOL, ACTING CHIEF, INDUSTRIAL

DEVELOPMENT AND FINANCE DIVISION, EUROPE,
MIDDLE EAST AND NORTH AFRICA REGION, INTBAFRAD

MR. NABIL IBRAHIM RECEIVED WITH PLEASURE YOUR
TELEX DD 12 APR.83 RESPONSIBLES OF BANQUE MISR'S
INVESTMENT CENTER: MR. EZZT ABDEL HAMID GENERAL MANAGER
AND MR. SAMIR DESSOUKI GENERAL MANAGER WOULD BE GLAD TO
MEET MR. MALIK IN CAIRO AFTER APRIL 25 AS BEING ENGAGED

BEFORE THAT TIME STOP ON THE OTHER HAND MR. SAMIR KORATEM
SENIOR UNDERSECRETARY OF STATE, MINISTRY OF INVESTMENT AND
INTERNATIONAL COOP. IS NOT AVAILABLE NOW AND WILL
BE AROAD UNTIL THIS TIME.

BEST REGARE,

SAMIR DESSOUKI

BANISR CAIRO

783 BANSR UN

248423 WORLDBANK

Egt - Construction
Industry

1983 APR 14 AM 11:53
COMMUNICATIONS DIVISION

mc

Distribution:

Mr. Zaidan

Mr. Favilla

94089 NBD UN

284

CAIRO 14.4.1983

FROM NATIONAL BANK FOR DEVELOPMENT, CAIRO

TO WORLD BANK

EMENA REGION

INDUSTRIAL DEVELOPMENT AND FINANCE

DATE RECEIVED APR 14 1983

COUNTRY/IDF Egypt. Const

LOAN/CREDIT NO. _____

ACTION BY STB/AD

ATT MR JACQUES COUDOL

ACTING CHIEF

INDUSTRIAL DEVELOPMENT AND FINANCE DIVISION

EUROPE, MIDDLE EAST AND NORTH AFRICAN REGION

THANK YOU FOR YOUR TELEX OF 12TH APRIL 1983 STOP LOOKING FORWARD
TO MEET MR MALIK DURING HIS FORTHCOMING VISIT TO CAIRO STOP BEST
REGARDS

MOHAMED I. FARID

VICE CHAIRMAN AND MANAGING DIRECTOR

NATIONAL BANK FOR DEVELOPMENT, CAIRO

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TO:

MR. SAMIR KORAIEM, SENIOR UNDERSECRETARY,
MINISTRY OF INVESTMENT AND INTERNATIONAL COOPERATION, CAIRO, ARAB
REPUBLIC OF EGYPT. REF. CONSTRUCTION INDUSTRY PROJECT AND YOUR
TELEX OF APRIL 9, 1983. MR. MALIK WILL BE ARRIVING IN CAIRO ON
APRIL 22 FOR APPROXIMATELY ONE WEEK FOR PREPARATORY WORK RELATED
TO THE PROPOSED PROJECT. SEPARATE TELEXES ARE BEING SENT TO
ENG. ABDEL RAHMAN EL KASHEF, CHAIRMAN, STEERING COMMITTEE SEMICOLON
MR. MOHAMED NABIL IBRAHIM, DEPUTY CHAIRMAN, BANQUE MISR SEMICOLON
MR. MOHAMED FARID, VICE CHAIRMAN AND MANAGING DIRECTOR, NATIONAL
DEVELOPMENT BANK SEMICOLON AND MR. ABDEL HAMID KABODAN, CHAIRMAN,
DEVELOPMENT INDUSTRIAL BANK. MR. MALIK WILL APPRECIATE MEETING
WITH YOU ON SUNDAY APRIL 24 PREFERABLY IN THE MORNING. GRATEFUL
IF YOU COULD PROVIDE ASSISTANCE TO MR. MALIK AS NEEDED. WITH
BEST REGARDS, ALBERTO FAVILLA, WORLD BANK.

END
OF
TEXT

NOT TO BE TRANSMITTED

CLASS OF SERVICE: TELEX

927-348 GAFEC UN

DATE: 4/13/83

SUBJECT: EGT: Construction Ind. Project

DRAFTED BY: RZaborski:hj

CLEARANCES AND COPY DISTRIBUTION:

AUTHORIZED BY (Name and Signature): Alberto Favilla

DEPARTMENT:

EM1

cc: Mr. Malik, Ms. Pacheco

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TO:

MR. MOHAMED NABIL IBRAHIM, DEPUTY CHAIRMAN,
BANQUE MISR, CAIRO, ARAB REPUBLIC OF EGYPT. REFERENCE PROPOSED
WORLD BANK CONSTRUCTION INDUSTRY PROJECT AND MR. FAVILLA'S
TELEX DATED MARCH 30, 1983. MR. MALIK WILL BE ARRIVING IN CAIRO
ON APRIL 22 FOR APPROXIMATELY ONE WEEK FOR PREPARATORY WORK RELATED
TO THE PROPOSED PROJECT. MR. MALIK WILL CALL UPON YOU ON ARRIVAL
TO SET UP A MEETING AND TO ANSWER ANY QUESTIONS YOU MAY HAVE
REGARDING THE PROJECT. THE FINANCIAL INTERMEDIARIES UNDER THE
PROPOSED PROJECT WOULD NEED TO BE FINALIZED WITH THE GOVERNMENT
DURING MR. MALIK'S VISIT. THE MAIN MISSION HAS BEEN TENTATIVELY
SCHEDULED FOR MAY 10. PLEASE ADVISE IF TIMING OF MR. MALIK'S
VISIT IS CONVENIENT. BEST REGARDS, JACQUES COUDOL, ACTING CHIEF,
INDUSTRIAL DEVELOPMENT AND FINANCE DIVISION, EUROPE, MIDDLE EAST
AND NORTH AFRICA REGION, INTBAFRAD.

END
OF
TEXT

NOT TO BE TRANSMITTED

CLASS OF SERVICE:

927- TELEX NO.: 92242 BANISR UN

DATE: 4/12/83

SUBJECT:

EGYPT: Construction Industry

DRAFTED BY:

SMalik:isc

CLEARANCES AND COPY DISTRIBUTION:

CL. with and cc: Mr. Zaborski
cc: Messrs. Deshpande, Moini

AUTHORIZED BY (Name and Signature):

Jacques Coudol, Acting Chief

DEPARTMENT:

EMPID

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WORLD BANK OUTGOING MESSAGE FORM Telegram, Cable, Telex

IMPORTANT — PLEASE READ INSTRUCTIONS BELOW BEFORE TYPING FORM

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Egl-Construction Industry

PAGE 1	OF 1	EXTENSION 3-3056	MESSAGE NUMBER 	TEST NUMBER (FOR CASHIER'S USE ONLY)
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TO: DIB, CAIRO, EGYPT

MR. ABDEL HAMID KABODAN, CHAIRMAN, DEVELOPMENT INDUSTRIAL BANK,
CAIRO, ARAB REPUBLIC OF EGYPT. REF PROPOSED CONSTRUCTION INDUSTRY
PROJECT. MR. MALIK WILL BE ARRIVING IN CAIRO ON APRIL 22, 1983,
FOR APPROXIMATELY ONE WEEK FOR PREPARATORY WORK RELATED TO THE
PROJECT. MAIN MISSION IS TENTATIVELY SCHEDULED TO START WORK ON
MAY 10. MR. MALIK WILL CALL UPON YOU ON ARRIVAL IN CAIRO TO SET
UP A MEETING AND TO EXCHANGE VIEWS ON THE SCOPE OF THE PROPOSED
PROJECT. PLEASE ADVISE IF TIMING OF MR. MALIK'S VISIT IS
CONVENIENT. WITH BEST REGARDS, JACQUES COUDOL, ACTING DIVISION
CHIEF, INTBAFRAD.

END
OF
TEXT

NOT TO BE TRANSMITTED

CLASS OF SERVICE: **TELEX** TELEX NO.: **927-92643** DATE: **4/11/1983**

SUBJECT: **Proposed Construction
Industry Project**

DRAFTED BY: **SKMalik:erb**

CLEARANCES AND COPY DISTRIBUTION:
cl. with and cc: Mr. Zaborski
cc: Messrs. Deshpande, Moini

AUTHORIZED BY (Name and Signature):
Jacques Coudol, Acting Chief

DEPARTMENT:

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Egt - Construction Fund
~~SAMIR~~
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CABLE SECTION
cc: Mr Malik

RCA APR 09 0557

248423 WORLDBANK

CAIRO 9/4/1983

MR. FAVILLA

DIVISION CHIEF

WORLD BANK

WASHINGTON D.C

REURTELEX OF APRIL 6 REGARDING BANK'S MISSION TO

PROPOSED CONSTRUCTION SECTOR PROJECT TIMING CONVENIENT.

REGARDS

SAMIR KORAIEM

✠

248423 WORLDBANK

348 GAFEC UN

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Egt- Construction Industry

PAGE 1 OF 1
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TO: MR. SAMIR KORAIEM, SENIOR UNDERSECRETARY,
MINISTRY OF INVESTMENT AND INTERNATIONAL COOPERATION, CAIRO, ARAB
REPUBLIC OF EGYPT. REOURTELEX OF MARCH 30, 1983, GRATEFUL IF YOU
COULD ADVISE IF TIMING OF MISSION DURING SECOND WEEK OF APRIL FOR
FURTHER DISCUSSIONS ON PROPOSED CONSTRUCTION SECTOR PROJECT
CONVENIENT. REGARDS, FAVILLA, WORLD BANK.

END
OF
TEXT

NOT TO BE TRANSMITTED

CLASS OF SERVICE: TELEX

TELEX NO: 927- 348 GAFEC UN

DATE: 4/6/83

SUBJECT: EGT: Construction Sector

DRAFTED BY: RZaborski, nj

CLEARANCES AND COPY DISTRIBUTION:

AUTHORIZED BY (Name and Signature):

CC; Mr. Coudol

Alberto Favilla

DEPARTMENT:

EMI

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EGT-Construction
Ind.

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3/30/83 10

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TO:

BOOK OF THREE (SEE ATTACHED TEXT)

1) MR. MOHAMED NABIL IBRAHIM

DEPUTY CHAIRMAN

BANQUE MISR

CAIRO, ARAB REPUBLIC OF EGYPT

TELEX NUMBER: 92242 BANISR UN

2) MR. M. SAMIR KORAIEM

SENIOR UNDERSECRETARY

MINISTRY OF INVESTMENT AND INTERNATIONAL

COOPERATION

CAIRO, ARAB REPUBLIC OF EGYPT

TELEX NUMBER: 348 GAFEC UN

ENG. ABDEL RAHMAN EL KASHEF

CHAIRMAN

STEERING COMMITTEE

MISR ENGINEERING AND CONSTRUCTION COMPANY

CAIRO, ARAB REPUBLIC OF EGYPT

TELEX NUMBER: 93137 MISIC UN

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192235

END
OF
TEXT

NOT TO BE TRANSMITTED

CLASS OF SERVICE: TELEX

TELEX NO.: SEE ABOVE

DATE: MAR 30, 1983

SUBJECT:
EGYPT: Construction Industry

DRAFTED BY:
SMalik

CLEARANCES AND COPY DISTRIBUTION:

CL. with and cc:

Mr. Zaborski

cc: Messrs. Zaidan, Coudol,
Deshpande, Moini

AUTHORIZED BY (Name and Signature)
Alberto J. Favilla, Div. Chief

DEPARTMENT:
Country Programs Dept. 1, EMENA

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TO:

ADDRESSED MR. MOHAMED NABIL IBRAHIM, DEPUTY CHAIRMAN,
BANQUE MISR, COPIES TO MR. M. SAMIR KORAIEM, SENIOR
UNDERSECRETARY, MINISTRY OF INVESTMENT AND INTERNATIONAL
COOPERATION AND ENG. ABDEL RAHMAN EL KASHEF, CHAIRMAN,
STEERING COMMITTEE, MISR ENGINEERING AND CONSTRUCTION
COMPANY, CAIRO, ARAB REPUBLIC OF EGYPT. REF. PROPOSED
CONSTRUCTION INDUSTRY PROJECT AND ENG. EL KASHEF'S TELEX
OF MARCH 23 TO MR. MALIK. THE FOLLOWING SUMMARIZE THE
MAIN FEATURES OF THE PROPOSED PROJECT THE FULL APPRAISAL
OF WHICH HAS BEEN TENTATIVELY SCHEDULED, SUBJECT TO
GOVERNMENT CONFIRMATION, FOR THE FIRST WEEK IN MAY.
THE PROPOSED PROJECT HAS THREE COMPONENTS NAMELY
INSTITUTIONAL, MANAGEMENT DEVELOPMENT PROGRAM FOR
SENIOR STAFF OF CONSTRUCTION/CONTRACTING COMPANIES,
AND EQUIPMENT FINANCING FOR BOTH PUBLIC SECTOR AND
PRIVATE SECTOR COMPANIES. THE PROPOSED LOAN WILL BE
IMPLEMENTED THROUGH TWO OR THREE EGYPTIAN BANKS,
INCLUDING DEVELOPMENT INDUSTRIAL BANK. IT IS FURTHER
PROPOSED THAT THE LOAN BE IN THE FORM OF A LINE OF
CREDIT TO THE GOVERNMENT WITH THE ONLENDING TERMS AND

END
OF
TEXT

NOT TO BE TRANSMITTED

CLASS OF SERVICE: TELEX

TELEX NO.: SEE ATTACHED

DATE: MAR 30, 1983

SUBJECT:
EGYPT: Construction IndustryDRAFTED BY:
SMalik

CLEARANCES AND COPY DISTRIBUTION:

CL. with and cc:
Mr. Zaborski
cc: Messrs. Zaidan, Coudol,
Deshpande, Moini

AUTHORIZED BY (Name and Signature):
Alberto J. Favilla, Div. Chief
DEPARTMENT:
Country Programs Dept. 1, EMENA

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PAGE

2 OF 3

EXTENSION

32464

MESSAGE NUMBER

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HERE

TO:

CONDITIONS BUILT UPON THE ONES AGREED UNDER THE RECENT
SECOND AGROINDUSTRIES PROJECT WITH WHICH YOU ARE QUITE
FAMILIAR. THE EXACT AMOUNT OF PROPOSED LOAN HAS NOT BEEN
DECIDED YET, BUT IS LIKELY TO BE IN US DOLLARS 80 TO
US DOLLARS 100 MILLION RANGE. THE FINANCIAL INTERMEDIARIES
WILL BE RESPONSIBLE FOR SELECTING AND APPRAISING PROPOSED
SUBLOANS. APPRAISAL WILL COVER ALL FINANCIAL, ECONOMIC,
TECHNICAL AND MANAGEMENT ASPECTS OF THE PROSPECTIVE SUB-
BORROWER, THE NECESSITY AND SUITABILITY OF EQUIPMENT TO BE
PURCHASED, CASH FLOW OF SUB-BORROWER, HIS EFFICIENCY AS A
CONTRACTOR AND USE OF EXISTING EQUIPMENT, ETC. THE WORLD
BANK APPRAISAL MISSION WILL PREAPPRAISE A FEW PUBLIC SECTOR
COMPANIES IN THE FIELD JOINTLY WITH THE STAFF OF THE
FINANCIAL INTERMEDIARIES. THIS WILL ASSIST IN ESTABLISHING
APPRAISAL PROCEDURES FOR FUTURE SUB-PROJECTS AS WELL AS
ASSIST IN THE STRENGTHENING OF THE TECHNICAL STAFF OF
FINANCIAL INTERMEDIARIES. IF BANQUE MISR IS INTERESTED
IN PARTICIPATING A REALISTIC LIST OF LIKELY SUB-BORROWERS
ALONG WITH AMOUNT OF LOAN REQUESTS SHOULD BE PREPARED BY
END-APRIL. ENG. ABDEL RAHMAN EL KASHEF SHOULD BE ABLE TO

END
OF
TEXT

NOT TO BE TRANSMITTED

CLASS OF SERVICE: TELEX

TELEX NO.: SEE ATTACHED

DATE: MAR 30, 1983

SUBJECT:
EGYPT: Construction IndustryDRAFTED BY:
SMalik

CLEARANCES AND COPY DISTRIBUTION:

CL. with and cc:
Mr. Zaborski
cc: Messrs. Zaidan, Coudol,
Deshpande, Moini

AUTHORIZED BY (Name and Signature)
Alberto J. Favilla, Div. ChiefDEPARTMENT:
Country Programs Dept. 1, EMENASECTION BELOW FOR USE OF CABLE SECTION
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TO:

ASSIST BANQUE MISR IN THE PREPARATION OF PROJECT PIPELINE.
MESSRS. MALIK AND DESHPANDE ARE TENTATIVELY SCHEDULED TO
VISIT CAIRO IN THE SECOND WEEK OF APRIL FOR A FEW DAYS
FOR PREPARATORY WORK REGARDING WHICH A SEPARATE TELEX IS
BEING SENT TO MR. M. SAMIR KORAIEM. THEY WILL BE PLEASED
TO MEET WITH YOU AND TO ANSWER ANY QUESTIONS YOU MAY HAVE
REGARDING THE PROPOSED PROJECT. WITH BEST REGARDS,
FAVILLA, WORLD BANK

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TEXT

NOT TO BE TRANSMITTED

CLASS OF SERVICE:

TELEX

TELEX NO.:

SEE ATTACHED

DATE:

March 30/83

SUBJECT:

EGYPT: Construction Industry

DRAFTED BY:

SMalik

CLEARANCES AND COPY DISTRIBUTION:

Cl. with and cc:

Mr. Zaborski

cc: Messrs. Zaidan, Coudol,
Deshpande, Moini

AUTHORIZED BY (Name and Signature):

Alberto J. Favilla, Div. Chief

DEPARTMENT:

Country Programs Dept. 1, EMENA

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START
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TO:

BOOK OF FOUR (SEE ATTACHED TEXT)

1) HIS EXCELLENCY

DR. WAGIH SHINDY

MINISTER OF INVESTMENT AND INTERNATIONAL

COOPERATION

CAIRO, ARAB REPUBLIC OF EGYPT

TELEX NUMBER: 92235 INVEST UN

2) HIS EXCELLENCY

HASSABALLA EL KAFRAWI

MINISTER OF DEVELOPMENT, HOUSING AND

LAND RECLAMATION

CAIRO, ARAB REPUBLIC OF EGYPT

TELEX NUMBER: 92571 MOHR UN

3) MR. M. SAMIR KORAIEM

SENIOR UNDERSECRETARY

MINISTRY OF INVESTMENT AND INTERNATIONAL

COOPERATION

CAIRO, ARAB REPUBLIC OF EGYPT

TELEX NUMBER: 348 GAFEC UN

EGT- Construction
Incl.END
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NOT TO BE TRANSMITTED

CLASS OF SERVICE:

TELEX

TELEX NO.:

SEE ABOVE

DATE:

Mar 28, 1983

SUBJECT:

EGYPT: Construction Industry

DRAFTED BY:

SAWMoini:orp

CLEARANCES AND COPY DISTRIBUTION:

CL. with and cc: Mr. Malik
cc: Messrs. Zaidan, Zaborski

AUTHORIZED BY (Name and Signature):

Alberto J. Favilla, Div. Chief

DEPARTMENT:

Country Programs Dept. 1, EMENA

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WORLD BANK OUTGOING MESSAGE FORM Telegram, Cable, Telex

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TO:

4) ENGINEER EL KASHEF
MISR ENGINEERING AND CONSTRUCTION COMPANY
CAIRO, ARAB REPUBLIC OF EGYPT
TELEX NUMBER: 93137 MISIC UN

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NOT TO BE TRANSMITTED

CLASS OF SERVICE: TELEX

TELEX NO.: SEE ABOVE

DATE: Mar 28, 1983

SUBJECT:
EGYPT: Construction Industry

DRAFTED BY:
SAWMoini:orp

CLEARANCES AND COPY DISTRIBUTION:

CL. with and cc: Mr. Malik
cc: Messrs. Zaidan,
Zaborski

AUTHORIZED BY (Name and Signature):
Alberto J. Favilla, Div. Chief

DEPARTMENT:
Country Programs Dept. 1, EMENA

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TO:

ADDRESSED HIS EXCELLENCY DR. WAGIH SHINDY, MINISTER OF INVESTMENT AND INTERNATIONAL COOPERATION. COPIED TO HIS EXCELLENCY HASSABALLA EL KAFRAWI, MINISTER OF DEVELOPMENT, HOUSING AND LAND RECLAMATION, MR. M. SAMIR KORAIEM, SENIOR UNDERSECRETARY, MINISTRY OF INVESTMENT AND INTERNATIONAL COOPERATION AND ENGINEER EL KASHEF, CHAIRMAN OF THE STEERING COMMITTEE, MISR ENGINEERING AND CONSTRUCTION COMPANY, CAIRO, ARAB REPUBLIC OF EGYPT. RE PROPOSED CONSTRUCTION INDUSTRY PROJECT. IN ORDER TO FINALIZE ARRANGEMENTS FOR APPRAISAL MISSION WE ARE AWAITING THE FOLLOWING INFORMATION: ALPHA. ESTABLISHMENT OF CONSTRUCTION INDUSTRY DEVELOPMENT BOARD (CIDB). WE WOULD APPRECIATE KNOWING THE CURRENT STATUS. BETA. FINANCIAL INTERMEDIARIES. BESIDES DEVELOPMENT INDUSTRIAL BANK WHICH OTHER BANKS DOES GOVERNMENT PROPOSE QUESTION MARK. OUR UNDERSTANDING IS THAT BOTH BANK MISR AND NATIONAL DEVELOPMENT BANK ARE INTERESTED IN PARTICIPATING IN THE PROPOSED LOAN. SINCE ALL THREE BANKS WERE RECENTLY APPRAISED UNDER THE SECOND AGROINDUSTRIES PROJECT, ONLY AN UPDATING OF THEIR SITUATION WOULD BE NECESSARY. ONLENDING TERMS AND CONDITIONS UNDER

END
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NOT TO BE TRANSMITTED

CLASS OF SERVICE: TELEX

TELEX NO.:

SEE ATTACHED

DATE: March 28, 1983

SUBJECT:

EGYPT: Construction Industry

DRAFTED BY:

SA/Min:orp

CLEARANCES AND COPY DISTRIBUTION:

CL. with and cc:

Mr. Malik

cc: Messrs. Zaidan
Zaborski

AUTHORIZED BY (Name and Signature):

Alberto J. Favilla, Div. Chief

DEPARTMENT:

Country Programs Dept. 1, EMENA

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BLUE—Originator to Keep

EGT-Construction
Industry

March 21, 1983

Mr. Nick Quackenbush
Operations Manager
Paul N. Howard Company
1 Mohamed Zohdi Street
Hayet El Tadriss Square
Dokki, Cairo
Egypt

Dear Mr. Quackenbush,

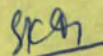
This is to acknowledge the receipt of your letter addressed to
Ms. MacNamara dated February 26, 1983.

The World Bank is considering making a line of credit available to the Egyptian Construction and Contracting Industry through local financial intermediaries. To this effect a Bank mission had visited Egypt in November 1982 to preappraise the project. One important objective of the proposed project is to strengthen and upgrade the senior management of those construction companies which avail of the line of credit for procuring construction equipment. The delivery of the technical assistance for the construction management development program is likely to be entrusted to the International Labor Organization (ILO). The ILO will be responsible for the recruitment of consultants, for subcontracting arrangements and for general administration and technical support.

A Bank mission has been tentatively scheduled for late April - early May to appraise the proposed project and to finalize the technical assistance component and various other related matters. The mission will call upon you during the course of their stay in Cairo to exchange views and to provide you with additional details regarding the proposed project.

We thank you for your interest in the proposed project and look forward to meeting you in April-May in Cairo.

Sincerely yours,



Surinder K. Malik
Industrial Development and Finance Division
Europe, Middle East and North Africa Region

SMalik:sl

EGT- Construction
Ind Project.

Mr. George C. Zaidan, Chief, EMPID

March 9, 1983

V.W. Hogg, Sr. Adviser, Transportation, TWD

EGYPT: Request for Assistance for the Appraisal of the Construction
Industry Project

1. Mr. Willoughby has asked me to respond to your request of February 16, 1983. Even though Mr. Kaden already has a full work load, we consider the proposed project important enough to make him available for such time as we think is needed to achieve the principal objectives of the mission in his field of expertise. I understand, however, you will engage a consultant to carry out the time consuming, detailed technical work for the appraisal, leaving Mr. Kaden to concentrate on introducing the consultant to the work he is supposed to perform, including most of the report writing.

2. From Mr. Kaden's subsequent contacts with your mission leader for this project (Mr. Malik), I understand the earliest - but very tentative - date for starting the appraisal in Egypt would presently be March 26, 1983. If this is so, Mr. Kaden, accompanied by Mr. Herbert, en-route from Lesotho could join the appraisal mission in Cairo at that date for about a week. If, however, the mission is postponed because the GOE delays in complying with your prerequisites for an appraisal, Mr. Kaden alone could arrive in Cairo on or about April 13 and stay for about 10 days. In event of further postponement we would have to discuss the matter again since Mr. Kaden is scheduled to begin 6 weeks home leave beginning on May 5.


HSKaden:hcf

EGT-Construction
Industry

February 22, 1983

Prof. Dr. Adel Ezz
President
Sadat Academy for
Management Sciences
Post Office Box No. 2222
Cairo, Arab Republic of Egypt

Dear Prof. Ezz:

I thank you for your letter of January 1, 1983, addressed to Ms. MacNamara, which has been passed on to me as the project leader of the proposed construction industry project in Egypt. I sincerely apologize for the delay in acknowledging your letter, but I was hoping to meet with you personally in late-January in connection with the appraisal of the project. The appraisal has now been rescheduled to mid-March, and I hope I shall have the opportunity to call upon you to further explore the possibility of utilizing the facilities and staff of the Academy under the proposed project.

As Ms. MacNamara and Mr. Austen have already briefed you last November, the proposed World Bank project has, as one of its important component, a management development program focussing on senior managers, including chairmen, of Egyptian contracting companies. The program, which has yet to be finalized with the Steering Committee (Eng. Abdel Rahman El Kashef, Chairman) of the Ministry of Housing, will be a combination of academic inputs and practical on-the-job coaching and use both local institutions and foreign trainers.

The information that you attached with your letter to Ms. MacNamara has been very useful in knowing about the Academy's activities and staff. I shall appreciate if you can also send us detailed information about the various courses offered in pursuit of meeting the objectives of the Academy, especially those related to developing and strengthening senior management skills in enterprise management, financial management, project and plant management, etc.

I thank you once again and look forward to meeting you in March.

Sincerely yours,

SM

Surinder Malik
Industrial Development and Finance Division
Europe, Middle East and North Africa Region

SKMalik:erb

cc: Messrs. Kaden, Kinawy, Hadjicostas
Ms. MacNamara

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION
OFFICE MEMORANDUM

EGT-Construction Ind

DATE: February 16, 1983

TO: Mr. Christopher R. Willoughby, Director, TWD

FROM: J. Coulol, Acting Chief, EMPID

EXTENSION: 33059

SUBJECT: EGYPT - Request for Assistance for the Appraisal of
the Construction Industry Project

Following a preappraisal mission in November 1982 we are now awaiting Government confirmation to mount an appraisal mission in the second half of March. The proposed project, expected to be the first in a series of loans to assist the Egyptian construction industry, has as its main focus institutional reforms, including the establishment of a Construction Industry Development Board and a Contractors Association. Other than reviewing the legislation for the establishment of these institutions and their need for technical assistance, the appraisal team will also finalize a management development program, appraise a few public sector contracting companies, determine the technical assistance needs of the two financial intermediaries and do other DFC related work. Given the nature of the project and our own limited technical capabilities, we would greatly appreciate if the services of Mr. Helmut Kaden could be once again made available.

Mr. Kaden participated in the preappraisal of the project in November and was extremely helpful in the evaluation of the proposed new institutions as well as in many other aspects, especially the ones which have a bearing on improving the efficiency of the construction industry in Egypt. His continued involvement in the project will benefit both us and the Egyptians. We would need Mr. Kaden's services for approximately 4-5 weeks, including about 2 weeks in the field. I would be most grateful for your concurrence to this request.

cc: Messrs. Finzi, Zaidan (o/r), Hogg, Kaden, Malik, Moini/Zaborski

SMalik:isc

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TO:

MR. SAMIR KORAIEM, SENIOR UNDERSECRETARY,
MINISTRY OF INVESTMENT AND INTERNATIONAL COOPERATION,
CAIRO, EGYPT.

AAA. HOPE YOU HAVE RECOVERED AND CAN TRAVEL OVER WEEKEND.

BBB. ON BASIS OF OUR CONVERSATION OF LAST THURSDAY WE ARE
SCHEDULING MR. BANERJI'S MISSION ON MANUFACTURED INDUSTRY TO
START WORK IN CAIRO BEGINNING FEBRUARY 20. GREATLY APPRECIATE
YOUR OFFICE ASSISTING THE MISSION AND INFORMING MESSRS.
ALY NEGM, MAHMOUD HILAL, ROSHDI ABDUL KADER, HOSSEIN AHMED
HOSSEIN AND VICE CHAIRMAN, EPC, OF MISSION'S ARRIVAL.

CCC. IF POSSIBLE REQUEST YOUR INTERVENTION ONCE AGAIN
BEFORE YOU LEAVE CAIRO TO EXPEDITE PREPARATORY WORK FOR
CONSTRUCTION INDUSTRY PROJECT APPRAISAL. FOR APPRAISAL
TO COMMENCE IN MARCH REQUEST (1) SPECIFIC DATE ON WHICH
DRAFT DECREE FOR CIDB WILL BE AVAILABLE. (2) PROGRESS IN
IDENTIFYING SUITABLE INTERMEDIARY BESIDES DIB. (3) DATE
BY WHICH COLLECTION OF DATA BY MR. EL KASHEF WILL BE
COMPLETED.

DDD. LOOK FORWARD TO SEEING YOU SOON IN GOOD HEALTH. BEST
PERSONAL REGARDS TO ALL, MOINI, EGYPT DIVISION, WORLD BANK.

NOT TO BE TRANSMITTED

CLASS OF SERVICE:

Telex

TELEX 927 348 GAFEC UN

DATE: 2.16.83

SUBJECT:

EGYPT : Various

DRAFTED BY:

S.A.W. Moine

CLEARANCES AND COPY DISTRIBUTION:

cc: Messrs. Banerji and
Malik

AUTHORIZED BY (Name):

A.J. Favilla, Chief

DEPARTMENT:

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TO:

ENG. ABDEL RAHMAN EL KASHEF,

CHAIRMAN, STEERING COMMITTEE. REFERENCE CONSTRUCTION INDUSTRY
PROJECT AND MY TELEX OF JANUARY FIVE. WE HAVE NOT YET RECEIVED
THE WITHDRAWAL APPLICATION FOR DR. HILLEBRANDT'S TRIP TO EGYPT
TO ATTEND THE SEMINAR. CLOSING DATE FOR LOAN EGT-1456 UNDER
WHICH THE STUDY WAS FINANCED CANNOT BE EXTENDED FURTHER. TO
AVOID CUMBERSOME ADMINISTRATIVE PROBLEMS I PROPOSE THAT YOU
SEND BY TELEX A STATEMENT AUTHORIZING US TO SIGN THE WITHDRAWAL
APPLICATION ON BEHALF OF THE STEERING COMMITTEE IN THE AMOUNT
OF US DOLLARS NINE HUNDRED SIXTY THREE AND CENTS TWENTY TWO.
WITH BEST REGARDS, MALIK, INTBAFRAD.

END
OF
TEXT

NOT TO BE TRANSMITTED

927-

CLASS OF SERVICE:

TELEX NO. MISIC UN 93137

DATE: 1/31/83

SUBJECT:

EGYPT - Construction Industry

DRAFTED BY:

SMalik:isc

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AUTHORIZED BY (Name and Signature)

Surinder K. Malik

DEPARTMENT:

EMPID

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OFFICE MEMORANDUM

DATE: January 25, 1983

TO: EMP Assistant Directors

FROM: R. Picciotto

EXTENSION: 2708

SUBJECT: EGYPT

I forgot to mention this morning that one of the important achievements of the Clausen/Chaufournier visit to Egypt was that the Government has apparently agreed to seek Bank assistance for highway maintenance, irrigation rehabilitation, construction industry development and urban development. It appears that proceeding with the irrigation project will depend on blending Bank funds with softer bilateral funds which Mr. Favilla hopes to secure from Scandinavia. Furthermore, the Government may only wish to secure Bank financing for urban infrastructure. We should hear more details from Mr. Favilla when he returns next week, but in the meantime you should think about the implication of processing these projects this fiscal year and plan accordingly.

cc: EMP Division Chiefs
Mr. Swayze

RPicciotto:bk

Jan 28
In
HIT
HMER
EGT - Urban Sector
EGT - Highway Maintenance
EGT - Irrigation Rehabilitation
EGT - Construction Ind.

R3-197

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MR. FAVILLA FOR ACTION

RCA JAN 17 0422Z

248423 WORLDBANKZ

248423 107101988

1983 JAN 17 AM 5:25
CABLE SECTION

EGT Construction
Ind. Project

MR. SWAYZE

ACTING DIVISION CHIEF

WORLD BANK

WASHINGTON D.C.

RE CONSTRUCTION INDUSTRY PROJECT. PLEASED TO INFORM

THAT THE MINISTERIAL COMMITTEE FOR HIGH POLICY AND ECONOMIC

AFAIRS HAS APPROVED IN PRINICIPLE THE PROPOSED WORLD BANK

LOAN FOR THE SAID PROJECT . REGARDS

SAMIR KORAIEMEBBXX

⊞

248423 WORLDBANK

348 GAFEC UN

VIA RADIO-AUSTRIA

17/01/83 0929GMT

FORM NO. 10
(2-79) *Egypt*WORLD BANK OUTGOING MESSAGE FORM Telegram, Cable, Telex
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EXTENSION

33056

EGT-1456

EGT-Construction Ind. Project

MESSAGE NUMBER

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HERE

TO:

ENG. ABDEL RAHMAN EL KASHEF, CHAIRMAN,
STEERING COMMITTEE. REFERENCE CONSTRUCTION INDUSTRY PROJECT
AAA THE CLOSING DATE FOR LOAN EGT-1456 UNDER WHICH THE
CONSTRUCTION/CONTRACTING INDUSTRY STUDY WAS FINANCED IS END
JANUARY 1983. I SHALL APPRECIATE IF A WITHDRAWAL APPLICATION
IN THE AMOUNT OF US DOLLARS NINE HUNDRED SIXTY THREE AND CENTS
TWENTY TWO FOR DR. HILLEBRANDT'S TRIP TO EGYPT FOR THE SEMINAR
CAN BE MAILED TO THE BANK AT YOUR EARLIEST.
BBB IN RESPONSE TO MR. FAVILLA'S TELEX OF DECEMBER TWENTY WE
HAVE BEEN INFORMED BY MR. KORAIEM THAT THE GOVERNMENT HAS YET
TO TAKE A FINAL DECISION REGARDING THE PROPOSED LOAN.
CCC WILL APPRECIATE IF YOU CAN ALSO MAIL US A COPY OF THE
ARABIC VERSION OF THE DRAFT LEGISLATION FOR THE ESTABLISHMENT
OF THE CIDB. WITH BEST REGARDS AND WISHES FOR A HAPPY NEW
YEAR, MALIK, WORLD BANK

END
OF
TEXT

NOT TO BE TRANSMITTED

CLASS OF SERVICE:

TELEX NO.: MISIC UN 93137

DATE: 1/5/83

SUBJECT:

EGYPT - Construction Industry

DRAFTED BY:

SMalik:isc *SMalik*

CLEARANCES AND COPY DISTRIBUTION:

cc: Mr. Zaborski

AUTHORIZED BY (Name and Signature)

Surinder K. Malik *SK Malik*

DEPARTMENT:

EMPID

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TO : WORLD BANK - WASHINGTON DC - U.S.A.
FROM : BANQUE DU CAIRE H.O. - CAIRO

1982 DEC 26 AM 11:37

RECORDS AND
COMMUNICATIONS

26/12/1982

OUR REF H.O. 26/38889

KIND ATTN. MR. FAVILLA

=====

R.Y.T. DATED 20.12.1982 REGARDING CONSTRUCTION INDUSTRY
PROJECT STOP KINDLY BE ADVISED THAT WE, BANQUE DU CAIRE, HAVE
WRITTEN TO MR. SAMIR KORAIEH ON 22.12.1982 OF OUR OPINION ABOUT
THE REPORT IN QUESTION STOP BEST REGARDS

MAHMOUD FAHMY LABAN

CHAIRMAN

=====

BANKAHER

⊞

WORLDBNK440098⊞

92838 BNKHR UN.....

~~AJF~~
RWZ
HJ -
Please
send
it to
or this to
Mr. Zaidan &
Mr. Maithe
RV

MET

RCA DEC 22 0700#

248423 WORLDBANK

CAIRO 22/12/1982

RECEIVED

~~AJF~~

~~RWZ~~

1982 DEC 22 AM 9:58
COMMUNICATIONS DIVISION

EST-Construction
Industry
Project.

MR. FAVILLA

DIVISION CHIEF

WORLD BANK

WASHINGTON D.C

REURTELEX DEC.20 REGARDING CONSTRUCTION INDUSTRY

PROJECT WE BELIEVE EARLY JAN. WILL BE INCONVENIENT SINCE WE

DIDN'T RECEIVE ANY INDICATION TO THE APPROVAL YET. WILL TELEX

LATER.

REGARDS

SAMIR KORAIEM

#

248423 WORLDBANK

348 GAFEC UN

348 GAFEC

DISTRIBUTION HC EGT-El Dikheila
Steel

MR. FAVILLA OF

MR. ZAI DAN ^{Cr} EGT-Education
IV
EGT-Leap

EGT-Construction
Incl.

DEC 14 1982
CALL 1000

EMENA REGION

325 HOMER UN

ZABORSKI

440098 INTBAFRAD

INDUSTRIAL DEVELOPMENT AND FINANCE

WE RECEIVED

DEC 14 1982

COUNTRY/ID

Egypt-Const.

LOAN/CREDIT NO.

ACTION BY

SA/AD/AA

Swinder - Pls. let me know
when Favilla gets back. We certainly
have to discuss next steps!...

MISSION COMPLETES COMMA LEAVING FOR SWEDEN. NEGOTIATIONS FOR

DIKHEILA AND EDUCATION FOUR CONVENIENT ONLY AFTER

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EGT- Construction Ind.

1	PAGE	EXTENSION	MESSAGE NUMBER	TEST NUMBER (FOR CASHIER'S USE ONLY)
1	OF	32459		

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BOOK OF THREE (SEE ATTACHED)

1. MR. SAMIR KORAIEM
SENIOR UNDERSECRETARY
MINISTRY OF INVESTMENT
AND INTERNATIONAL COOPERATION
CAIRO, EGYPT

TELEX: 348 GAFEC UN

2. ENG. ABDEL RAHMAN EL KASHEF
CHAIRMAN, STEERING COMMITTEE
MISR ENGINEERING AND CONSTRUCTION CO.
CAIRO, EGYPT

TELEX: MISIC UN 93137

3. MR. M. F. LABAN
CHAIRMAN, BANQUE DU CAIRE
CAIRO, EGYPT

TELEX: 92432 UN

END
OF
TEXT

NOT TO BE TRANSMITTED

CLASS OF SERVICE:	TELEX NO.:	DATE: 12/14/82
SUBJECT: EGYPT - Construction Industry		DRAFTED BY: SMalik:isc
CLEARANCES AND COPY DISTRIBUTION:		AUTHORIZED BY (Name and Signature): Alberto J. Favilla, Div. Chief
		DEPARTMENT: Country Programs Dept. 1, EMENA
SECTION BELOW FOR USE OF CABLE SECTION		
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10

TO: MR. M. SAMIR KORAIEM, SENIOR

UNDERSECRETARY, MINISTRY OF INVESTMENT AND INTERNATIONAL
COOPERATION, COPIES TO ENG. ABDEL RAHMAN EL KASHEF, CHAIRMAN,
STEERING COMMITTEE AND MR. M. F. LABAN, CHAIRMAN, BANQUE DU
CAIRE, CAIRO, ARAB REPUBLIC OF EGYPT. REFERENCE CONSTRUCTION
INDUSTRY PROJECT. FOLLOWING THE RECENT PREAPPRAISAL MISSION
AND MY DISCUSSIONS IN EGYPT ON THE PROJECT, WE WOULD APPRECIATE
KNOWING THE STATUS OF ACTIONS PRECEDENT TO APPRAISAL (CURRENTLY
SCHEDULED FOR EARLY JANUARY), (THE ISSUES RAISED IN THE AIDE
MEMOIRE OF THE NOVEMBER PREAPPRAISAL MISSION INCLUDE (AAA)
GOVERNMENT DECISION IN PRINCIPLE FOR THE ESTABLISHMENT OF
THE CONSTRUCTION INDUSTRY DEVELOPMENT BOARD (BBB) BANQUE DU
CAIRE'S FINAL DECISION REGARDING PARTICIPATION IN THE PROPOSED
PROJECT AS ONE OF THE TWO FINANCIAL INTERMEDIARIES AND (CCC)
COMPLETION OF THE QUESTIONNAIRE SUBMITTED BY THE PREAPPRAISAL
MISSION TO THE STEERING COMMITTEE BY PUBLIC SECTOR COMPANIES
TO FACILITATE THEIR APPRAISAL), AND WHETHER OR NOT THE
GOVERNMENT HAS MADE A FINAL DECISION ON WHETHER OR NOT TO
BORROW BANK FUNDS FOR THE PROJECT. WE LOOK FORWARD TO
HEARING FROM YOU SOON. BEST REGARDS, FAVILLA, WORLD BANK

END
OF
TEXT

NOT TO BE TRANSMITTED

CLASS OF SERVICE: TELEX

TELEX NO.:

SEE ATTACHED

DATE: Dec 20, 1982

SUBJECT: Egypt: Construction Industry

DRAFTED BY: SMalik/RWZaborski:orp

CLEARANCES AND COPY DISTRIBUTION:

cc: Messrs. Zaidan
Malik
Zaborski

AUTHORIZED BY (Name and Signature)
Alberto J. Favilla, Div. Chief,DEPARTMENT:
Country Programs Dept. 1, EMENASECTION BELOW FOR USE OF CABLE SECTION
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EGT- Construction
Ind. Project

11/24/82

EMENA
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OFFICE MEMORANDUM

DATE: November 24, 1982

TO: Mr. George C. Zaidan, Chief, EMP ID

FROM: Surinder K. Malik *SKM*SUBJECT: EGYPT - Construction Industry Project, Preappraisal Mission
Back-to-Office Report

1. In accordance with the terms of reference dated October 26, 1982 a mission consisting of Messrs. Austen (ILO), Deshpande (EMP ID), Kaden (TWD), myself and Ms. MacNamara (EMP ID), and Messrs. Hadjicostas and Kinawy (EMPTA) on a part-time basis, visited Egypt during October 29 - November 18, 1982 to preappraise the construction industry project. To this end the mission held discussions with the Steering Committee of the Ministry of Housing, the proposed financial intermediaries, public and private sector contracting companies, technical and training organizations and others (various faculties, consulting firms, etc.) associated with the construction/contracting industry in Egypt.

2. The mission was also received by H. E. Mr. Kafrawi, the Minister for Housing and Reconstruction as well as by five other ministers (Economy, Finance, Planning, Industry, and Investment and International Cooperation). A list of persons met is attached as Annex I to this memorandum. Also attached (Annex II) is a copy of the Aide Memoire which was discussed with the Steering Committee and copies of which were forwarded to all the ministers mentioned above as well as to the office of the Deputy Prime Minister for Production and Minister for Petroleum. The ministers are members of the Ministerial Committee for Production which is chaired by the Deputy Prime Minister for Production. This Committee is presently reviewing the recommendations of the Bank-financed Construction/Contracting Industry Study, especially the proposal related to institutional changes in the construction sector. These institutional changes form an important basis for the proposed (and subsequent) construction industry project.

3. The main components of the proposed project remain essentially unchanged from the ones presented in the Project Brief of July 12, 1982. These are summarized in the attached Aide Memoire and will be detailed in the context of the SAR. If some of the outstanding issues (see below) can be successfully resolved in the next 4-6 weeks the present schedule for Board presentation may be met with some difficulty by mounting an appraisal mission in early January 1983. On the other hand, any further slippages imply that the project will have to be moved to FY84.

Outstanding Issues:A. Construction Industry Development Board (CIDB)

4. The Government has yet to take a final decision for the establishment of CIDB. The Ministerial Committee for Production was scheduled to

review this proposal along with the other recommendations of the Construction/Contracting Industry Study on November 4, 1982, but this review was postponed. All the ministers the mission spoke to were in favor of the proposal. As stated in para 10 (i) of the Aide Memoire, we recommend that appraisal of the project be conditional on the Government taking a decision in principle for the establishment of CIDB.

B. Banque du Caire as a Financial Intermediary

5. At the request of the management of Banque du Caire, the pre-appraisal mission prepared a note (Annex III) explaining how the Bank line of credit will operate. This note was discussed by the Board of Banque du Caire and the management informed the Bank mission that the Board had approved the inclusion of Banque du Caire as one of the two financial intermediaries under the proposed project. On November 15, the management of Banque du Caire informed the mission that it did not wish to undertake any responsibility for the full appraisal of the technical aspects of sub-projects. Banque du Caire does not at present have any in-house capability for technical appraisal and would prefer to leave technical appraisal responsibility to the Government and/or the public sector companies (i.e. sub-borrowers). This is clearly unacceptable. What is needed is a commitment from the management of Banque du Caire that in-house capability will be gradually developed by adding a few engineers (civil and mechanical) to the staff of the loan department and/or setting up a new project evaluation unit. The Bank mission tried to convince the management of Banque du Caire of the need for developing in-house appraisal capability even to the extent of providing TA and jointly appraising a few sub-projects in January 1983. The mission has requested that the management of Banque du Caire pursue the matter with their Board and transmit their final decision through the Government to the Bank by December 15.

6. If Banque du Caire insists on not playing any role in the technical appraisal of sub-projects, two options are available: (i) to find another intermediary to replace Banque du Caire and (ii) to extend the loan to only one financial intermediary, i.e. DIB. The mission favors option (i) over option (ii) to avoid overextending DIB, especially considering that the proposed project may be a first in a series of loans for the construction sector.

7. Option (i) may not entail any further slippages in the processing of the project. Two banks, Bank Misr and National Bank for Development, have been recently appraised in connection with the Agro-industries loan. The mission held preliminary discussions with the National Bank for Development which is keen to participate. The bank has some exposure in the construction sector and a consultant (from the faculty of engineering) on board to do technical appraisal of sub-projects and a willingness to strengthen in-house project appraisal capability. Building a pipeline of public sector sub-borrowers is not a major problem, since the process has already begun (see para 8).

C. Choice of Sub-projects/Sub-borrowers

8. The Steering Committee of the Ministry of Housing and Reconstruction insists on having a final say in the choice of both the public sector and the

private sector sub-borrowers to ensure meeting national priorities. A pre-selection committee consisting of representatives of the various ministries in addition to the Steering Committee has already been established to review proposals/needs of the approximately 50 public sector companies. The mission has proposed that the pre-selection committee narrow down the list of public sector companies to about 15-20 based on (project) priorities established by the various ministries. These companies should complete the questionnaire (Annex IV) submitted by the mission to the Steering Committee. The final choice (the proposed project may be able to meet the equipment needs of about 6-8 public sector companies) will be left to the financial intermediaries based on standard sub-project appraisal. The January mission will appraise a few public sector sub-projects jointly with the financial intermediaries. There should be no pre-selection of private sector sub-borrowers.

9. The mission reviewed these issues with the Ministry of Investment and International Cooperation and was assured that (i) Banque du Caire's participation will be subject to its strengthening of sub-project appraisal capability and (ii) the Steering Committee will not be allowed to play any role in the final selection of sub-borrowers. The Ministry would prefer Banque du Caire, which is the bank of the public sector contracting companies, to be one of the financial intermediaries and is of the opinion that the bank will come around to accepting Bank conditions.

D. Other Issues

10. The onlending arrangements for the loan have not been finalized yet. The Government's preference is to pass on the loan proceeds to the financial intermediaries at the Bank's variable interest rate, with the sub-borrowers bearing the full foreign exchange risk as well as the interest rate risk. The financial intermediaries would prefer the same arrangements as recently negotiated under the Agro-industries loan, where the Government has agreed to bear the interest rate risk and will onlend Bank funds to the intermediaries at a fixed rate.

11. The mission's proposal to upgrade construction management through a combination of on the job training and appropriate courses/seminars was discussed and agreed with the Steering Committee as well as with the chairmen of some 20 contracting companies. It was also agreed with the Steering Committee that those public sector companies which avail of the proposed line of credit for the purchase of equipment will automatically be required to participate in the management training program. The mission will prepare a detailed construction management development program by December 15 for submission to the Steering Committee before the departure of the appraisal mission.

12. The mission reviewed, as per its terms of reference, the tendering and contract procedures and the awarding of bids for public sector works. The mission's understanding that the direct order method has been phased out as a normal routine was confirmed by both the public and the private sector contracting companies. Competition has increased in recent years through the practice of open bidding (advertisement in newspapers) and restricted bidding

(prequalification). However, negotiations are so common that no company, public or private, has been awarded a contract without negotiations. Existing Law (1952), now being updated, is considered adequate. The problem lies in the conditions of contract (no allowance for price contingencies) and in the bidding documents which are not always clear enough to price bill of quantity. The soon to be established Contractors Association has been entrusted with the task of preparing proposals for suitable standard general conditions of contract to improve the contractual relationship between owner and contractor, and tendering procedures guidelines to make competitive bidding more meaningful.

Next Steps

13. Assuming the Ministerial Committee for Production takes a decision in principle for the establishment of CIDB in the next 2-3 weeks, an appraisal mission can be mounted in early January 1983. The main task of the appraisal mission will be to (i) finalize and complete the financial and technical appraisal of the financial intermediaries; (ii) finalize the administrative arrangements for the delivery of the construction management development program; (iii) appraise 2-3 public sector sub-borrowers jointly with the financial intermediaries; and (iv) finalize the onlending arrangements. In the interim the mission will prepare a draft white SAR to be processed into yellow on the return of the appraisal mission.

Attachments:

Annex I : List of persons met
Annex II : Aide Memoire
Annex III : Note for the Management of Banque du Caire
Annex IV : Questionnaire to be filled by contracting companies

cc: Messrs. Dubey, Gregory, Richardson, Karaosmanoglu, Ms. Schaeffer
Colaco, Favilla, Moini, Zaborski (EMI);
Picciotto, Finzi, Jones, Stewart, Pranich, El Maaroufi, Prosser, Corwell,
Coudol, El Daher (EMP); Rajagopalan (PAS)(3); Fuchs, Kohli (IND);
Kapur (OED); Gustafson, Hovaguimian, Chaudhry (IFC);
Deshpande, Hadjicostas, Kaden, Kinawy (o/r)
Ms. MacNamara

EMENA Information Center

SKMalik:isc

EGYPT - CONSTRUCTION INDUSTRY PROJECTI. Government Officials

H. E. H. M. Kafrawi	:	Minister for Housing and Reconstruction
H. E. W. Shindi	:	Minister for Investment and International Cooperation
H. E. K. El Gauzouri	:	Minister for Planning
H. E. S. Hamed	:	Minister for Finance
H. E. F. Abu Zaghla	:	Minister for Industry
H. E. M. El Said	:	Minister for Trade and Economy
Mr. Samir Koraïem	:	Senior Undersecretary, Ministry of Investment and International Cooperation
Mr. H. Abdallah	:	Undersecretary of State for Petroleum
Mr. Abd El-Hamid El-Toody	:	Central Reconstruction Organization, Ministry of Housing and Reconstruction
Mr. Salah Fahmy	:	Undersecretary, Ministry of Housing and Reconstruction
Mr. Aly Negm	:	Deputy Governor, Central Bank

II. Steering Committee

Mr. Abdel Rahman El Kashef (Chairman)
 Mr. Ali Abu Yusef (Deputy Chairman)
 Mr. Fahmy Tolba
 Mr. Salah El Din Mohamed Zaki El Din
 Mr. Ramzy Iskander Tadros
 Mr. Mohamed M. Shaheen
 Mr. Hussein Sharabi

III. Public Sector Companies

Mr. Mohamed Hassaballah	:	Vice President, Arab Contractors
Ms. Suzan Bedeir Metwalli	:	Manager, Training Dept., Arab Contractors
Mr. Ayman Mohamed	:	Management Development, Arab Contractors
Mr. Mohamed Hassan Allam	:	Chairman, Nasr General Contracting Co.
Mr. Ahmed Gaber Barakat	:	Chairman, Egyptian Dredging Co.
Mr. Husein El Homossani	:	Chairman, Lelwadi El Gadid Co.
Mr. Mohmond Hamed Afifi	:	Chairman, Canal General Contracting Co.
Mr. Mustafa Abdul Baki Sombol	:	Chairman, Alexandria General
Mr. Amil Hamad	:	Alexandria General
Mr. Husein Akif	:	Chairman, Misr Concrete Co.
Mr. Yosri Hussein	:	Director, Misr Concrete Co.
Mr. Makhlouf, Consultant	:	Misr Concrete Co.
Mr. Hafez, Project Manager	:	Misr Concrete Co.
Mr. Mohie El Din Abdallah	:	Chairman, Mukhtar Ibrahim Co.
Mr. Mustafa Ibrahim Batoty	:	Vice President, Mukhtar Ibrahim Co.
Mr. Gamal El Shafei	:	Chairman, The Egyptian Contracting Co.
Mr. Ali Abou-Yousef	:	Technical Advisor, Cairo General Contracting Co.

Mr. Kamal Shoukrey	:	Chairman, The Nile General Co. for Reinforced Concrete
Mr. B. Mohamed Ragaie Hassan	:	Manager, Alexandria Branch, Arab Contractors
Mr. Farouk Barakat	:	Alexandria Branch, Arab Contractors
Mr. Aly Ahmed Attia	:	Alexandria Branch, Arab Contractors

IV. Private Sector Companies

Mr. Boshra El Sawi	:	Chairman, Misr Contracting Co.
Mr. Amr Bahgat	:	Misr Contracting Co.
Mr. Abdel Fattah Shafshak	:	General Manager, Misr Investment and Development Co.
Mr. Mostafa K. Montasser	:	General Manager, Montasser Contracting and Reconstruction Co.
Mr. Mostafa Kamal Abdel Aziz	:	Montasser
Mr. Ahmed H. Dakrouri	:	Technical Coordinator, Montasser
Mrs. Kawsar Nasser	:	R & D Manager, Modern Construction International
Mr. Ahmed Seif El Din Khorshid	:	President, Omar Seif El Din and Sons
Mr. Youssef Sharnoubi	:	Project Manager, Omar Seif El Din and Sons

V. Financial Institutions

Mr. Abdel Hamid Kabodan	:	Chairman, DIB
Mr. Omar Osman	:	Vice Chairman, DIB
Mr. Fouad Sultan	:	Chairman, MIDB
Mr. Al Motaz Mansour	:	General Manager, MIDB
Mr. Abdul Wahab El Abiary	:	Deputy Chairman, Banque du Caire
Mr. Mohamed Abo El-Fath	:	General Manager, Banque du Caire
Mr. Hassan Samir Mansour	:	Manager, Credit Department Banque du Caire
Mr. Mustafa El Said	:	Arab International Bank
Mr. Yousef El-Gammal	:	Arab International Bank
Mr. Mohamed Farid	:	Vice Chairman and Managing Director National Bank for Development

VI. Other Organizations/ Institutions

Mr. A. A. Bazaraa	:	President, TOMOHAR
Mr. Hassan Morsi Hassan	:	TOMOHAR
Mr. Mohamed Ramez	:	Director, GOHBPR
Mr. Cherif El Nazer	:	Contractors Association
Mr. Hamad Salik	:	Contractors Association
Mr. El Hashmi	:	Dean, Ain Shams University
Mr. Amr K. Mortagy	:	American University in Cairo
Mr. Mohammed Yosry Kansoh	:	President, Team Misr
Mr. Mohamed Ismail Yousef	:	Vice President, Team International
Mr. Mohmaed Mikdashi	:	Vice President, Team International
Mr. Adel Ezz	:	Director, Sadat Academy for Management

Mr. Momdouh Abdel Hamid Ahmed:	Sadat Academy
Mr. Adel El Bahairy	: Sadat Academy
Mr. Hasan Hosny	: Sadat Academy
Mr. Homahed Yasin	: Sadat Academy
Mr. Abde Salam Badawy	: Sadat Academy
Mr. Amr Ghanayem	: Sadat Academy
Mr. Kamal Abu Hendi	: Sadat Academy
Mr. R. K. Ready	: MDP Project Director

VII. Others

Mr. Michael Kingry	: USAID
Mr. Cook	: USAID
Mr. Mitchell	: USAID
Mr. T. A. Rosen	: US Embassy
Mr. Gordan Davis	: DDR International
Mr. Naumi	: DDR International
Mr. Dupree	: DDR International
Mr. Jackson	: DDR International
Mr. Fredric Laughlin	: Price Waterhouse
Mr. Ross E. Burke	: Price Waterhouse
Mr. Kenneth Kartchner	: Montgomery Engineering Ltd.

AIDE MEMOIRE
EGYPT - CONSTRUCTION INDUSTRY PROJECT

1. A World Bank mission visited Egypt during October 29- November 18, 1982 to preappraise the construction industry project. The mission held meetings with the chairman and members of the steering committee of the Ministry of Housing, various financial institutions, technical and training organizations, public and private sector contracting companies, international and bilateral agencies and others associated with the construction/contracting industry in Egypt. The mission was also received by H.E. the Minister for Housing and Reconstruction, H.E. the Minister for Investment and International Cooperation, H.E. the Minister for Planning, H.E. the Minister for Industry and Mineral Wealth, H.E. the Minister for Trade and Economy and H.E. the Minister for Finance. The mission also met with Mr. Samir Koraïem, Senior Undersecretary in the Ministry of Investment and International Cooperation, and Mr. H. Abdallah, the Undersecretary of State for Petroleum. This aide memoire summarizes the design and scope of the proposed Bank project as agreed with the Steering Committee and outlines the future plan of action in order to complete appraisal of the project in January 1983.

2. The Minister of Housing and Reconstruction had in June 1982 submitted a memorandum summarizing the recommendations of the Construction/Contracting Industry Study to the various concerned ministers. Favorable comments from the ministers have since been received. A final review will be undertaken shortly by the Ministerial Committee for Production, which is chaired by H.E. the Deputy Prime Minister for Production and Minister for Petroleum. Another memorandum was submitted on August 21, 1982 to the Ministerial Committee for High Policy by H.E. the Deputy Prime Minister for Finance and Economy for approval in principle the proposed World Bank loan for the construction industry. A Ministerial Committee reviewed this proposal on November 10, 1982 but no decision has been announced.

THE PROPOSED PROJECT

3. The proposed World Bank project has the following main components:

I. Institution Building:

(i) Construction Industry Development Board (CIDB) - It is unanimously agreed that there is an urgent need for establishing permanent institutions to effectively guide and assist the representatives of the owners, i.e. mainly the Government, and the various segments of the construction sector, by orchestrated efforts for achieving significantly increased productivity in quality and quantity. The need for coordination originates from the multisectorial process of building and constructing, and

is realized in industrial as well as developing countries. Better coordination of Government regulatory measures and policies followed by appropriate adjustments is a prerequisite for the entire construction sector to operate efficiently in order to meet the goals of the country's Development Plan. The Bank mission has reviewed the draft articles of the CIDB and considers it a suitable framework for this purpose, since CIDB would have the mandate to coordinate and to oversee the development of the entire sector and be responsible for defining and updating programs for the continued development of the industry.

A Government decision in principle to establish the Construction Industry Development Board, followed by the necessary legislation is urgently needed.

(ii) Contractors Association - The draft legislation for the establishment of a Contractors Association is much further advanced. The Housing Committee of the People's Assembly has already approved the draft legislation and the People's Assembly will consider it in its current session. The mission received an oral indication of the likely contents of the relevant law, and based on these the mission considers the early enactment of the proposed law a significant step in the right direction. The Association's program for immediate action apparently consists of a survey of the industry with the aim to set registration standards horizontally (i.e. by categories of work), vertically (i.e. by capacity ranges) and geographically (i.e. by regions). Once this is in place, the Association will prepare proposals for suitable standard general conditions of contract to improve the contractual relationship between owner and contractor, and tendering procedures guidelines to make competitive bidding more meaningful. The Association will also participate in meeting the training needs of the industry.

II. Construction Management Development Program

4. The Construction/Contracting Industry Study comprehensively covers the deficiencies and the training needs of both labor and management. Management training appears more critical to assure improved efficiency in the sector (the need for training and skill upgrading of workers are proposed to be met under Education IV project). Even in the management field the needs are so great that selectivity is necessary in order to set practical objectives with available resources. Improvements at all levels in the project cycle can only be achieved when the company senior management itself has a commitment towards good management and creates a suitable operating environment. It is therefore proposed that the immediate objective should be the strengthening of the senior management of the companies. It is hoped that this will be the beginning for achieving the long-term objective of improvement in the performance of construction companies generally.

5. The strengthening of the senior management will be accomplished by providing very experienced and highly qualified advisors for certain limited periods to work with the chairman, board and other senior staff of the companies. In the process the advisors will be able to identify needs within the companies both for training of other personnel and for improvements to operating systems. For example, the director responsible for project execution and his advisor may jointly decide that a training course in project management would be useful for the general managers with regional responsibilities. Since there may be a number of other companies also interested in such a course, the training advisor would arrange for a suitable course to be attended by the general managers of a number of companies. Thus not only on the job training will be supplemented by appropriate course work, but the benefits will also accrue to other companies in the sector.

6. Pending the formal establishment of CIDB, it is proposed that general oversight and monitoring of the technical assistance should be entrusted to the Construction Contracting Industry Study Steering Committee, perhaps with some participation of TOMOHAR (the training arm of the Ministry of Housing) and the two financial intermediaries, DIB and Banque du Caire. TOMOHAR could, for the time being, act as the executive agency with the Ministry of Housing and Reconstruction/TOMOHAR entering into a project agreement with an international agency. The international agency would be entrusted with the task of recruiting the best possible people from international sources, including tapping Egyptian expertise.

III. Line of Credit

7. It is proposed that a loan be made to the Government of Egypt at the normal Bank rate, and the Government then onlend it to DIB and Banque du Caire. The financial intermediaries would, with the usual margin, onlend the funds to eligible sub-borrowers (including leasing companies) in both the public and private sectors. Sub-loans will be made to finance the import of construction equipment including spare parts as well as of machinery and equipment to producers of building materials (e.g. cement bricks, window frames, tiles,..etc) and small items of construction equipment (e.g., scaffolding, mixers, ..etc).

8. A portion of the proposed loan would be earmarked to finance the foreign exchange cost of technical assistance. Tentative estimates place the cost of technical assistance at US\$ 4 million; these estimates will be further refined at the time of appraisal of the project in January 1983. The construction management development program as outlined above will constitute the bulk of the technical assistance. A small component will be earmarked for the Contractors Association in the initial phase of its operation.

9. The mission discussed alternative onlending arrangements with the Government. The preference of the Government appears to be that the loan proceeds be passed on to the financial intermediaries at the Banks' variable interest rate, and the sub borrowers should bear the full foreign exchange risk between the Egyptian Pound and the Banks' currency pool. The mission's initial reaction is that this arrangement could create difficulties, especially in the administration of the technical assistance program for the sub-borrowers, as the exact amount of technical assistance required by each sub-borrower may not be accurately known during subproject appraisal. The onlending arrangement will be finalised during the appraisal of the project.

Further Preparatory Work

10. The World Bank appraisal mission is scheduled to arrive in Egypt in the first week of January 1983. Any further delays in completing appraisal is likely to result in further slippages in the processing of the loan. It is therefore proposed that:

(i) The Government take a decision in principle for the establishment of the Construction Industry Development Board before the arrival of the appraisal mission;

(ii) The Steering Committee should prepare a list of about 15-20 public sector companies interested in utilizing the proposed Bank line of credit. These companies should be selected according to the priorities established by the Ministry of Housing and Reconstruction as well as other ministries actively involved in the construction sector;

(iii) The questionnaire submitted to the Steering Committee by the Bank mission should be completed by at least 5 public sector companies and should be available to the Bank appraisal team on its arrival. The Bank mission will appraise a few public sector sub-borrowers jointly with the financial intermediaries; and,

(iv) The appraisal mission will finalize the administrative arrangements with the Steering Committee for the delivery of the construction management development program. Prior to the arrival of the Bank appraisal mission in early January a detailed proposal will be submitted by the Bank to the Steering Committee.

Outstanding Issues

11. The following are the main issues still outstanding:

(i) Banque du Caire does not have the capability to undertake technical appraisal of projects in the construction sector; consequently, its credit department needs to be strengthened by the addition of technical staff (i.e. civil and mechanical engineers). However,

Banque du Caire has serious reservations in setting up an in-house unit to undertake sub-project appraisal, or to be involved in any way in the technical appraisal of sub-projects. Banque du Caire would prefer to have the technical aspects of the sub-projects left to the public sector companies and/or the Government. The World Bank mission has serious difficulties with Banque du Caire's position and considers that it would be difficult to channel funds through Banque du Caire in the absence of a commitment that in-house technical appraisal capability would be gradually developed in Banque du Caire. The mission proposes that Banque du Caire transmit its final decision through the Government to the World Bank by December 15, 1982.

(ii) The criteria for governing the distribution of funds as between DIB and Banque du Caire, and as between the public sector and the private sector has yet to be established. The Steering Committee favors the allocation of funds as between the public sector and the private sector to be based on national priorities with the actual selection of sub-borrowers to be decided by the Steering Committee with the participation of the two financial intermediaries. The Bank mission recommends that there be no specific allocation as between DIB and Banque du Caire and the principle of first-come first-served govern the actual allocation as between the public sector and the private sector borrowers, with the final decision left to the financial intermediaries who are undertaking the commercial risk.

(iii) As mentioned in para 9 above, the onlending arrangements for the loan would need to be finalised during appraisal.

Eng. Abdel Rahman El-Kashef
(Chairman, Steering Committee)

S. K. Malik
(World Bank)

Cairo, 16 November 1982

Distribution:

H.E. Hasballah Mohammad Kafrawi, Minister for Housing and
Reconstruction

H.E. Wagih Shindi, Minister for Investment and International
Cooperation

H.E. Kamal El Ganzouri, Minister for Planning

H.E. Salah Hamed, Minister for Finance

H.E. Fuad Abu Zaghlal, Minister for Industry and Mineral
Wealth

H.E. Mustafa El Said, Minister for Trade and Economy

Mr. Samir Koraiem, Senior Undersecretary, Ministry of
Investment and International Cooperation

Mr. H. Abdallah, Undersecretary of State for Petroleum

Mr. Abdel Hamid Kabodan, Chairman, Development Industrial
Bank

Mr. M. F. Laban, Chairman, Banque du Caire

Members of the Steering Committee

E G Y P T

Proposed Construction Contracting Industry Project

Main Features of World Bank Loan

1. Background

It is well known that the capacity and productivity of the construction contracting industry in Egypt needs to be increased. The World Bank therefore financed a study of the problems of the construction contracting industry in Egypt. The study was carried out by Egyptian experts and was completed in 1981. The World Bank is now proposing to assist the Government to implement the recommendations of the study by financial and technical assistance. It needs to be emphasized that the needs of the construction contracting industry cannot be met in a single project or loan. It is proposed that there would be a series of loans over the next 4-5 years. Therefore a close and long term relationship will have to be built up between the World Bank and Egyptian Banks participating in the project.

2. Project Features

It is proposed that the project should have three parts:

- (i) Setting up a Construction Industry Development Board;
- (ii) Starting Programs for management training for the construction contracting companies; and
- (iii) Financing import of equipment for construction contracting companies, both public sector and private sector out of the proposed World Bank loan.

The first two parts will be implemented by the Government. The proposed loan will have to be implemented through selected Egyptian banks.

3. The Proposed Loan

It is proposed that the loan will be in the form of a line of credit to the Government. The Government will channel the funds through two banks (i) Banque du Caire, (ii) The Development Industrial Bank. The two banks will be responsible for selecting the customers (called sub-borrowers by the World Bank), obtaining their loan applications, evaluating the applications, taking credit decisions, supervising the loan accounts and collecting repayments for repayment to the World Bank through the Government. It may be mentioned that about 20% of all World Bank loan every year are made in this manner. So far, about \$15 billion have been lent by the World Bank in the form of such lines of credit to nearly a hundred banks in the world.

4. Features of the Loan

The features of the line of credit will be mostly standard for such lines from the World Bank. Once again, it needs to be emphasized that this is expected to be the first of a series of loans. For example, the Development Industrial Bank has received so far five loans for a total of \$250 millions from the World Bank. All the additional efforts which may have to be made by the Banque du Caire in the participation in this project may please be seen in this perspective. The exact amount of the loan has not yet been decided and will be determined after assessing the needs of the companies and together with the Government. At present an amount of \$70/100 million is under consideration.

Channelling. The loan will be made to the Government. The Government will channel the loan funds through the two banks who will allocate it to their customers in the construction contracting sector.

Purpose. The loan funds may be utilized for financing import of construction machinery, from all member countries of the World Bank, for financing projects for manufacture of building materials (except cement and steel) and for manufacture of simple items of construction machinery and tools.

Allocation. The loan will be eligible for use by both public and private sector companies, the proportion to be allocated between private and public sectors and also amount to be allocated between the Development Industrial Bank and Banque du Caire is not yet determined.

Maturity. Expected to be 15 years with a grace period of three years (total of 18 years). It is expected that sub-loans to be made by the two banks should not be for term longer than 15 years including three years grace.

Interest Rates. The loan will carry a variable rate to be determined every six months. At present the World Bank rate is 11.4%. It needs to be clarified that the World Bank rate is not linked to LIBOR. The World Bank's rate is 0.5% above the average cost of World Bank resources. In practice the variation in the rate is not expected to be very large because 85% of the World Bank's resources are raised with a fixed interest rate. The Government will probably pass the funds to the banks at the same interest rate and the banks will be entitled to have a margin of about 2.5% - 3.5%. The final interest will therefore be about 14-15% at present. It is up to the banks to lend with a fixed rate or variable rate.

Utilization Procedures. Each loan application will be appraised by the banks. The appraisal will have to cover all financial, economic, technical and management aspects of the prospective sub-borrower, the necessity and suitability of the equipment proposed to be purchased, the cash flow of the sub-borrower, his efficiency as a contractor and use of existing machinery, etc. will be examined. For this purpose, in the initial stage, World Bank staff will assist Banque du Caire staff. It will be necessary for Banque du

Caire to set up a project unit with necessary technical staff for examination of their applications. The size of the unit will depend on number of loans likely to be made under this project and also the future projects which are expected to follow. There would also be some restrictions regarding maximum size of each loan, etc. which will be decided later.

Disbursement. The banks will open LCs for import of machinery and send the LCs to the World Bank for guarantee. Upon presentation of shipping documents the World Bank will pay the CIF cost of the machinery direct to the beneficiary bank according to the maturity of LCs.

Repayment. All loans to customers will be denominated in US dollar. Repayments and interest payment will be collected by the banks in Egyptian Pounds calculated at LE0.84=\$1.00, or the prevailing official exchange rate on the date of repayment. The banks will transfer the funds to the Central Bank, who will convert the funds into Foreign Currency for repayment to the World Bank.

5. Further Action Requested.

At this stage, in principle, an expression of interest and endorsement of Banque du Caire is necessary as this is the first time the Banque will deal with the World Bank. Secondly, a realistic list of likely sub-borrowers along with amount of loan requests should be ready by January 1983. The next World Bank mission will visit in January and would like to help Banque du Caire staff to appraise one or two applications.

6. Note

The above ideas/proposals are purely those of the present World Bank mission. Final decisions will be taken only after clearance by the World Bank management and after negotiations with the Egyptian Government.

Questionnaire for Public Sector Companies

Introduction

1. The loans from the World Bank funds can be used for import of equipment from all member countries of the World Bank.
2. The loans will be channeled through the Banque du Caire and the Development Industrial Bank, who will examine the loan applications and take decision.
3. The loans will have to be repaid in Egyptian pounds at the official exchange rate in force on the date of repayment.
4. The rate of interest will be about 14-15% per year, the maturity will be 5-12 years with an appropriate grace period to be decided by the banks.
5. These terms will be discussed further with the Government, but are not likely to change very significantly.
6. Along with loans, the World Bank will arrange management development assistance through foreign/Egyptian experts who will be deputed to the companies who take loans. This management development assistance is a part of the loans and loans will not normally be given to companies unless accompanied by technical assistance.
7. Companies to be given loans should be normally engaged in non-military works, who obtain their work through competitive bidding. The list will finally be subject to Government approval.

Part I: Basic Data

- a. Name of company, date of establishment and address.
- b. Pre-nationalization history, if any.
- c. Names of board members and management, dates of appointment in company.
- d. Current specializations of company.
- e. Organization chart of company and number of staff at each level.

Part II: Equipment Needs

- a. List of equipment available in your company according to major types of equipment.
- b. What equipment do you need now? Please list, giving estimated CIF prices.
- c. Why do you need this equipment? Please give reasons such as replacement of worn-out equipment, for diversification of activity or expansion of capacity, or for major new job, etc.

Part III: Technical Assistance

- a. In the past one year, have any of your staff attended classroom type management training or attended seminars on management development? If so, please give details such as level of staff who attended, subject taught, length of course and who conducted the course.
- b. What kind of management training does your company need? At what levels should experts be deputed?
- c. Who should be trained? for example: site managers, managers of finance departments, general managers, etc.?

Part IV: Information for Loan Application Scrutiny

- a. List your significant (major) works. Please indicate that your client for these works can be contacted for reference.
- b. List your bank accounts and permit contact with the bank for reference.
- c. What is the volume of work on hand as of June 30, 1982? (in LE million).
- d. What is the number of temporary workers employed on a steady basis?
- e. How do you monitor the use and maintenance of your equipment? Do you have an internal system for charging the cost of using machinery to each job?
- f. Please provide the following data for the last three years (1979, 1980, 1981, or 1980, 1981, 1982 if available).
 - i. Annual turnover, including subcontracted work
 - ii. Profit and loss accounts*
 - iii. Balance sheets*
 - iv. Projected annual turnover for the next three years
 - v. Distribution of net profit between dividend paid to Government and bonuses to staff

* Please use attached format.

Company profit and loss account

For the year ended 30th June, 1981

	1980/81 (12 months)	1980	1979
	£E,000	£E,000	£E,000

Work in progress beginning of period

Turnover of the period

Total

Work in progress end of period

Earned revenue

Cost of earned revenue

Gross profit

Other revenue

Total

Retained provisions

Other expenses

Net profit before taxes

Extraordinary items

Income tax provision

Net profit

Company balance sheet

As at 30th June, 1981

	30.6.81	30.6.80
	££,000	££,000
Assets		
Fixed Assets, net value		
Land		
Buildings		
Machinery, equipment, vehicles, furniture, etc.		
Investment		
Current Assets		
Stocks and goods in transit		
Cost of work in progress		
Accounts receivable		
Cash in hand and at banks		
Total Assets		
Liabilities		
Authorized Capital		
Equity		
Paid-up Capital		
Legal and general reserves		
Net profit		
Long term loans		
Provisions		
Current Liabilities		
Value of work in progress		
Bank overdraft		
Sundry creditors and accruals	253,093	220,000
Total Liabilities		

OFFICE MEMORANDUM

DATE: November 17, 1982

TO: Mr. R. Picciotto, Director, EMP

FROM: George C. Zaidan, Chief, EMP ID

SUBJECT: Mr. Koraïem's cable regarding my visit to EgyptEGT- ^{2) File} kdp
EGT- Construction
Ind.EGT- D.F.C. Sector
[Manufactured
Goods Export
Study]

1. As per your request, the following are the relevant facts concerning my recent mission to Egypt related to the above cable.
2. My visit to Egypt had two major objectives: The review of the upcoming construction industry loan (with the pre-appraisal mission) and the preparation for the Export Study of Manufactured Exports (the mission began its work in mid-November). With respect to the former, the procedure established during the last mission in May was for the appointments to be made via the office of Mr. Abdel Rahman El Kashef, Chairman of the Steering Committee of the Egypt Construction Industry Study. With respect to appointments concerning the Egypt Export Study, all requests for appointments were made through Mr. Koraïem's office (see copy of attached telex).
3. Mr. Koraïem's office did set up appointments for me with the head of the Export Promotion Center, the Deputy Governor of the Central Bank and the head of GAFI. It was not possible to set up appointments with the Minister of Economy and the Minister of Investments (to whom Mr. Koraïem reports). This was confirmed to me via Mr. Zaborski who was in Cairo at the time and whom I had asked to go to Mr. Koraïem's office to see whether there was any chance that the appointments that I had requested could be set up.
4. Mr. El Kashef, whose office set up appointments for the May preparation mission of the Construction Industry loan and was continuing to do so for the November pre-appraisal mission, suggested that I see the Ministers of Housing, Planning, Economy, Industry and Investments to explain to them the purposes of the Construction Industry loan and get their reaction regarding the establishment of the Construction Industry Development Board (all of whom would be members of the proposed Board). When I informed him that Mr. Koraïem's office had been unable to secure appointments for the Ministers of Investment and Economy, he suggested that his office try to, and proceed to, obtain an appointment for the Minister of Investments as well as the Ministers of Planning, Industry and Housing. I saw nothing wrong with this since on three previous missions to Egypt I had seen the two or three Ministers concerned with the projects I was discussing: consequently, I had every reason to expect that Mr. Koraïem's office had been unable and not unwilling to secure the requested ministerial appointments.

5. Mr. El Kashef joined me in my meetings with the Ministers of Planning, Industry and Housing. He was unable to join me for the meeting with the Minister of Investments since the time for the meeting took place at 8.00 p.m. when Mr. El Kashef had other commitments. I also met the Minister of Economy when he joined me with a mutual friend for breakfast at the Hilton Hotel (all three of us had been students at the London School of Economics together in the early 60's). Mr. El Kashef was not present since this was arranged at the last minute as a personal visit (at which, however, I explained to him the purpose of my visit and raised with him the same issues raised with the other Ministers).

6. I briefed Mr. El Kashef fully about my meetings with the Ministers of Investments and Economy. If Mr. Koraïem had been in Egypt, I would obviously also have briefed him fully but partly because he was not there and partly because the mission's work was not yet completed, I felt that it was preferable for the mission to give a full briefing to Mr. Koraïem on his return after its work was completed. This, the mission did on November 14, 1982.

7. The above facts suggest there has been a serious and most embarrassing misunderstanding. Mr. Koraïem's very difficult relations with his new Minister (to whom, it is said, he can only communicate in writing) may have something to do with what seems to be an over-reaction. In any case, I would be happy to help in whatever action the Bank deems appropriate to bring this unfortunate episode to a satisfactory conclusion.

cc: Messrs. Chaufournier, Karaosmanoglu, Finzi, Favilla ✓

SECTION 102 / 100 USE OF CABLE SECTION

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74528

EGT-Construction Task

TO:

MR. SAMIER KORAIEM, SENIOR UNDERSECRETARY,
CAIRO, EGYPT.

THANKS FOR YOUR PROMPT CONFIRMATION OF MR. ZAIDAN'S VISIT.

MR. ZAIDAN WOULD ALSO LIKE TO GENERALLY DISCUSS BANK'S

INDUSTRIAL SECTOR WORK AND THE PROPOSED STUDY OF MANUFACTURED

EXPORTS. I THEREFORE REQUEST YOUR OFFICE'S ASSISTANCE FOR

ARRANGING MEETINGS WITH THE FOLLOWING OFFICIALS:

H.E. MUSTAPHA KAMAL EL SAID, MINISTER OF ECONOMY

MR. MEHELMY, DEPUTY CHAIRMAN, GOFI

MR. ALY NEGM, DEPUTY GOVERNOR, CENTRAL BANK

H.E. WAGIH SHINDI, MINISTER OF INVESTMENTS

MR. IBRAHIM SHAHINE, CHAIRMAN, EGYPTIAN EXPORT PROMOTION CENTRE.

I WOULD BE GRATEFUL IF THESE MEETINGS COULD BE ARRANGED FOR

NOVEMBER 4 AND FORENOON OF NOVEMBER 5.

BEST PERSONAL REGARDS, ALBERTO FAVILLA, CHIEF, EGYPT DIVISION

INTBAFRAD

END
OF
TEXT

NOT TO BE TRANSMITTED

CLASS OF SERVICE

Telex

348 GAFEC UN

DATE _____

10.27.82

SUBJECT:

EGYPT : Study of Manufactured

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AUTHORS

Alberto Favilla, Chie

EP 2615 16

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SECTION BELOW FOR USE OF CABLE SECTION

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Cleared with and cc:
Messrs. Zaidan, Banerji

OFFICE MEMORANDUM EGT- Construction Ind.

DATE: October 26, 1982

TO: Mr. Surinder K. Malik

FROM: George C. Zaidan, Chief, EMP ID

SUBJECT: EGYPT - Construction Industry Project
Preappraisal Mission Terms of Reference

You will visit Egypt towards the end of October 1982 for approximately 3 weeks to preappraise the construction industry project. You will be accompanied by Messrs. Kaden (TWD) and Austen (consultant, ILO) and Ms. MacNamara (EMP ID). Messrs. Deshpande (EMP ID), Hadjicostas and Kinawy (EMPTA) will participate in your mission on a part-time basis.

The principal objective of the mission will be to seek formal Government confirmation on the scope of the Bank technical and financial assistance, and to develop detailed programs of technical assistance as outlined in the initial Project Brief of July 12, 1982 and its subsequent discussion on July 30. To this end, the mission during its stay in Egypt will focus on the following areas:

I. Technical Assistance - The technical assistance envisaged under the proposed project includes:

- (a) Institutions - assistance to the Steering Committee of the Ministry of Housing in the reorganization of the sector leading to creation of new institutions, especially for the establishment of a Construction Industry Development Board (CIDB). The mission will review the draft articles of CIDB and Contractors Association prepared by the Steering Committee and seek the agreement of the Government on a time bound plan for the passage of the necessary legislation, statutes and policies, detailed organization, budgetary implications, etc.
- (b) Management Training - The mission will draw up a program for construction management. This will include identifying principal target groups and the extent and type of training needs at different levels of management; evaluation of the resources, capabilities and impact of existing programs and institutions; estimate resource costs and propose evaluation and follow up methods; and, suggest delivery system(s) through existing institutions and/or other channels in Egypt and abroad.
- (c) Financial Institutions - The mission will ascertain the technical assistance needs of the financial intermediaries in appraising sub-projects. This will include an indepth review of a few public sector and private sector contracting companies who are likely to be the beneficiaries under the proposed loan. These reviews should indicate the type of contractors who have the maximum potential to benefit from the proposed loan and what steps these companies have to undertake to improve productivity, as well as determine the

general conditions for sub-loans. To the extent possible these reviews should be carried out jointly with the staff of the financial intermediaries.

II. Financial Intermediaries - In addition to determining the technical assistance needs of both DIB and Banque du Caire, the two financial intermediaries under the proposed loan, the mission will review information prepared by Banque du Caire on its operations to determine its suitability as an intermediary for the loan; update operational projections of DIB prepared for DIB V to determine funds needs under the construction industry project; and, obtain DIB's project pipeline in the construction sector. The mission will also ascertain with MIDB the latest position of the MIDB/IFC/Manufacturers Hanover financial leasing company.

III. Sectoral Issues - The mission will review with the Steering Committee of the Ministry of Housing the progress made since June 1982 in the implementation of the other recommendations of the Construction Industry Study. An important area to be addressed in this context is the changes that are deemed necessary in tendering procedures and contract documents in order to bring about competitive bidding. The mission will review existing standards and procedures, make recommendations about standardization of contract procedures, specifications and contract documents for Government work and seek Government agreement on the changes needed in the legal and institutional framework to effect this change.

IV. Other Issues - The mission should also (i) finalize with the Government the lending arrangements under the proposed loan as contained in the initial Project Brief; (ii) propose the overall size of the technical assistance component; (iii) propose the allocation of funds as between the public and the private sector companies; and, (iv) propose the need for any additional studies (eg. operating leasing company, alternative systems of construction materials distribution, etc.) to be financed under the proposed loan.

In terms of assignments of the mission members Mr. Kaden will be responsible for the institutional aspects mentioned under I(a); Mr. Austen and Ms. MacNamara for management training; Mr. Deshpande for the financial intermediaries; Mr. Hadjicostas for public and private sector companies; and, Messrs. Kinawy and Malik for the sectoral issues. In addition, Mr. Kinawy, who represented the Bank in the preparation of Construction Industry Study, will provide general guidance and assistance to the other members of the mission.

You should review with the Steering Committee and the Government the mission's findings and leave an aide-memoire recording the agreements reached and any outstanding issues. Within two weeks of your return you should prepare a Back-to-Office Report and an updated Project Brief.

Cl. with and cc: Messrs. El Maaroufi, Beenhakker, Moini
cc: Messrs. Dubey, Karaosmanoglu, Favilla, Finzi, Pranich, Stewart, Prosser,
Coudol, El Daher, Corwell, Rajagopalan (3), Fuchs, Kohli,
Gustafson, Hovaguimian, Graffam, Ms. Schaeffer
Messrs. Deshpande, Hadjicostas, Kaden, Kinawy, Austen, Ms. MacNamara
EMENA Information Center

WORLDBANK WSH

92838 BNKHR UN

Distribution:
Mr Zaidan
Mr. Favilla

fca

EGT- D.F.C. Sec
EGT- Construction
Incl.

TO : WORLD BANK WASHINGTON D.C. W00036
FROM : BANQUE DU CAIRE H.O. - CAIRO

cr

26/10/1982 OUR REF H.O. 26/2445V

FURTHER TO OUR TELEX DATED 25/10/182 OUR REF. H.O 25/2396
SENT IN REPLY TO YOUR TELEX OF 19 OCT 1982 , CONCERNING
THE FORTHCOMING VISIT TO CAIRO OF MR. GEORGE ZAIDAN, CHIEF,
INDUSTRIAL DEVELOPMENT AND FINANCE DIVISION, PLEASE , BE
INFORMED THAT MR. ABDEL WAHAB EL ABIARY, DEPUTY CHAIRMAN,
WILL BE PLEASED TO RECEIVE MR. ZAIDAN WHEN HE CALLS AT OUR
OFFICES. BEST REGARDS

BANKAHER

WORLDBANK WSH

92838 BNKHR UNMMMM

REPLY VIA WUI-DIAL 101

EMENA REGION

INDUSTRIAL DEVELOPMENT AND FINANCE

DATE RECEIVED OCT 25 1982

COUNTRY/IDF Egypt - IDF

LOAN/CREDIT NO. _____

ACTION BY GCZ

EGT- Construction
Indl. Project.

Mr. H.S. Kaden, Construction Industry Adviser, TWD

October 26, 1982

V.W. Hogg, Sr. Adviser, Transport, TWD

EGYPT: Proposed IDF Construction Industry Project
Preappraisal Mission
Terms of Reference

1. In the course of your visit to Frankfurt (meeting with the Research Association on road construction in developing countries) and Istanbul (delivering the key-note address to the CIB Symposium on international contracting), you will visit Egypt to assist the IDF preappraisal mission on a construction industry project. You will arrive in Cairo on or about October 30 and depart on or about November 18, 1982.

2. Your assistance to the preappraisal mission will comprise the following:

- (a) general advice to the mission leader, Mr. Malik, and other mission members; and
- (b) evaluation of the proposed establishment of (a) a government agency responsible for the development of the domestic construction industry in Egypt and (b) its counterpart on the supply side, a contractors association.

3. On your return to Washington, you will assist the preappraisal mission in drafting its report by focussing on above institution building aspects.

Cleared with & cc: Mr. Zaidan (EMP)

cc: Messrs. Malik, Deshpande, Kinawy (EMP), Hadjicostas, Austen, Ms. MacNamara (EMP)
Willoughby, Hogg, Henriod, Herbert (TWD)
Favilla/Moini (EML)

HSKaden:h
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MR. ZAIDAN
MR. FAYILLA

EGT- Construction

Ind.

3879

TO : WORLD BANK - WASHINGTON D.C.
FROM : BANQUE DU CAIRE H.O. CAIRO

CABLE SECTION

25/10/1982 OUR REF H.O. 25/22396

INDUSTRIAL DEVELOPMENT AND FINANCE

WOR0036

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OCT 25 1982

UNEP/IDF

Egypt.

LOAN, CREDIT NO.

E2h mission

ACTION BY

GCZ

R.Y.T. DD 19 OCT 82, ADDRESSED TO MR. M. SAMIR KORAIEM, SENNIOR
UNDEER SECRETARY MINISTRY OF ECONOMY, CAIRO COPY TO MR. M.F. LABAN,
CHAIRMAN OF OUR BANK CONCERNING THE FORTHCOMING VISIT TO CAIRO
OF MMR. GEORGE ZAIDAN, CHIEF, INDUSTRIAL DEVELOPMENT AND FINANCE
DIVISION, SCHEDULED, FOR OCTOBER 30 FOR ABOUT FIVE DAYS, KINDLY BE
INFORMED THAT TIMING OF MR. ZAIDAN'S VISIT IS CONVENIENT, BEST REGD

BANKAHER

WORLD BANK WSH

92838 BNKHR UNMMMM

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DISTRIBUTION: D.S.

FROM : MISR IRAN DEV. BK. CAIRO
TO : WORLD BANK

M, R FAVILLA
MR G ZAIDAN

24.10.1982

MSG HM/646

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CABLE SECTION

EGT- Amstruction
Ind.

EGT- D.F.C, Sector

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SAWM

~~BP~~

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ATTENTION FAVILLA - IDF DIVISION

RYT DATED 19.10.1982 RE. MR. ZAIDAN FORTHCOMING VISIT
TO CAIRO .

PLEASE NOTE THAT TIMING OF MR. ZAIDAN'S VISIT IS AGREABLE.

BEST PERSONAL REGARDS

FOUAD SULTAN

✠

WORLD BNK 440099✠

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1. MR. SAMIR KORAIEM
UNDERSECRETARY
MINISTRY OF ECONOMY
CAIRO, EGYPT

TELEX 348 GAFEC UN

ENG. ABDEL RAHMAN EL KASHEF
CHAIRMAN
STEERING COMMITTEE
EGYCO CONTRACTING COMPANY
CAIRO, EGYPT

TELEX 92903 EGYCO UN

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CLASS OF SERVICE:

TELEX NO.:

DATE: 10/22/82

SUBJECT:

DRAFTED BY:

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DEPARTMENT:

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TO:

MR. SAMIR KORAIEM, SENIOR UNDERSECRETARY,
MINISTRY OF ECONOMY, FOREIGN TRADE AND ECONOMIC COOPERATION,
CAIRO, EGYPT. COPY TO ENG. ABDEL RAHMAN EL KASHEF, CHAIRMAN,
STEERING COMMITTEE. REFERENCE CONSTRUCTION INDUSTRY PROJECT.
AS AGREED IN EARLY SEPTEMBER AND MORE RECENTLY WITH ENG.
EL KASHEF A BANK MISSION TO PREAPPRAISE THE PROJECT WILL
ARRIVE IN CAIRO OCTOBER 30 FOR APPROXIMATELY THREE WEEKS.
THE MISSION WILL CONSIST OF MESSRS. MALIK (CHIEF), AUSTEN,
DESHPANDE, HADJICOSTAS, KADEN, KINAWY AND MS. MACNAMARA.
WILL BE GRATEFUL IF YOU COULD PROVIDE ASSISTANCE TO THE
MISSION AS NEEDED. WITH BEST REGARDS, ALBERTO FAVILLA,
CHIEF, EGYPT DIVISION, INTBAFRAD

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CLASS OF SERVICE:

TELEX NO.:

DATE: 10.22.82

SUBJECT:

EGYPT : Construction Industry

DRAFTED BY:

SMalik

CLEARANCES AND COPY DISTRIBUTION:

cc: Messrs. Hadjicostas, Kaden,
Kinawy, Deshpande (o/r),
Zaidan, Malik
Ms. MacNamara

AUTHORIZED BY (Name and Signature):

Alberto Favilla, Chief

DEPARTMENT:

EMIDA

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EGT- Construction
Ind

LE - Reconstruction

Mr. G. C. Hadjicostas, Senior Civil Engineer, EMPTA

Abdallah El Maaroufi, Chief, EMPTA *AE*

October 22, 1982

Missions to: (a) EGYPT - Construction Industry
(b) LEBANON - Reconstruction

Terms of Reference

1. On or about October 24, 1982, you will arrive in Cairo for a stay of about two weeks to participate in the Mission to preappraise a Construction Industry Project. Your specific duties and responsibilities in the context of that mission will be detailed in the Terms of Reference to be issued to the full mission.
2. On or about November 5, 1982, you will proceed to Beirut to join the Bank mission to Lebanon where you shall carry out the tasks assigned to you in the Terms of Reference for the full mission.
3. On return to Washington about November 23, 1982, you will assist with the preparation of the Preappraisal Report on the Egypt Construction Industry and the Back-to-Office and Full Report of the mission to Lebanon.

cc: Messrs. Bart/Ms. Ruggeri, Karaosmanoglu/Ms. Schaeffer, Rajagopalan (3),
Stewart, Fernandes, Favilla, Zaidan, Serageldin, Li, Kinavy (o/r),
Socknat (o/r), Muthasib
Mmes. Doany (o/r), Copley

GCH:bd/rl

248423 WORLDBANK

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CAIRO 21/10/1982

RECEIVED

DIST: MR. FAVILLA

MR. ZAIDAN

1982 OCT 21 AM 9:50

CABLE SECTION

~~AJF~~
SAHM

EGT-Construction Ind.

EGT- D.F.C. Sector

MR. FAVILLA

DIVISION CHIEF

WORLD BANK

WASHINGTON D.C.

REURTELEX OF OCT.20, REGARDING MR. ZAIDAN,'S VISIT.

TIMING CONVENIENT FOR ALL CONCERNED PARTIES.

REGARDS

SAMIR KORAIEM

✠

248423 WORLDBANK

348 GAFEC UN

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OF

EXTENSION

MESSAGE NUMBER

TEST NUMBER
(FOR CASHIER'S USE ONLY)

1

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74731

START
HERE

TO:

BOOK OF FIVE (SEE ATTACHED TEXT)

1) MR. M. SAMIR KORAIEM

SENIOR UNDERSECRETARY

MINISTRY OF ECONOMY

CAIRO, ARAB REPUBLIC OF EGYPT

TELEX NUMBER: 348 GAFEC UN

MR. ABDUL HAMID KABODAN

CHAIRMAN

DEVELOPMENT INDUSTRIAL BANK

TELEX NUMBER: 92643 DIBAK UN

MR. FOUAD SULTAN

CHAIRMAN AND MANAGING DIRECTOR

MISR IRAN DEVELOPMENT BANK

TELEX NUMBER: 92389 MIDB UN

MR. M. F. LABAN

CHAIRMAN

BANQUE DU CAIRE

CAIRO, ARAB REPUBLIC OF EGYPT

TELEX NUMBER: 92432 UN

NOT TO BE TRANSMITTED

CLASS OF SERVICE:

TELEX

TELEX NO.:

See Above

DATE:

Oct 19, 1982

SUBJECT:

EGYPT: Visits

DRAFTED BY:

SAWMoini:orp

CLEARANCES AND COPY DISTRIBUTION:

cc: Messrs. Zaidan
Malik

AUTHORIZED BY (Name and Signature):

Alberto J. Favilla, Div. Chief

DEPARTMENT:

Country Programs Dept. 1, EMENA

SECTION BELOW FOR USE OF CABLE SECTION

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12

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927-
EGT- Construction
Ind.
EGT. D.F.C. Sector

END
OF
TEXT

WORLD BANK OUTGOING MESSAGE FORM Telegram, Cable, Telex

IMPORTANT—PLEASE READ INSTRUCTIONS BELOW BEFORE TYPING FORM

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OF

EXTENSION

MESSAGE NUMBER

TEST NUMBER
(FOR CASHIER'S USE ONLY)

1 1 OF 1

74732

START
2 HERE

TO:

5) ENG. ABDEL RAHMAN EL KASHEF
CHAIRMAN
STEERING COMMITTEE
EGYCO CONSTRUCTION COMPANY
CAIRO, ARAB REPUBLIC OF EGYPT
TELEX NUMBER: 348 GAFEC UN

12 10

END
OF
TEXT

NOT TO BE TRANSMITTED

CLASS OF SERVICE:	TELEX	TELEX NO.:	SEE ABOVE	DATE:	OCT 19, 1982
SUBJECT:	EGYPT: Visits		DRAFTED BY: SAWMoini:orp		
CLEARANCES AND COPY DISTRIBUTION:			AUTHORIZED BY (Name and Signature):		
cc: Messrs. Zaidan Malik			Alberto J. Favilla, Div. Chief		
			DEPARTMENT:		
			Country Programs Dept. 1, EMENA		
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1 PAGE 1 OF 1

EXTENSION

74731

MESSAGE NUMBER

TEST NUMBER
(FOR CASHIER'S USE ONLY)

START
HERE

TO:

ADDRESSED MR. M. SAMIR KORAIEM, SENIOR UNDERSECRETARY,
MINISTRY OF ECONOMY, CAIRO, ARAB REPUBLIC OF EGYPT.
COPIES TO MR. ABDUL HAMID KABODAN, CHAIRMAN, DEVELOPMENT
INDUSTRIAL BANK, MR. FOUAD SULTAN, CHAIRMAN AND MANAGING
DIRECTOR, MISR IRAN DEVELOPMENT BANK, MR. M. F. LABAN,
CHAIRMAN, BANQUE DU CAIRE, ENG. ABDEL RAHMAN EL KASHEF,
CHAIRMAN, STEERING COMMITTEE, EGYCO CONSTRUCTION
COMPANY, CAIRO, ARAB REPUBLIC OF EGYPT.
MR. GEORGE ZAIDAN, CHIEF, INDUSTRIAL DEVELOPMENT AND
FINANCE DIVISION, PLANS TO ARRIVE CAIRO OCTOBER 30 FOR
ABOUT FIVE DAYS TO REVIEW IDF ACTIVITIES IN GENERAL AND
TO DISCUSS THE SCOPE OF THE PROPOSED CONSTRUCTION
INDUSTRY LOAN IN PARTICULAR. WILL BE GRATEFUL TO
RECEIVE YOUR CONFIRMATION THAT TIMING OF MR. ZAIDAN'S
VISIT IS CONVENIENT. BEST PERSONAL REGARDS, FAVILLA,
WORLD BANK

END
OF
TEXT

NOT TO BE TRANSMITTED

CLASS OF SERVICE: TELEX

TELEX NO.: SEE ATTACHED

DATE: Oct 19, 1982

SUBJECT: EGYPT: Visit of Mr. Zaidan

DRAFTED BY: SAKMoini-erp

CLEARANCES AND COPY DISTRIBUTION:

cc: Messrs. Zaidan
Malik

AUTHORIZED BY (Name and Signature):
Alberto J. Favilla, Div. Chief,
DEPARTMENT:
Country Programs Dept. 1, EMENA

SECTION BELOW FOR USE OF CABLE SECTION
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248423 WORLDBANK

348 GAFEC UN

CAIRO 14/10/1982

MR. FAVILLA

DIVISION CHIEF

WORLD BANK

ccé ✓ Mr. Zaidan
Mr. Deshpande

EGT-2074

EGT - Construction Ind.

EGT - MIDB Gen

3853

EMENA REGION

INDUSTRIAL DEVELOPMENT AND FINANCE

DATE RECEIVED OCT 14 1982

COUNTRY/IDF Egypt DIB

LOAN/CREDIT NO. _____

ACTION BY AD

RE MR. DESHPANDE TLX REGARDING HIS MISSION

TIMING CONVENIENT.

REGARDS

SAMIR KORAJEN 110

248423 WORLDBANK

348 GAFEC UN

met

248423 WORLDBANK

348 GAFEC UN

CAIRO 14/10/1982

MR. FAVILLA

DIVISION CHIEF

WORLD BANK

RE MR. DESHPANDE TLX REGARDING HIS MISSION

TIMING CONVENIENT.

REGARDS

SAMIR KORAIEM

✠

248423 WORLDBANK

348 GAFEC UN

RECEIVED
1982 OCT 14 PM 7:07
COMMUNICATIONS DIVISION
EGT-2074
EGT Construction Ind
Project
EGT-MIDB Gen

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EGT-2074
EGT-MIDB
GEN.
TEST NUMBER
(FOR CASHIER'S USE ONLY)

PAGE 1 OF 1
EXTENSION 76872

MESSAGE NUMBER

12 10

START
2 HERE

TO:

BOOK OF THREE:

1. MR. A. H. A. KABODAN

DIB

CAIRO, EGYPT

92643 DIBAK UN

2. DR. Y. MAZHAR

EIDDC

CAIRO, EGYPT

92739 EIDDC UN

3. MR. SAMIR KORAIEM

MINISTER OF ECONOMY

CAIRO, EGYPT

348 GAFEC UN

EGT-Construct.
Ind.

927-

END
OF
TEXT

NOT TO BE TRANSMITTED

CLASS OF SERVICE

TELEX NO.

DATE

SUBJECT:

DRAFTED BY:

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DEPARTMENT:

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END
OF
TEXT

TO: MR. A. H. A. KABODAN, CHAIRMAN, DIB, CAIRO,

DR. Y. MAZHAR, PRESIDENT EIDDC, AND COPY TO MR. SAMIR KORAIEM,
UNDERSECRETARY, MINISTRY OF ECONOMY, CAIRO, EGYPT. IN CONTINUATION
OF OUR TELEX DATED SEPT. 28, 1982, THIS IS TO ADVISE THAT MY MISSION
IS RESCHEDULED TO COMMENCE ON SUNDAY, OCTOBER 24, 1982, FOR ONE
WEEK. HOPE TIMING IS CONVENIENT. PLEASE CONFIRM. BEST REGARDS,
DESHPANDE, INTBAFRAD.

NOT TO BE TRANSMITTED

CLASS OF SERVICE: **TELEX**

TELEX NO.

**92643, 92739
348**DATE **10/12/1982**

SUBJECT:

DIB/EIDDC Loan No. 2074

DRAFTED BY:

ADeshpande/eb

CLEARANCES AND COPY DISTRIBUTION:

**cleared with & cc: Mr. Zaborski,
(EM1)****Von Busse (LOA)****cc: Messrs. Malik, El Daher,
Favilla (EM1), Banerji (EMP)**

AUTHORIZED BY (Name and Signature)

ADeshpande

DEPARTMENT:

EMENA IDF DIVISION

SECTION BELOW FOR USE OF CABLE SECTION

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248423 WORLDBANK

EGT- Construction Ind.

22271X BIT CH

mc

Distribution:

Mr. Zaidan

Mr. Favilla

C411390 (ILO) GENEVA 30SEP82 0950Z 13

INTBAFRAD, WASHINGTON

ILO K62840 FROM KUBR TO ZAIDAN, INDUSTRIAL DEVELOPMENT AND FINANCE
DIVISION, YOUR TELEX 27 SEPTEMBER SERVICES AUSTEN AVAILABLE AS
REQUESTED ON USUAL ILO/IBRD TERMS STOP AS EYE WILL BE IN BANK FROM
4 TO 8 OCTOBER GRATEFUL YOU GIVE ME COPIES PROJECT REPORTS FOR
BRIEFING PURPOSES STOP IT WOULD BE PARTICULARLY USEFUL TO HAVE
MINISTRY OF HOUSING/IBRD CONSTRUCTION CONTRACTING INDUSTRY STUDY
STOP REGARDS

INTERLAB GENEVA

K62840

30/09/1982

ADA/AL

REF. MD 1-69

CC. AREA OFFICE, CAIRO

INVEST

BUD/CT

NR. BARTSCH, ILO WASHINGTON

246423 WORLDBANK

22271X BIT CH

2271X BIT CH

mc

Distribution:

Mr. Zaidan

Mr. Favilla

C411390 (ILO) GENEVA

1982 SEP 30 PM 7:13

RECORDS AND
COMMUNICATIONS

INTBAFRAD, WASHINGTON

EGT-Construction
Ind

ILO K62840 FROM KUBR TO ZAIDAN, INDUSTRIAL DEVELOPMENT AND FINANCE
DIVISION, YOUR TELEX 27 SEPTEMBER SERVICES AUSTEN AVAILABLE AS
REQUESTED ON USUAL ILO/IBRD TERMS STOP AS EYE WILL BE IN BANK FROM
4 TO 8 OCTOBER GRATEFUL YOU GIVE ME COPIES PROJECT REPORTS FOR
BRIEFING PURPOSES STOP IT WOULD BE PARTICULARLY USEFUL TO HAVE
MINISTRY OF HOUSING/IBRD CONSTRUCTION CONTRACTING INDUSTRY STUDY
STOP REGARDS

3820

INTERLAB GENEVA

K62840

30/09/1982

ADA/AL

REF. MD 1-69

CC. AREA OFFICE, CAIRO

INVEST

BUD/CT

MR. BARTSCH, ILO WASHINGTON

EMENA REGION

INDUSTRIAL DEVELOPMENT AND FINANCE

DATE RECEIVED SEP 30 1982

COUNTRY/IDF

Egypt - Const. Encl.

LOAN/CREDIT NO.

ACTION BY

~~SA/AD/AR~~cc: Mr. Kinawy
↓

He'll be here

11.30 to-morrow

Pls. join C

✻

EGT - Construction Ind. Project

EGT - Ind. Sector

(Construction Ind.)

EGT - 10021524

EGT - 1456

September 30, 1982

Mr. H.S. Kaden, TWD

E.E. Henriod, TWD

EGYPT: Construction Industry

1. I have read the papers attached to Mr. Malik's Memo of August 13, 1982, regarding the construction industry in Egypt. I have made numerous margin notes on those documents, which you will find attached.
2. As a general remark, I found the documents too vague and inconclusive to satisfy fully their purported objective of being policy papers, on which to base the improvement and future development of the Egyptian construction industry. They may have suffered somewhat in the translation, but I feel there is a fundamental lack of depth. Sweeping changes are proposed, and they must be introduced on the bases of sound principles and capable management. Perhaps the Bank support should concentrate on long-term high level technical assistance to the steering committees, before implementation of the proposed measures.
3. I read a further document, not listed in Mr. Malik's Memo: the T.O.R. for a proposed technical assistance program for construction management. This document was well written, and its proposals well structured, in terms of supporting a construction company in the industrialized world. Assistance has been aimed, initially, at Hassan Allam, the only parastatal construction enterprise who seems to be well managed, and successful (according to the CIS 1980 Draft Final Report). This should be an excellent starting point, from which to disseminate good principles throughout the Egyptian construction industry. However, I am concerned that the T.O.R. are addressed at introducing a "management system" (with the inevitable computer), and then modifying the enterprises' organization to suit the system. This is placing the cart before the horse.
4. I have no doubts that Hassan Allam's volume of business would justify the gradual introduction of systems, and a computer to run them, but:
 - (a) The system should be adapted to the organization (which operates well in the Egyptian environment) and not the other way round; and
 - (b) It should only be introduced after training from the bottom up, starting from the people who will originate the information to operate the system (e.g. foremen, gangers, storekeepers). The proposal is addressed only at a shallow stratum of senior management.

EEH:riod:hcf

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EGT-Construction Ind.
Project.

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TO:

MR. KUBR, CHIEF, MANAGEMENT DEVELOPMENT

BRANCH, TRAINING DEPARTMENT, INTERNATIONAL LABOR OFFICE, GENEVA,
SWITZERLAND.

RE EGYPT CONSTRUCTION INDUSTRY PROJECT AND MY TELEX OF SEPTEMBER
TEN PRIMO WE WOULD LIKE TO AVAIL OF MR. AUSTEN'S SERVICES FOR
ABOUT SIX WEEKS. THIS WOULD INCLUDE PARTICIPATION IN THE
PREAPPRAISAL MISSION (TENTATIVELY SCHEDULED FOR NOVEMBER ONE
THROUGH EIGHTEEN), PREPARATION OF A REPORT IN GENEVA AND POSSIBLY
A SHORT VISIT TO WASHINGTON FOR DISCUSSIONS OF THE REPORT. I
SHALL BE GRATEFUL IF YOU CAN CONFIRM MR. AUSTEN'S AVAILABILITY FOR
THIS TASK AT YOUR EARLIEST. SECUNDO OUTLINE OF TERMS OF REFERENCE
FOR MR. AUSTEN ARE AAA IDENTIFY, IN COOPERATION WITH OTHER MISSION
MEMBERS, PRINCIPAL TARGET GROUPS AND EXTENT AND TYPE OF TRAINING
NEEDS AT DIFFERENT LEVELS OF MANAGEMENT WITHIN THE DOMESTIC
CONSTRUCTION INDUSTRY IN EGYPT. BBB EVALUATE THE RESOURCES,
CAPABILITIES AND IMPACT OF EXISTING PROGRAMS AND INSTITUTIONS.
CCC DEVELOP TYPICAL TRAINING PROGRAMS, FORMAL AND ON THE JOB, IN
LIGHT OF PRIORITIES UNDER AAA AND ESTIMATE RESOURCE COSTS AND
PROPOSE EVALUATION AND FOLLOW UP METHODS. DDD SUGGEST DELIVERY
SYSTEM(S) THROUGH EXISTING INSTITUTIONS LIKE TOMOHAR AND/OR

END
OF
TEXT

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CLASS OF SERVICE:	TELEX NO.:	DATE: 9/27/82
SUBJECT:	DRAFTED BY: SMalik:isc	
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7-4600

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TO:

OTHER CHANNELS IN EGYPT AND ABROAD. TERTIO IF YOU HAVE ANY
QUESTIONS AND/OR NEED CLARIFICATION OR HAVE ANY SUGGESTIONS I
SHALL APPRECIATE RECEIVING THE SAME. WITH BEST REGARDS,
GEORGE ZAIDAN, CHIEF, INDUSTRIAL DEVELOPMENT AND FINANCE
DIVISION, EUROPE, MIDDLE EAST AND NORTH AFRICA REGION, INTBAFRAD.

END
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NOT TO BE TRANSMITTED

CLASS OF SERVICE:

TELEX NO.: 22271X BIT CH

DATE: 9/27/82

SUBJECT:

EGYPT - Construction Industry Project

DRAFTED BY:

SMalik:isc

CLEARANCES AND COPY DISTRIBUTION:

cc: Messrs. Kaden, Kinawy, Hadjicostas
Zaborski, Malik
Ms. MacNamara

AUTHORIZED BY (Name and Signature)

George C. Zaidan, Chief

DEPARTMENT:

EMPID

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1970s, 1980s, 1990s

1982 SEP 27 PM 5: 58

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74600

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(FOR CASHIER'S USE ONLY)EGT: Construction Incl.
Project.

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TO:

BOOK OF TWO (SEE ATTACHED)

ENG. ABDEL RAHMAN ELKASHEF
CHAIRMAN, STEERING COMMITTEE
EGYCO CONTRACTING COMPANY
CAIRO, EGYPT

927.
TELEX 92903 EGYCO UN

MR. SAMIR KORAIEM
SENIOR UNDERSECRETARY
MINISTRY OF ECONOMY, FOREIGN TRADE AND
ECONOMIC COOPERATION
CAIRO, EGYPT

927- 92235
TELEX 348 GAFEC UNEND
OF
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CLASS OF SERVICE:

TELEX NO.:

DATE: 9/24/82

SUBJECT:

DRAFTED BY:
SMalik

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TO:

ENG. ABDEL RAHMAN EL KASHEF, CHAIRMAN,
STEERING COMMITTEE, EGYCO CONTRACTING COMPANY, CAIRO, EGYPT.
COPY TO MR. SAMIR KORAIEM, SENIOR UNDERSECRETARY, MINISTRY OF
ECONOMY, FOREIGN TRADE AND ECONOMIC COOPERATION, CAIRO, EGYPT.
REFERENCE CONSTRUCTION INDUSTRY PROJECT. AS PER YOUR SUGGESTION
MISSION HAS BEEN RESCHEDULED FOR END OCTOBER. REGARDING
PREPARATORY WORK REQUIRED OF THE PUBLIC SECTOR COMPANIES WE THINK
THE QUESTIONNAIRE USED FOR THE CONSTRUCTION/CONTRACTING INDUSTRY
STUDY IS ADEQUATE AND IF UPDATED TO REFLECT CONDITIONS AS OF 1981
WILL SERVE OUR NEEDS. THE COMPANIES TO BE SELECTED SHOULD BE
AMONGST THOSE WHO RESPONDED TO THE EARLIER QUESTIONNAIRE. I SHALL
APPRECIATE IF THE STEERING COMMITTEE CAN ALSO SEND THE SAME
QUESTIONNAIRE TO SIX PRIVATE SECTOR COMPANIES. IN ORDER FOR THE
MISSION TO IDENTIFY THE FINANCIAL AND TRAINING NEEDS OF THE SECTOR
IT WOULD BE EXTREMELY USEFUL IF THE FIRMS SELECTED CORRESPOND TO
DIFFERENT SIZE GROUPS. IN THE CASE OF BOTH PUBLIC AND PRIVATE
SECTOR COMPANIES TWO COMPANIES SHOULD BE SELECTED FROM THE LARGEST
CATEGORY, TWO FROM THE MEDIUM SIZE AND TWO FROM THE SMALLER SIZE
CATEGORY. WILL APPRECIATE YOUR CONFIRMING RECEIPT OF THIS TELEX.
WITH BEST REGARDS, SURINDER MALIK, INTBAFRAD.

END
OF
TEXT

NOT TO BE TRANSMITTED

CLASS OF SERVICE:

TELEX NO.:

DATE: 9/24/82

SUBJECT: Egypt - Cons. Industry Project

DRAFTED BY:
SMalik:isc

CLEARANCES AND COPY DISTRIBUTION:

cc: Messrs. Kinawy, Hadjicostas,
Zaborski, Deshpande,
Ms. MacNamaraAUTHORIZED BY (Name and Signature)
Surinder MalikDEPARTMENT:
EMPID

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TEST NUMBER
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TO:

BOOK OF THREE:

1. MR. A. H. A. KABODAN

DIB

CAIRO, EGYPT

927- WBK/RCA
92643 DIBAK UN

2. DR. Y. MAZHAR

EIDDC

CAIRO, EGYPT

927- FR/ITT
92739 EIDDC UN

3. MR. SAMIR KORAIEM

MINISTER OF ECONOMY

CAIRO, EGYPT

927- WBK/RCA
348 GAFEC UN | 92235EGT- 2074
EGT- Construction
Including Proj
EGT- MIDB GenEND
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TEXT

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CLASS OF SERVICE

TELEX NO.

DATE

SUBJECT

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248423 WORLDBANK

248423 WORLDBANK

CAIRO AT 23/9/1982

GEORGE ZAIDAN

CHIEF INDUSTRIAL DEVELOPMENT

AND FINANCE DIVISION

WORLD BANK

WASHINGTON D. C

3793

Distribution: EGT fca

Mr. Zaidan

Mr. Favilla

EGT-2074

Construction
Ind

SEP 23 AM 9:58
EGT-MIDB
Gen

EMENA REGION

INDUSTRIAL DEVELOPMENT AND FINANCE

DATE RECEIVED

SEP 23 1982

COUNTRY/IDF

Egypt - DIB/MIDB/Const. Ind.

LOAN/CREDIT NO.

ACTION BY

AD/SB/SM/AM

REURTLX OF SEPT 20, CONCERNING MR. DESHPANDE VISIT.
TIMING CONVENIENT FOR DIB AND MIDB WHILE NOT CONVENIENT TO
REVIEW PROGRESS OF PREPARATION OF CONSTRUCTION INDUSTRY
PROJECT, DUE TO THE ABSENCE OF MEMBERS OF THE STEERING
COMMITTEE DURING OCT.

REGARDS

SAMIR KORAIEH

✠

248423 WORLDBANK

92235 INVST UN ✠

248423 WORLDBANK

Cr

cc: Mr. Kinawy

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TO:

MR. A. H. A. KABODAN, CHAIRMAN, DIB,
DR. Y. MAZHAR, PRESIDENT EIDDC, AND COPY TO MR. SAMIR KORAIEM,
UNDERSECRETARY, MINISTRY OF ECONOMY, CAIRO, EGYPT.
WE ARE TENTATIVELY SCHEDULING THE NEXT SUPERVISION MISSION
CONSISTING OF MR. ABHAY DESHPANDE FOR ABOUT A WEEK COMMENCING ON
SUNDAY, OCTOBER 10, 1982. THE MISSION WILL REVIEW PROGRESS AND
DISCUSS POSSIBLE MEASURES FOR SIMPLIFYING WITHDRAWAL PROCEDURES
UNDER LOAN NO. 2074 TO ACCELERATE DISBURSEMENTS. MR. DESHPANDE
WOULD ALSO LIKE TO REVIEW PROGRESS OF PREPARATIONS FOR PREAPPRAISAL
OF CONSTRUCTION INDUSTRY PROJECT NOW SCHEDULED FOR NOVEMBER 1982
AND ALSO VISIT MIDB. PLEASE CONFIRM BY TELEX IF MISSION TIMING
IS CONVENIENT. BEST REGARDS, GEORGE C. ZAIDAN, CHIEF, INDUSTRIAL
DEVELOPMENT AND FINANCE DIVISION, EUROPE, MIDDLE EAST & NORTH
AFRICA REGION, INTBAFRAD.

21 END
22 OF
TEXT

NOT TO BE TRANSMITTED

CLASS OF SERVICE TELELEX

TELEX NO.

92643, 92739
348

DATE

9/20/1982

SUBJECT

DIB/EIDDC Loan No. 2074

CLEARANCES AND COPY DISTRIBUTION

cleared with & cc: Mr. Zaborski,
(EM 1)

Malik, El Daher,
cc: Messrs. Favilla (EM 1),
Banerji (EMP), Von Busse (LOA)

DRAFTED BY

ADeshpande/eb

AUTHORIZED BY (Name and Signature)

George C. Zaidan, Chief

DEPARTMENT

EMENA IDF DIVISION

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EGT - Construction Industry

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EXTENSION

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TO: MR. KUBR, CHIEF, MANAGEMENT DEVELOPMENT

BRANCH, TRAINING DEPARTMENT, INTERNATIONAL LABOR OFFICE, GENEVA,
SWITZERLAND.

RE EGYPT CONSTRUCTION INDUSTRY PROJECT. MANY THANKS FOR THE CV'S
OF THE VARIOUS CANDIDATES FOR THE MANAGEMENT TRAINING PROGRAM.
THE PREAPPRAISAL MISSION SCHEDULED FOR END SEPTEMBER HAS NOW BEEN
RESCHEDULED FOR OCTOBER THIRTY AT THE REQUEST OF THE GOVERNMENT.
WE HAVE ALSO REVIEWED YOUR PROPOSAL TO SEND A THREE PERSON TEAM
TO DEVELOP THE MANAGEMENT TRAINING PROGRAM AND ARE OF THE OPINION
THAT ONLY ONE PERSON, PREFERABLY MR. AUSTEN, SHOULD PARTICIPATE
IN THE PROPOSED BANK PREAPPRAISAL MISSION FOR ABOUT THREE WEEKS
SINCE DETAILS OF THE PROGRAM WILL ONLY BE WORKED OUT DURING
APPRAISAL. ALSO THE MISSION WILL INCLUDE MR. KADEN, THE BANK
CONSTRUCTION INDUSTRY ADVISOR, AND MR. HADJI COSTAS EX-MINISTER
OF CIVIL WORKS, CYPRUS, WHO WILL INTERACT WITH MR. AUSTEN. VERY
SHORTLY WE SHALL INFORM YOU OF THE EXACT NATURE OF WORK THAT WE
ENVISAGE MR. AUSTEN TO UNDERTAKE DURING THE PREAPPRAISAL. WITH
BEST REGARDS, GEORGE ZAIDAN, CHIEF, INDUSTRIAL DEVELOPMENT AND
FINANCE DIVISION, EUROPE, MIDDLE EAST AND NORTH AFRICA REGION,
INTBAFRAD.

END
OF
TEXT

NOT TO BE TRANSMITTED

CLASS OF SERVICE: TELEX

TELEX NO.: 22271X BIT CH

DATE: 9/10/1982

SUBJECT: EGYPT-Construction Industry Proj.

DRAFTED BY: SMalik:dc

CLEARANCES AND COPY DISTRIBUTION:

AUTHORIZED BY (Name and Signature)
George C. Zaidan, Chief

cc: Messrs. Kaden, Hadji Costas
Zaborski, Malik
Ms. MacNamara

DEPARTMENT:
EMENA Projects

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OFFICE MEMORANDUM

TO: Mr. George Zaidan, Chief, EMPID

DATE: September 7, 1982

FROM: ~~X~~ G. C. Hadjicostas, Senior Civil Engineer, EMPTA

SUBJECT: EGYPT - Construction Industry

I refer to the telex you have sent to the Chairman of the Steering Committee of the Egypt Construction Industry Study and wish to thank you for including me in the preappraisal mission.

Kindly note that my participation to this mission would be dependent on my work schedule with EMPTA and subject to clearance (which I beleive was not sought prior to sending out your above quoted telex) by my Unit Leader, Mr. Kinawy, and my Division Chief.

In the meantime, I will continue participating in discussions and reviews of documents relating to this mission.

GCH:mj

cc: Messrs: El Maaroufi, Kinawy (o/r), Li, Socknat, Malik

OFFICE MEMORANDUM

TO: Mr. S. Malik

DATE: September 7, 1982

FROM: ~~Mr.~~ G. C. Hadjicostas, Senior Civil Engineer, EMPTA

SUBJECT: EGYPT - Construction Industry

Thank you for sending me the I.L.O. proposals for the Mission to Egypt and the C.V. of I.L.O. consultants who could be members of this mission.

I have reviewed the C.Vs of the seven consultants submitted by the I.L.O. and wish you to know that in my view only the two listed below, in order of priority, are the most suitable. The others either don't have the required expertise for the type of training required or were until very recently connected with the Egypt Construction Industry directly or as employees of organizations involved with the Construction Industry Study.

The Consultants to select from are:

- (a) Mr. Angus D. Austen
British - Born 1922. Civil Engineer - Expert in Construction Management Training.
Director of Construction Management Programs I.L.O.
- (b) Mr. Peter R. Lansley
British - Born 1946. Mathematics/Statistics - Researcher and Trainer in Building Industry.

As regards the Terms of Reference suggested by I.L.O. I find them inappropriate, because the I.L.O. experts for the Management Training should be members of the World Bank mission and not function as an independent separate team. Further I do not see the necessity, at this stage to have more than one Consultant, on Management Training, accompanying the forthcoming mission.

GCH:mj

cc: Messrs. El Maaroufi, Kinawy (o/r), Kaden, Li, Socknat
Ms. MacNamara

92903 EGYCO UN

5.9.82

ATT MR MALIK

ATT MR KINAWY

DISTRIBUTION: D.S. EGT - Construction Industry

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MR MALIK (EGY)

MR EL MAAROUFI

MR FAVILLA

RE CONSTRUCTION INDUSTRY PROJECT AND YOUR TLS RECEIVED THROUGH MR KINAWY, WE WOULD LIKE TO ADVISE YOU THAT PROPOSED MISSION TIMING IS NOT CONVENIENT AND SUGGEST OCTOBER THIRTY FOR STARTING. REASONS FOR DELAY MAINLY DUE TO ABSENCE OF IMPORTANT MEMBERS OF THE STEERING COMMITTEE DURING OCTOBER FOR PERFORMING PILGRIMAGE. IN ADDITION, PREPARATION OF DETAILED PROPOSALS FOR ABOUT FIVE TO SIX PUBLIC SECTOR COMPANIES AS PER DETAILS REQUESTED IN YOUR TLX WILL REQUIRE MORE THAN MONTH OF SEPTEMBER AS SUMMER VACATION IS STILL GOING ON AND ALSO LAST WEEK OF SEPTEMBER WILL BE HAJJ HOLIDAY. *YME - Agree Research UNDP II*
EGT Thermal Power UNDP
PER MISSION'S FOCUS, ITEMS (I) THROUGH (VI), STEERING COMMITTEE FOUND THESE APPROPRIATE. AS FOR MR. TOLBA'S PROPOSAL FOR MANAGEMENT TRAINING PROGRAM WILL BE AVAILABLE AT THE ARRIVAL OF THE MISSION.

THE NATURE OF BANK ASSISTANCE ENVISAGED FOR THE ESTABLISHMENT OF CIDB AND CONTRACTORS ASSOCIATION WOULD BE IN REVIEWING WHAT STEPS AND DOCUMENTS HAVE BEEN PREPARED SO FAR, DISCUSS THESE WITH STEERING COMMITTEE AND OTHER OFFICIALS, THEN ADD OR AMEND AS MAY BE SUITABLE. THIS MATTER MAY NEED SEVERAL FUTURE BANK MISSIONS TO ASSIST US UNTIL COMPLETION OF TASKS.

UNTIL FURTHER NOTICE, PLS USE EGYCO'S TLX TO ENSURE TIMELY RECEIPT OF YOUR TLXS.

?BEST REGARDS

ENG. ABDEL RAHMAN ELKASHEF.

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92903 EGYCO UN

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TO: MR. SAMIR MOHAMED YOUNES, CAIRO, EGYPT

ATTENTION MR. SALAH KINAWY.

FOR MR. ABDEL SALAM KINAWY.

REFERENCE CONSTRUCTION INDUSTRY PROJECT. HAVE TODAY SENT FOLLOWING
TELEX TO MESSRS. EL KASHEF AND KORAIEM.

QUOTE REFERENCE CONSTRUCTION INDUSTRY PROJECT. WE ARE SCHEDULING
A BANK MISSION TO VISIT EGYPT STARTING OCTOBER ONE, FOR ABOUT
THREE WEEKS TO PREAPPRAISE THE PROJECT. THE MISSION CONSISTING OF
MESSRS. MALIK (CHIEF), DESHPANDE, KINAWY, HADJICOSTAS, KADEN AND
MS. MACNAMARA AND ONE BANK CONSULTANT, WILL FOCUS ON (I)
MANAGEMENT TRAINING PROGRAM, (II) TENDERING PROCEDURES AND CONTRACT
DOCUMENTS, (III) REVIEW OF SELECTED PUBLIC SECTOR COMPANIES WHO
WILL BE AMONG THE BENEFICIARIES UNDER THE PROPOSED PROJECT, (IV)
ASSESS TECHNICAL ASSISTANCE NEEDS OF THE NEW INSTITUTIONS, CIDB
AND CONTRACTORS ASSOCIATION, (V) REVIEW PROGRESS MADE BY
FINANCIAL INTERMEDIARIES, BANQUE DU CAIRE AND DIB, AND (VI)
REVIEW GENERAL PROGRESS MADE IN THE IMPLEMENTATION OF THE
RECOMMENDATIONS OF THE CONSTRUCTION STUDY SINCE JUNE.

I SHALL APPRECIATE IF, TO FACILITATE MISSION'S WORK, THE STEERING
COMMITTEE CAN REQUEST ABOUT FIVE TO SIX PUBLIC SECTOR COMPANIES TO
PREPARE DETAILED PROPOSALS FOR THEIR FINANCING NEEDS INCLUDING

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CLASS OF SERVICE: TELEX

921- 92407-BAC UN

DATE: 09/02/82

SUBJECT: EGYPT-Construction Industry

DRAFTED BY: S Malik:dt *SM*

CLEARANCES AND COPY DISTRIBUTION:

AUTHORIZED BY (Name and Signature): Surinder Malik *SM*

DEPARTMENT: EMENA/IDF Division

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THEIR STRUCTURE, MANAGEMENT AND ADMINISTRATION, EXISTING
EQUIPMENT AND ITS USE, WORK FORCE AND ITS BREAKDOWN, CONTRACTS IN
HAND AND WORK OUTSTANDING, INCLUDING EXTENT OF USE AND TYPE OF
SUBCONTRACTORS, TOTAL ANNUAL OUTPUT, AND FINANCIAL POSITION AND
PERFORMANCE.

I SHALL ALSO APPRECIATE IF THE STEERING COMMITTEE CAN INDICATE THE
EXACT NATURE OF BANK ASSISTANCE ENVISAGED FOR THE ESTABLISHMENT OF
CIDB AND CONTRACTORS ASSOCIATION. WE ARE STILL AWAITING MR. TOLBA'S
PROPOSAL FOR MANAGEMENT TRAINING PROGRAM.

WILL BE GRATEFUL TO RECEIVE YOUR CONFIRMATION THAT THE PROPOSED
MISSION TIMING IS CONVENIENT. UNQUOTE.

SHALL APPRECIATE IF YOU CAN CONTACT MR. EL KASHEF AND IMPRESS
UPON HIM THE NEED FOR PREPARATORY WORK ON THE PART OF THE
STEERING COMMITTEE. BEST REGARDS, MALIK, INTBAFRAD

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9-2-82

BOOK OF TWO

MR. SAMIR KORAIEM

SENIOR UNDERSECRETARY

MINISTRY OF ECONOMY, FOREIGN TRADE

AND ECONOMIC COOPERATION

CAIRO, EGYPT

TELEX NO. 348 GAFEC UN

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MR. ABDEL RAHMAN EL KASHEF

C/O MR. SAMIR KORAIEM

SENIOR UNDERSECRETARY

MINISTRY OF ECONOMY, FOREIGN TRADE

AND ECONOMIC COOPERATION

CAIRO, EGYPT

TELEX NO. 348 GAFEC UN

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TO:

MR. ABDEL RAHMAN EL KASHEF, CHAIRMAN,
STEERING COMMITTEE. COPY TO MR. SAMIR KORAIEM, SENIOR
UNDERSECRETARY, MINISTRY OF ECONOMY AND FOREIGN TRADE.
REFERENCE CONSTRUCTION INDUSTRY PROJECT. WE ARE SCHEDULING A
BANK MISSION TO VISIT EGYPT STARTING OCTOBER ONE, FOR ABOUT THREE
WEEKS TO PREAPPRAISE THE PROJECT. THE MISSION CONSISTING OF
MESSRS. MALIK (CHIEF), DESHPANDE, KINAWY, HADJICOSTAS, KADEN AND
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ASSESS TECHNICAL ASSISTANCE NEEDS OF THE NEW INSTITUTIONS, CIDB
AND CONTRACTORS ASSOCIATION, (V) REVIEW PROGRESS MADE BY
FINANCIAL INTERMEDIARIES, BANQUE DU CAIRE AND DIB, AND (VI)
REVIEW GENERAL PROGRESS MADE IN THE IMPLEMENTATION OF THE
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TO PREPARE DETAILED PROPOSALS FOR THEIR FINANCING NEEDS INCLUDING
THEIR STRUCTURE, MANAGEMENT AND ADMINISTRATION, EXISTING
EQUIPMENT AND ITS USE, WORK FORCE AND ITS BREAKDOWN, CONTRACTS IN

NOT TO BE TRANSMITTED

CLASS OF SERVICE: TELEX

TELEX NO.: BOOK OF TWO, SEE ATTACHED 09/02/82

SUBJECT:

Egypt - Construction Industry

DRAFTED BY:

SMalik:dt *glt*

CLEARANCES AND COPY DISTRIBUTION:

cc: Messrs. Zaborski, Kinawy (o/r),
Hadjicostas, Kaden,
Deshpande
Ms. MacNamara

AUTHORIZED BY (Name and Signature):

glt George C. Zaidan, Chief,

DEPARTMENT:

EMENA/IDF Division

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CIDB AND CONTRACTORS ASSOCIATION. WE ARE STILL AWAITING MR. TOLBA'S
PROPOSAL FOR MANAGEMENT TRAINING PROGRAM.
WILL BE GRATEFUL TO RECEIVE YOUR CONFIRMATION THAT THE PROPOSED
MISSION TIMING IS CONVENIENT. BEST REGARDS, GEORGE C. ZAIDAN,
CHIEF, INDUSTRIAL DEVELOPMENT AND FINANCE DIVISION, EUROPE, MIDDLE
EAST AND NORTH AFRICA REGION, INTBAFRAD

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DEPARTMENT:

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OFFICE MEMORANDUM

TO: Mr. A. Deshpande

FROM: George C. Zaidan, Chief, EMPID

SUBJECT: TURKEY - Loan No. 1998-TU (DYB III): Supervision Mission
Terms of ReferenceTUR-In 1998
TUR-In 1952
TUR-In 1379
TUR-In 1024
DATE: August 2, 1982~~EGT - Construction Industry~~
~~EGT - D.F.C. - Sector~~
(Manufactured Goods Export)
~~EGT - D.F.C. - Sector~~
(S.M.I.)

1. You will be in Ankara for about a week from August 8, 1982 to supervise the above project in accordance with TORs outlined in the Supervision Brief for the project dated November 19, 1981 and also to pay a short visit to SYKB in Istanbul to review Loan No. 1952-TU. You will be accompanied by Mr. S. Banerji. During your outward journey you should stop in Geneva to discuss ILO's assistance in the SMI TA program in Egypt and for the Construction Industry project preappraisal mission to Egypt in September 1982. Mr. Banerji will also hold discussions with ITC in Geneva re. the Manufactured Export Development study in Egypt.

2. You will also review the progress of disbursements under Loan No. 1379 which is to close on December 31, 1982 and collect data for preparation of a PCR for Loan No. 1024 (DYB I).

3. On return, you will submit a back-to-office report and update the supervision brief for the next supervision mission.

cc & cl: Mr. Gassner (EM2)

cc: Messrs. Bart, Ms. Ruggeri, Chaffey (EM2)
Carmignani, Jones, Zaidan, Coudol
Rajagopalan (PAS) (3), Tolbert (IND, Op.)
Fuchs (IND), Vorkink (LEG), Drake
Barahona (CTR), Gustafson (CEM)
EMENA Information Center

ADeshpande/srw

EGT - Construction
Ind.

July 28, 1982

Mr. M. Kabr
Chief,
Management Development Branch
Training Department
International Labour Office
Geneva 22, Switzerland

Dear Mr. Kubr:

This refers to your letter dated July 19, 1982 regarding our proposed construction industry project in Egypt.

We are, as you are aware, interested in investigating the possibility of obtaining ILO assistance for the development of a program for construction management training in Egypt. It would be helpful if we could have a short list of say 6-8 individuals who could be available towards the end of September 1982 for about 6 weeks for this task. The individual would initially join our mission to Egypt (tentatively scheduled for the last week of September) and then come to Washington for a short stay to prepare a report and develop the detailed program. We would prefer a person who has experience of projects in the Middle East Region, though familiarity with the Middle East Region is only one of the factors to be considered.

As you probably know, Messrs. Banerji and Deshpande are scheduled to visit you on August 6, 1982. If the short list of candidates can be ready in time, it may please be handed over to them to save mail time.

With best regards,

Sincerely yours,

Cv

George C. Zaidan
Chief

Industrial Development and Finance Division
Europe, Middle East and North Africa Region

AD
ADeshpande:isc
cc: Messrs. Malik, Zaborski

OFFICIAL FILE COPY



INTERNATIONAL LABOUR OFFICE
BUREAU INTERNATIONAL DU TRAVAIL
OFICINA INTERNACIONAL DEL TRABAJO

Egypt. Construction Industry
Project

Adresse postale CH-1211 GENÈVE 22
Télégrammes INTERLAB GENÈVE
Télex 22.271 BIT CH
Téléphone direct: (022) 99 8801
central: (022) 99 6111

Mr. George Zaidan,
Industrial Development and
Finance Division,
The World Bank,
1818 H Street, NW,
WASHINGTON, DC 20433

Réf. BIT/ILO n° MD 1-02
Votre réf. n° MD 1-69

INDUSTRIAL DEVELOPMENT AND FINANCE

(USA)

DATE RECEIVED JUL 23 1982

COUNTRY/IDF Egypt - Const.

LOAN/CREDIT NO.

19 JUL 1982

Dear Mr. Zaidan,

ACTION BY

Construction Industry in Egypt (DFC VII)

In my letter dated 5 July 1982 concerning the visit of Mr. Deshpande to Geneva, I mentioned that discussions were held on the subject of construction management. As we informed Mr. Deshpande, we have been active in training in this field for a number of years, and currently have three major regional technical assistance projects in Africa and Asia. In Egypt we have recently completed the management training component of the Education II World Bank loan, by providing experts to the Training Organisation of the Ministry of Housing and Reconstruction (TOMOHAR). In 1979, our Director of Construction Management Training headed an EEC study team which prepared a report which considered training activities in the Egyptian construction industry.

With this combination of general expertise in construction management training and specific experience of Egypt, we feel we are uniquely placed to assist the Government of Egypt in the implementation of the major changes envisaged as a result of the recommendations of the Final Report of the Construction/Contracting Industry Study, prepared jointly with yourselves. We propose, through our Area Office in Cairo, to discuss this with the Ministry of Housing and other relevant agencies, but if, in the meantime, we can assist the Bank in developing a detailed programme, we would be pleased to do so.

Yours sincerely,

M. Kubr,
Chief,

Management Development Branch,
Training Department.

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Yours sincerely,

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The Bank in developing a detailed programme, we would be pleased to see other relevant agencies, not to, in the meantime, we can assist your office in Cairo, to discuss this with the Ministry of Housing and Urban Planning, together with ourselves. We propose, through our efforts of the first report of the construction/construction industry of the world provides evidence as a result of the recommendations made for assist the government of Egypt in the improvement of the construction and specific experience of Egypt, we feel we are with this combination of general experience in construction management.

Egyptian construction industry. We have a report which considered the situation in the construction management industry in Egypt, and from which housing and reconstruction (DOMONAK). In 1978, our Director of Housing and Urban Planning to the Ministry of Housing and Urban Planning, and the Ministry of Education in the Ministry of Housing and Urban Planning. In Egypt we have recently completed the management and construction of three major regional development projects. We have been active in planning in this field for a number of years, the subject of construction management. As we informed Mr. Dearbaine, Mr. Dearbaine to General, I mentioned that discussions were held on in my letter dated 2 July 1982 concerning the state of

Construction Industry in Egypt (DEC AII)

Dear Mr. Zaidan

YCHON 81 21/10/82

TOYACREDIG NO

COMMUNAL 28/10/82

DATE RECEIVED 28/10/82

INDUSTRIAL DEVELOPMENT AND TRAVEL

Letter ref. no

MD J-88

Ref. BILVIGO no

MD J-03

12 JUL 82

(USV)

WASHINGTON, DC 20433

1818 H Street, NW

The World Bank

Finance Division

Industrial Development and

Mr. George Zaidan

Centre: (022) 88811
Telephone direct: (022) 88801
Telex 55331 BIL CH
Teletype: INTERLAV GENEVE
Address postale CH-1211 GENEVE 23



OFICINA INTERNACIONAL DEL TRABAJO
BUREAU INTERNATIONAL DU TRAVAIL
INTERNATIONAL LABOUR OFFICE

Handwritten notes and signatures at the bottom right of the page.

EGT-Construction Industry

7/12/82 ✓

OFFICE MEMORANDUM

R/c

TO: Distribution Below

DATE: July 12, 1982

FROM: George C. Zaidan, Chief, EMPID

EMENA

SUBJECT: EGYPT - DFC VII: Proposed Construction Sector Project
Project Brief

An initial Project Brief for the above project scheduled for FY83 is attached.

A formal meeting to review the Project Brief will be held on July 30, 1982 at 2:30 p.m. in Room D-860. The meeting will be chaired by Mr. Roger Carmignani, Assistant Director, EMENA Projects.

AttachmentDistribution

Messrs. Dubey, Finzi (EMNVP);
Karaosmanoglu, Favilla, Ahmed, Moini, Zaborski, Ms. Schaeffer (EM1);
Picciotto, Pranich, Stewart, El Maaroufi, Prosser, Jones (EMP);
Coudol, Deshpande, El Daher, Kinawy, Corwell, Ms. MacNamara (EMP);
Stern (3)(SVPO); Rajagopalan (3)(PAS);
Fuchs (2), Tolbert (3) (IND); Willoughby, Kaden (TWT);
Abu-Akeel (LEG); von Busse (CTR); Gustafson (IFC).

EMENA Information Center

SMalik:isc

PROJECT BRIEF

Sector: Construction
Project Code: SEGTDD07
Appraisal Date: November 1982

Date this Brief: July 12, 1982
Date last Brief: none
Prepared by: S. Malik
Approved by: S. Moini

I. SECTOR CONTEXT

The Construction and Contracting Industry in Egypt 1/

Background

1. The structure of the construction/contracting industry in Egypt has undergone a series of changes over the last three decades. At the time of the 1952 Revolution, the construction and contracting industry in its entirety was in the hands of the private sector. In line with the development strategy and political preferences of the period following the Revolution, the Government in early 1960s nationalized large portions of the contracting industry as well as the companies producing key building materials. The Government thus became overwhelmingly involved in all aspects of the construction and contracting industry. Since the early 1970s the Government has pursued an "open door" policy under which indigenous private investors and foreign investors are encouraged. However, the mass of controls on the economic system instituted over two decades have not yet been eliminated.

Recent Performance

2. The construction industry in Egypt accounts for about 10% of GDP and for about 45-50% of the gross capital formation. The contracting part of the construction industry employs about 4% of the national labor force. The performance of the industry in the seventies with an annual average growth rate of 1% (1970-79) has been disappointing and has considerably lagged growth in GDP (7.4%) and manufacturing (8.0%). Construction price index has averaged 23% p.a. during 1972-79, a rate substantially higher than general price index. The construction industry has thus proven to be a major bottleneck in the fulfillment of the ambitious National Development Plan. The cost to the economy in terms of quality (below standard), time (much longer duration) and price (excessively high cost) has been enormous.

Structure and Organization

3. The primary and overriding characteristic of the construction industry in Egypt is Government dominance, control and participation at almost

1/ A Bank financed study of the Construction/Contracting Industry in Egypt prepared by the General Organization for Housing, Building and Planning Research (GOHBPR), in collaboration with a Steering Committee of the Ministry of Housing and Reconstruction and the World Bank, was completed in July 1981.

every level. Government is involved in financing, designing and managing construction and contracting activities as well as in supplying construction resources. It produces, allocates, and distributes key building materials; trains construction manpower; provides equipment; develops technology; and finances most construction activity. Functional responsibilities for these various activities are not generally separated. In some cases a single ministry serves as client, contractor and material distributor. This leads to a blurring of functions resulting in the nonpayment or delayed payment by the client to the contractor, inadequate project supervision and largely ignored contractual requirements on the part of the contractor.

4. Detailed statistics are generally lacking in Egypt. The relative importance of the public sector companies can, however, be gauged from the value of main contracts for new construction awarded during 1979. The 47 contracting companies in the public sector operating under direct ministerial control accounted for about two-thirds of the LE 1,350 million in new contracts. There are about 70 companies under Law 43 of 1974, including public sector companies with shares in joint venture companies. There are also 20 - 25000 operating units in the indigenous private sector. Although the main contracts received by private sector contractors are about one-third of total, actual amount of work carried out is about one-half because of sub-contracting to public sector companies. In addition, the informal sector mostly involved in the field of housing is a substantial and growing part of private contracting. The industry has suffered from a preoccupation by the Government with getting work done by public sector contractors with very little control over costs. Between 1962 and 1978 the public sector companies received almost all their work by direct order. While the Government policy since January 1979 has been to award no new contracts by direct order, some new large contracts (in addition to military work and extensions of existing contracts) are still being given by direct order.

5. The organizations dealing with or supervising the construction industry are predominantly government controlled. These include (1) Supreme Councils for the Building Materials Industry, for the Construction Industry, for Irrigation and Agriculture, and for Transport; (2) the Training Organization of the Ministry of Housing and Reconstruction (TOMOHAR); (3) the Chamber of Building Materials and Contractors, part of Union of Industries; (4) the General Organization for Housing, Building and Planning Research (GOHBPR); and (5) the Ministry of Housing and other ministries. Two professional non-governmental bodies - the Society of Engineers and the Syndicate of Engineers - are also involved. The current institutional arrangements do not promote sufficient coordination among the large number of parties involved and the industry is not organized in a manner which allows it to carry efficiently the load put upon it. Lack of liaison between designers and material producers, lack of effective associations and institutions of professionals, inadequate organization of manpower training efforts and many important decisions made without full participation of the parties involved are some of the problems hampering responsiveness throughout the industry.

Construction Resources

6. Manpower, materials, equipment, technology and finance are generally inadequate.

Manpower - The industry suffers from shortage of skilled labor due to emigration, inadequate training facilities, overmanning in public sector companies, low wages and a general lack of incentives to train. Lack of experienced managers and inadequate management training facilities for all levels has also brought about a decline in the standards of management. It is estimated that the value of output per worker has about halved in real terms between early 1960s and late 1970s. There is a lack of trained instructors and inadequate provisions to pay them appropriate salaries.

Materials - In spite of extensive resources of raw materials (stone, aggregates, gypsum, clays, glass sands, iron ore, and other minerals) the supply of building materials is in a poor state. Tight Government control over key construction materials (cement, steel, timber, glass, pipes, etc.) extending from production and importation to allocation, distribution and pricing have resulted in inefficiencies, much waste and the operation of a 'black' market in controlled materials.

Equipment - Much of the construction equipment fleet in Egypt is obsolete or in need of repair. It is estimated that at least one-half of the existing fleet needs to be replaced in the next few years in order to maintain 1979 levels. Capacity utilization, especially in the case of public sector companies involved in building works and general civil works, at 20 - 30% is extremely low. Maintenance facilities are inadequate as are training facilities for operators. There are no well-established equipment leasing companies.

Technology - Much of the technology used in the Egyptian construction industry is out of date; it relies on equipment which is obsolete or in poor repair, uses improper materials and/or produces unsatisfactory results. While testing of certain materials and construction techniques are required the procedure takes an inordinate amount of time and regulations are not strictly enforced.

Finance - Lack of institutional finance (15% of estimated output in 1979 with just under 75% to public sector companies) and nonpayment of debts to contractors by Government and advance payments for building materials to the Government has been a major problem. The financial structure of public sector contracting firms is out of line with sound financial practice. Private sector contractors regard lack of institutional finance as a major constraint to expansion of capacity.

The Private Sector

7. With the advent of the "open door" policy there has been a substantial and accelerating increase in private sector contracting work in recent years. Increased participation of the private sector can also be expected in the construction materials sector (aggregates, bricks, and components such as doors and windows). However, private sector firms have certain disadvantages compared to public sector companies. For example, public sector companies do not have to compete for work, they receive allocations of key materials and finance, they are not held to sound financial operating procedures and are able to continue business with Government support even if they show substantial losses, etc. It is often difficult for private sector contractors to compete with public sector contractors due to (i) difficulty of getting on the bidding list (ii) willingness of public sector contractors to take contracts even though there is a risk that they will not be paid ^{1/} (iii) negotiations after the bids have been received by the client sometimes favor the public sector contractors.

8. Lack of adequate finance is a major constraint to expansion of private sector contracting capacity. They have greater difficulty in securing bank financing than firms in the public sector and are required to make larger deposits and provide stronger guarantees. The problem of delayed payments from public sector contractors for sub-contracts is so acute that private sector contractors are often hesitant to do work for the public sector. The private sector also suffers from serious deficiencies in both the quality and quantity of construction equipment.

Major Policy Issues/Strategy for Further Development

9. The primary reason for the inadequate functioning of the industry is not only the shortage of resources, but the inadequate structure of the industry. While there are admitted shortcomings in resources, they are largely a result of structural inadequacies. The structure is heavily Government dominated, responsibilities are blurred, and coordination is seriously lacking.

10. The strategy for further development of the construction/contracting industry in Egypt calls for action in the following crucial areas:

- (i) Reform of Institutions - Establishment of a Construction Industry Development Board (CIDB) to unify the presently fragmented responsibility for the entire construction sector. CIDB would have the mandate to oversee the development of the entire sector and be responsible for defining, updating and implementing programs for the continued development of the industry. Fragmentation of

^{1/} Public sector contractors receive substantial advance payments for projects to be repaid during the course of the work. As a result contractors are inclined to take on as many jobs as possible in order to bring in advance payments, and have little incentive to finish work since to do so would reduce available cash.

responsibility over the construction sector among various institutions and agencies has been identified as a major cause of bottlenecks in the construction sector, and setting up CIDB would be a major reform of the construction sector. The CIDB would have two satellite agencies for training, and for information and research.

- (ii) Reducing Government Dominance - Because of its negative impact on the sector, excessive Government dominance should be reduced through a major restructuring of the contracting industry. This will allow public sector contractors to have more autonomy in their own management and operation, encourage the participation of private sector contractors, and promote equality between public and private sector companies, leading to enhanced overall efficiency of the contracting industry. The direct order method for public sector projects should be abolished; ceasing direct order method altogether requires changes in the current system of tendering and contract documents. The lifting of price controls over building materials and a gradual dismantling of the Government allocation of building materials would be other reforms in the direction of reducing Government involvement and control.
- (iii) Increasing Construction Resources - As a result of deficiencies in the quality and quantity of construction resources - manpower, materials, equipment, technology and finance - the industry suffers from serious problems in construction and management. In order to combat the insufficient stock of trained manpower, programs for the training and skill upgrading of workers need to be improved and expanded. Similarly, a comprehensive program for management development specifically geared to the construction industry must be established to supplement the existing general management courses. Production and distribution of building materials can be facilitated through implementing planned investments in building materials on schedule, phasing out controlled prices and a gradual dismantling of the Government allocation of materials. Equipment, both to replace obsolete mechanical equipment and to increase capacity and the availability of spares, will need to be imported. An equipment leasing company should be established to improve upon the present low utilization rates. The problems related to inadequate finance could be partly overcome by the liquidation of outstanding Government debts to contractors and prompt payments in the future, and by reducing the requirement for advance payments for materials. The access of small contractors to institutional finance can be improved through development banks.

II. BANK STRATEGY AND SECTOR LENDING GOALS

11. Bank strategy in the sector is to foster an efficient domestic construction industry through technical and financial assistance. The comprehensive study financed by the Bank has provided an assessment of the essential problems and constraints associated with the need for fostering

growth and efficiency of the Egyptian construction/contracting industry. Bank strategy to assist the construction industry has many objectives: (i) assist the Government in undertaking reforms of institutions to unify and to make more effective the presently fragmented responsibility and inadequate capability in the construction sector; (ii) assist the Government in undertaking policy reforms leading to enhanced efficiency; (iii) develop training programs focussing on management and technical skills and trades; (iv) finance the construction industry, either through direct loans (cement, steel, etc.) or through financial intermediaries, including commercial and development banks; (v) assist in setting up leasing operations through direct IFC participation; (vi) assist financial institutions to strengthen their capability to evaluate loans; (vii) assist in the formation of Egyptian Federation of Contractors; (viii) encourage the private sector. Bank involvement is likely to also include adoption of appropriate technology, planning, custom procedures, improve supply of brick and brick substitutes, etc. The proposed project is likely to be a first in a series of projects in support of the sector.

Project Formulation and Preparation

12. The groundwork for this project was laid in the late 1970s when the Bank, recognizing deficiencies and delays in the implementation of its own projects in Egypt, agreed to finance a study of the construction/contracting industry from the proceeds of the import loan (EGT-1456). The study, undertaken by a team of Egyptian and foreign consultants under the guidance and supervision of a Steering Committee of the Ministry of Housing and Reconstruction, did a detailed analysis of the sector and prepared comprehensive recommendations for improving the efficiency and for developing the industry. The study was completed in July 1981 and a Bank review conducted in October. The report and its recommendations were discussed in a three-day symposium in late January 1982 in Cairo chaired by the Minister of Housing and Reconstruction. A Bank mission visited Egypt in mid-June to discuss a program for implementation of the recommendations of the report and to discuss the appropriate type and scope of Bank assistance required to support development of the construction/contracting industry.

Project Objectives and Relation to the Sector

13. The major objectives of the proposed project are:

- (a) to bring about the much needed institutional reforms along the lines recommended by the report and the symposium. Passage of legislation for the establishment of CIDB, whose terms-of-reference will be reviewed by the Bank, would be a condition of loan effectiveness if by loan negotiations the legislation is not already passed;
- (b) to reduce Government dominance of the sector by reforms in policies and procedures, for example, (i) abolishing altogether direct ordering of works in favor of free competitive bidding thus exposing the public sector companies to competition with private sector companies. This would be accomplished through a review of and changes in the existing tendering procedures and contract documents

(ii) requiring public sector companies to abide by sound financial operating procedures through appraisal procedures of financial intermediaries whose appraisal capability will be further strengthened by the provision of technical assistance (iii) gradual dismantling of the Government system of allocation of building materials by initiating a study, as recommended by the report, of the alternative system of construction materials distribution.

- (c) to improve construction management through programs of technical assistance for management training specifically geared to the construction industry 1/;
- (d) to provide technical assistance for the establishment of a Contractors Association;
- (e) to provide greater access to institutional finance by the use of more than one financial intermediary and by increasing the resources available; and
- (f) to strengthen the appraisal capability of the financial intermediaries by provision of technical assistance for staff training.

III. PROJECT DESCRIPTION

The Loan

14. To support the proposed project a loan presently programmed for \$69 million 2/, would be made to GOE at the normal Bank rate, and GOE would onlend it to DIB and Banque du Caire without spread. The DFCs would, with the usual margin, onlend the funds to eligible sub-borrowers in both the public and private sectors (including leasing companies). There will be no specific allocation as between DIB and Banque du Caire; instead the principle of first-come first-served will govern the allocation. 3/ Sub-loans will be made to finance the import of construction equipment including spare parts as well as of machinery and equipment to producers of building materials and small items of construction equipment. Foreign exchange risk between LE and US\$ relating to the sub-loans will be borne by the sub-borrowers. The free limit

-
- 1/ The need for training and skill upgrading of workers are proposed to be met, in the first instance, under Education IV (FY83).
 - 2/ DFC VII was originally programmed for \$80 million. The Government expects Bank to provide at least one-half of the projected \$200 million a year needed for imported construction equipment.
 - 3/ These procedures are similar to the ones followed in the Agroindustries loan (December 1980), i.e. a start-up fund of say \$10 million would be assigned to each DFC against which it could make commitments. As and when a DFC has fully or substantially committed its portion, GOE would, in agreement with the Bank, provide the DFC with a further allocation of funds.

will be proposed after pre-appraisal/appraisal of Banque du Caire who will be participating in proposed Bank project for the first time. A portion of the loan to be determined at the time of appraisal would be earmarked for financing the foreign exchange cost of the proposed technical assistance.

Technical Assistance

15. Out of the three types (management, contractors association and financial intermediaries) of technical assistance envisaged under the project, the main focus would be on developing comprehensive programs for management training. The June mission reviewed existing programs and held discussions with sponsoring agencies/institutions, including TOMOHAR, Society of Engineers, various faculties, USAID, etc. Specific programs (e.g., content, cost, financing; delivering agency, etc.) are proposed to be developed in detail at the time of the next mission (September 1982).

Major Project Issues

16. The project has been designed to support Government efforts in the further development of the construction/contracting industry. In order to justify Bank assistance it is thus crucial for the Government to make progress towards implementing the recommendations of the Construction/Contracting Industry Study. While some progress has been made as noted below (para 22. Status of Dialogue with the Government), further progress, especially in policy reforms (free competitive bidding) and institutional reforms (passage of legislation to establish CIDB), needs to be made.

17. The Government has agreed to the participation of two financial intermediaries to provide for greater access to institutional finance for contractors. The Government has also agreed to provide equal treatment to both DIB and Banque du Caire in respect of foreign exchange risks, exchange rates and interest rates, but this would need to be formalized. In addition, the appraisal of Banque du Caire, the largest commercial bank catering to the needs of the construction sector, who will be participating in a Bank project for the first time will have to be satisfactorily completed.

18. The September mission will update DIB's operational projections ^{1/} and its project pipeline as well as review the same for Banque du Caire. While a firm recommendation can only be made after these reviews it is very likely that a loan of \$69 million as presently programmed may not be sufficient. It can be expected that the Government will press for a larger loan (about \$100 million).

19. Since the private sector companies appear to be in greater need for equipment and finance, it may be desirable to earmark a certain proportion

^{1/} DIB hopes to have committed a substantial portion of DFC VI by the time the proposed loan becomes effective. It may be appropriate when DFC VII is effective to exclude the financing of the construction sector from DFC VI.

(i.e. a minimum) of the loan for the private sector. After a review of the project pipelines of the two financial intermediaries, it should be possible to recommend the proportion of the loan to be earmarked for the private sector. Considering the dominance of the public sector companies, the Government may object to such earmarking.

IV. BANK PROCESSING OF PROJECT

Critical Path for Project Preparation

20. Following the visits of the reconnaissance/identification missions in January 1982 and June 1982, a preappraisal mission is scheduled for September 1982. The mission will review further progress towards the implementation of the recommendations of the study, firm up DIB's operational projections and review the preparatory work of Banque du Caire, prepare details of the technical assistance programs, as well as identification of the agency responsible for executing the management training programs. The critical requirement for completing the appraisal is the finalization of the management training programs and Government's firm commitment in implementing the crucial recommendations of the study.

Manpower Planning

21. The preappraisal mission would include a consultant for preparing technical assistance programs and a member of the Bank's Construction Industry Unit. Assuming substantial progress is made before and during the next mission, appraisal of the project would be scheduled for November 1982.

Status of Dialogue with Government

22. The June 1982 mission reviewed with the Government the design and scope of the proposed Bank project and the progress made towards implementing the recommendations of the study. No objections were expressed regarding the design and scope of the project. Regarding the recommendations of the study the progress made to date includes (i) acceptance of recommendations by the Minister of Housing and Reconstruction and submission to the Ministerial Committee for Production for review/comments by concerned ministries; (ii) discussion with the Housing Committee the draft law for the establishment of the Egyptian Federation of Contractors (Contractors Association) and submission of the revised draft law to the People's Assembly for approval; (iii) submission by the Steering Committee to the Minister of Housing and Reconstruction of a draft law for the establishment of CIDB. The present schedule calls for the draft law to be presented to the People's Assembly for their September session; and (iv) the continuity of the present status of the Steering Committee, including that of its Chairman, has been approved in a memorandum signed by the Minister in May 1982.

2460-EGT

6/24/82

AIDE MEMOIRE

EGYPT CONSTRUCTION/ CONTRACTING INDUSTRY PROJECT

1. A World Bank Mission visited Egypt during June 14- June 24, 1982 to seek formal Government Agreement on the scope of Bank assistance in support of the further development of the construction/contracting industry. In a meeting held on June 20, 1982 H.E. the Minister for Reconstruction briefed the mission about the progress in implementing the recommendations of the construction/contracting study. The meeting, attended by Mr. Salah Fahmy, Undersecretary, Ministry of Housing, Mr. Samir Koraiem, Undersecretary, Ministry of Economy, and Mr. Abdel Rahman El Kashef, Chairman, Steering Committee, also reviewed the design and scope of the proposed Bank project. This Aide Memoire summarizes the progress made towards implementing the recommendations of the Construction/Contracting Industry Study, agreement reached with the Government and future plan of action to expedite Bank assistance to the sector.
- 2- In accordance with Ministerial Resolution NO. 181/1979 the Steering Committee of the Ministry of Housing has continued to make progress towards implementing the recommendations of the study. A memorandum summarizing these recommendations has been submitted to the Ministerial Committee for Production and is currently under review by concerned ministries. The Steering Committee has also prepared and submitted to H.E. the Minister for Reconstruction for approval a draft law for the establishment of the Construction Industry Development Board (CIDB). Copies of the draft law and the memorandum in Arabic were provided to the mission.
- 3- In addition to the progress noted above other developments during the last few months are as follows:

After discussion with the Housing Committee of the House of Representatives a revised draft for the establishment of the Egyptian Federation of Contractors (Contractors Association) has been submitted to the House of Representatives for approval.

H.E. the Minister for Reconstruction has, in a memorandum signed on May 17, 1982, approved the continuity of the present status of the Steering Committee, including that of its Chairman and other members.

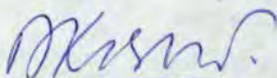
The Steering Committee has prepared organizational charts for the Construction Industry Development and Information Agency (CIDIA), and similar work is now under way for the Construction Industry Training Agency (CITA), and CIDB.

- 4- The Steering Committee has provided the mission with copies of the above drafts and memoranda. The mission is satisfied that sufficient progress towards implementing the recommendations of the report has been made since February 1982 to warrant Bank appraisal of the project in the near future.
- 5- The main components of the proposed Bank project remain essentially unchanged from the ones detailed in the Briefing Note of the Reconnaissance/Identification mission dated February 3, 1982.

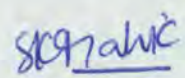
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The Bank line of credit, somewhat similar to the one recently extended to the Development Industrial Bank (DIB), will be available to financial institutions (DIB and Banque du Caire) for the import of construction equipment including spare parts as well as of machinery and equipment to producers of building materials and small items of construction equipment. Both public and private sector Companies (including leasing companies) will be eligible to avail of the Line of credit on a first-come first-served basis. A portion of the proposed loan would also be earmarked, as needed, to finance the cost of Technical Assistance.

- 6- Since substantial preparatory work (including draft Articles governing CIDB) has already been done, the Steering Committee at this stage does not envisage any Bank assistance in the creation and/or reorganization of the various institutions involved in the construction sector. World Bank Technical Assistance will, however, be needed for developing management training programs, Contractors Association as well as for strengthening the appraisal capability of the financial intermediaries.
- 7- It was agreed that (i) the Steering Committee will continue to be responsible for the implementation of the report's main recommendations until CIDB is established, (ii) such responsibility will extend to coordinating all aspects of the proposed Bank project related to Technical Assistance matters, (iii) at the same time Mr. Koraïem, will be the prime counterpart for Bank missions during project preparation in coordination with the Steering Committee.
- 8- Banque du Caire who will be participating in the proposed Bank Line of Credit for the first time will prepare and submit to the Bank details of its institutional, operational and financial aspects necessary for Bank appraisal of the institution. The Mission provided Banque du Caire with the necessary and relevant documents to assist the Banque in this preparatory work.
- 9- The draft law for the establishment of CIDB is expected to be submitted to the State Council in approximately 4-6 weeks. After the review and approval of the State Council, the Ministry of Housing will submit it to the Ministerial Committee for Production before it is presented to the People's Assembly. The Steering Committee will keep the Bank informed about further progress in the implementation of the recommendations of the report, the passage of various legislation and other actions. The next Bank mission is tentatively scheduled for September. The mission will prepare detailed Technical Assistance programs in cooperation with the Steering Committee. The Bank mission will also review the preparatory work and the technical assistance needs of the financial intermediaries.



Eng. Abdel Rahman El Kashef
(Chairman, Steering Committee)



S.K. Malik
(WORLD BANK)

June 22, 1982.

C.C.: H.E. the Minister for Reconstruction
Mr. Samir Koraïem, Senior Undersecretary,
Ministry of Economy.

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Proj.

MR G ZAIDAN

MR FAVILLA

EGT - 2074

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NILEHILTON HOTEL

CAIRO 21:6:82

ATTN MR ZAIDAN

EMENA REGION

INDUSTRIAL DEVELOPMENT AND FINANCE

DATE RECEIVED **JUN 21 1982**

COUNTRY/IDF Egypt - Const Ind.

LOAN/CREDIT NO. _____

ACTION BY Messrs Malik (ofr)
Deshpande (ofr)

MISSION SATISFIED AT PROGRESS MADE BY STEERING COMMITTEE AND
MINISTRY OF HOUSING TOWARDS IMPLEMENTING RECOMMENDATIONS
OF STUDY. MISSION CONCLUDING JUNE 23.

DESHPANDE PLANS TO SPEND ONE DAY IN GENEVA FOR
DISCUSSIONS WITH ILO

REGARDING SMI - REGARDS, - MALIK

Mr. Malik arriving 6/23 or 6/24

Mr. Deshpande - 6/25

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WORLDBANK440098.....

*families informed
DL 6/24*

*Pls inform
families
C
6/24*

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NILEHILTONCAIRO 11TH, JUN 1982

TO 440098 WORLD BANK WASHINGTON D.C.

ATT.MR.ZAIDAN

ARRIVED CAIRO ON SCHEDULE.

BANERJI MISSION SUCCESSFULLY

CONCLUDED WITH AGREEMENT ON

SCOPE TIMING AND FORMATION OF

AN INFORMAL COORDINATING GROUP

COMPOSED OF ALL RELEVANT PARTIES.

REGARDS

MALIK.

DISTRIBUTION: D.S.

MR G ZAIDAN

MR S MALIK'S OFFICE

MR FAVILLA

EGT-Construction
Ind

3596

EMENA REGION

INDUSTRIAL DEVELOPMENT AND FINANCE

DATE RECEIVED JUN 11 1982

COUNTRY/IDF Egypt.

LOAN/CREDIT NO. Const Ind.

ACTION BY JE/AD/Sue

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WORLD BANK OUTGOING MESSAGE FORM Telegram, Cable, Telex

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TO:

DYB, CAIRO

FOR MR. A.O. OSMAN, VICE-CHAIRMAN

EYE SHALL REACH CAIRO ON MONDAY, JUNE 14, BY FLIGHT AF 487 AT
ABOUT 1030 PM FOR A STAY OF ABOUT TEN DAYS IN CONNECTION WITH OUR
PROPOSED CONSTRUCTION SECTOR PROJECT. WILL CONTACT YOU ON JUNE 15
AND LOOK FORWARD TO VISITING DIB AT YOUR CONVENIENCE.

BEST REGARDS, DESHPANDE, INTBAFRAD

END
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CLASS OF SERVICE: telex 927-92643

DATE: June 11, 1982

SUBJECT: EGYPT - arrival date in
CairoDRAFTED BY:
A. Deshpande/jaj

CLEARANCES AND COPY DISTRIBUTION:

AUTHORIZED BY (Name and Signature):
A. Deshpande

DEPARTMENT: EMPID

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WORLD BANK OUTGOING MESSAGE FORM Telegram, Cable, Telex

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TO:

FOR SURINDER MALIK, WORLD BANK STAFF MEMBER
NILE HILTON NILE HILTON, CAIRO, EGYPT
IN VIEW OF OFFICIAL HOLIDAYS AT THE BEGINNING OF RAMADAN THE WEEK
OF JUNE TWENTY AND SINCE A LARGE NUMBER OF IDF STAFF WILL NOT BE
IN WASHINGTON THAT WEEK WE HAVE FELT IT PREFERABLE NOT TO VISIT
EGYPT ON THIS OCCASION BUT TO DO SO PROBABLY AT THE TIME OF THE
APPRAISAL OF THE CONSTRUCTION LOAN, REGARDS, ZAIDAN, INTBAFRAD

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CLASS OF SERVICE: TELEX

TELEX NO: 927-92354/92222

DATE: 6/10/1982

SUBJECT: EGYPT VISIT

DRAFTED BY: GZ:bk

CLEARANCES AND COPY DISTRIBUTION:

cc: Messrs. Coudol, Deshpande

AUTHORIZED BY (Name and Signature):

G.Zaidan, Acting Assistant Director, EMP

DEPARTMENT: EMP

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TO:

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MR. SAMIR KORAIEM, UNDERSECRETARY
MINISTRY OF ECONOMY, FOREIGN TRADE
AND ECONOMIC COOPERATION
CAIRO, EGYPT

TELEX NO. 348 GAFEC UN

MR. ABDEL RAHMAN EL KASHEF, CHAIRMAN
STEERING COMMITTEE,
EGYCO CONTRACTING COMPANY
CAIRO, EGYPT

TELEX 92903 EGYCO UN

SAMIR AND MOHAMAD YOUNES
CAIRO, EGYPT
ATTENTION: SALAH KENAWI

TELEX 92407 BAC UN

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CLASS OF SERVICE: Telex

TELEX NO.:

DATE: June 9, 1982

SUBJECT:
EGYPT: Construction Industry

DRAFTED BY:
ASK/ccc

CLEARANCES AND COPY DISTRIBUTION:

AUTHORIZED BY (Name and Signature):

A.S. Kinawy

DEPARTMENT:

EMP.

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REFERENCE DFC VII PREPARATION/PREAPPRAISAL MISSION.

EYE WILL BE ARRIVING CAIRO FROM FRANKFURT TUESDAY JUNE FIFTEENTH
AT 550 PM ON LUFTHANSA FLIGHT 622 AND WILL BE STAYING AT NILE
HILTON.

BEST REGARDS, ABDEL SALAM KINAWY

END
OF
TEXT

NOT TO BE TRANSMITTED

CLASS OF SERVICE: Telex

TELEX NO.:

DATE: June 9, 1982

SUBJECT:
EGYPT: Construction Industry

DRAFTED BY:
ASK/ccc

CLEARANCES AND COPY DISTRIBUTION:

cc: Messrs. Coudol, Deshpande,
Ms. MacNamara

AUTHORIZED BY (Name and Signature):

A.S. Kinawy

DEPARTMENT:

EMP

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OFFICE MEMORANDUM

Rec'd TASS Division

Date

June 7, 82
Jls

DATE: June 4, 1982

TO: Mr. S. K. Malik

EGT-D.F.C. Sector
[Manufactured
Goods Export]

FROM: Jacques Goudol, Acting Chief, EMPID

SUBJECT: EGYPT - Manufactured Exports Development Study Mission
DFC VII Preparation Mission
Terms of ReferenceEGT-Construction Ind.
Project

1. You will visit Egypt for about two weeks beginning around June 10, 1982. During the period June 10-14, you should join Mr. Banerji in discussions with key Government officials on the objectives and scope of work of the proposed study of manufactured exports development scheduled for later this year. Around June 15, you will be joined by Mr. Kinawy (TASS), Mr. Deshpande and Ms. MacNamara (IDF) for the preparation of a lending operation in support of the construction/contracting industry. You will also liaise with Mr. Zaidan during his visit to Egypt tentatively scheduled for June 21-25.

2. The principal objective of the preparation mission will be to seek formal Government agreement on the scope of the Bank assistance as outlined in the Briefing Note prepared by the Reconnaissance Mission and forwarded to the Government in early February. To this end, the mission should try to impress upon the Government the need for essential institutional and policy reforms as recommended by the Construction/Contracting Industry Study and highlighted by the symposium held in Cairo during January 30 - February 1, 1982.

3. During its stay in Egypt, the mission will (i) hold discussions with the various financial institutions, especially Banque du Caire in order to firm up the list of participating banks/financial institutions, their role under the proposed project and their technical assistance needs in appraising projects; (ii) meet the Steering Committee of the Ministry of Housing to gauge progress in the implementation of the various recommendations of the Construction/Contracting Industry Study especially with regard to the creation of the new development agencies for the sector (CIDB, CIDIA and CITA); (iii) seek Government agreement on retaining the services of Eng. Abdel Rehman El Kashef, Chairman of the Steering Committee, who is due for retirement in the near future and in general agree on counterpart arrangement in Egypt during project preparation; (iv) meet external agencies (e.g. ILO, USAID, etc.) to learn about their programs for assisting the Construction/Contracting Industry in Egypt; (v) visit the newly formed Contractors Association to review its technical assistance needs; and (vi) visit Ain Sham's University to ascertain the progress made and the technical assistance needs in establishing a course in construction management into the curriculum of its engineering degree. The mission will also liaise with the Education IV Appraisal mission now in the field.

4. Formal agreements reached with the Government and further plan of action should be recorded in an Aide Memoire to be left in Egypt before the mission's departure. Within two weeks of your return, you will prepare a first project brief for review within the Bank.

cl. with and cc: Messrs. Kinawy (EMP), Zaborski (EM1)

cc: Messrs. Banerji, Deshpande, Ms. MacNamara
Messrs. Dubey, Karaosmanoglu, Favilla, Carmignani (o/r), Pranich,
Stewart, El Maaroufi (o/r), Prosser, Zaidan, El Daher, Li,
Socknat, Muhtasib, Rajagopalan (3), Fuchs, Tolbert, Kaden,
Corwell (o/r), Gustafson
Mmes. Schaeffer, Doany, Copley, Longchamp
Training Advisor, Education Department
EMENA Information Center

SMalik/as

WORLD BANK OUTGOING MESSAGE FORM Telegram, Cable, Telex

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MESSAGE NUMBER

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(FOR CASHIER'S USE ONLY)

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TO: HOTEL MERIDIEN

CITY/COUNTRY

CASABLANCA, MOROCCO, FOR MR. ROGER CARMIGNANI, ASSISTANT DIRECTOR,
WORLD BANK STAFF MEMBER AND GUEST AT YOUR HOTEL
TRIED TO CALL YOU UNSUCCESSFULLY LAST SUNDAY BEFORE YOUR DEPARTURE
FROM WASHINGTON TO REQUEST YOUR AGREEMENT TO MY GOING ON MISSION TO
EGYPT THE WEEK OF JUNE TWENTY. OBJECTIVE OF MY TRIP WOULD BE TO
JOIN THE CONSTRUCTION INDUSTRY LOAN MISSION DURING ITS FINAL WEEK
OF DISCUSSIONS WITH THE GOVERNMENT. EYE BELIEVE THIS VISIT WOULD
BE VERY USEFUL IN FINALIZING THE COMPOSITION OF THIS FY83 PROJECT
BEFORE THE SEPTEMBER APPRAISAL. COUDOL WILL BE IN MOROCCO WITH
DIAMOND THE WEEK OF JUNE 20 SO THAT ANOTHER STAFF MEMBER WILL BE
ACTING DC. EYE DO NOT EXPECT TO BE AWAY FROM WASHINGTON FOR A TOTAL
OF MORE THAN TEN DAYS. GRATEFUL FOR YOUR RESPONSE AND IF YOU
AGREE WOULD LIKE TO KNOW WHEN YOU ARE RETURNING TO WASHINGTON SO
THAT EYE CAN PLAN TO OVERLAP WITH YOU. REGARDS, ZAIDAN, INTBAFRAD.

END
OF
TEXT

NOT TO BE TRANSMITTED

CLASS OF SERVICE: TELEX

TELEX NO.:

DATE: JUNE 2, 1982

SUBJECT:

MISSION PLANS EGYPT GZ

DRAFTED BY:

GZAIDAN:bk

CLEARANCES AND COPY DISTRIBUTION:

AUTHORIZED BY (Name and Signature):

G. ZAIDAN, ACTING ASSISTANT DIRECTOR, EMP

DEPARTMENT:

EMENA

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1982 JUN -2 PM 4: 06

CABLE SECTION

HOTEL REGISTER

70507

CASABLANCA, MOROCCO, FOR MR. ROGER LAMONTAGNE, ASSISTANT DIRECTOR,

WORLD BANK STAFF MEMBER AND GUEST AT YOUR HOTEL

TRIED TO CALL YOU UNSUCCESSFULLY LAST SUNDAY BEFORE YOUR DEPARTURE

FROM WASHINGTON TO REQUEST YOUR AGREEMENT TO MY GOING ON MISSION TO

EGYPT THE WEEK OF JUNE TWENTY. OBJECTIVE OF MY TRIP WOULD BE TO

JOIN THE CONSTRUCTION INDUSTRY FOR A MISSION DURING ITS FINAL WEEK

OF DISCUSSIONS WITH THE GOVERNMENT. EYE BELIEVES THIS TRIP WOULD

BE VERY USEFUL IN FINALIZING THE COMPLETION OF THIS TRIP PROJECT

BEFORE THE SEPTEMBER APPOINTMENT. EYE WILL BE IN MOROCCO WITH

DIAMOND THE WEEK OF JUNE 20 SO THAT ANOTHER STAFF MEMBER WILL BE

ACTING FOR EYE TO GO AWAY FROM WASHINGTON FOR A TOTAL

OF MORE THAN TEN DAYS. PLEASE FOR YOUR RESPONSE AND IF YOU

AGREE WOULD LIKE TO KNOW WHEN YOU ARE RETURNING TO WASHINGTON SO

THAT EYE CAN PLAN TO OVERLAP WITH YOU. REGARD, EYE, INTERBANK.

JUNE 2, 1982

70507

SECTION PLAS EGYPT AS CASABLANCA

2. EYE, ACTING ASSISTANT DIRECTOR FOR

ENR

WORLD BANK OUTGOING MESSAGE FORM Telegram, Cable, Telex

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TO:

INTBAFRAD

CITY/COUNTRY

PARIS, FRANCE FOR MME BAZIN GRATEFUL YOU CONVEY FOLLOWING TELEX
TO MR. ROGER CARMIGNANI WHO ARRIVED IN PARIS ON JUNE FOURTH
QUOTE SENT YOU FOLLOWING TELEX TO MOROCCO ON JUNE FIRST QUOTE
TRIED TO CALL YOU UNSUCCESSFULLY LAST SUNDAY BEFORE YOUR DEPARTURE
FROM WASHINGTON TO REQUEST YOUR AGREEMENT TO MY GOING ON MISSION TO
EGYPT THE WEEK OF JUNE TWENTY. OBJECTIVE OF MY TRIP WOULD BE TO
JOIN THE CONSTRUCTION INDUSTRY LOAN MISSION DURING ITS FINAL WEEK
OF DISCUSSIONS WITH THE GOVERNMENT. EYE BELIEVE THIS VISIT WOULD
BE VERY USEFUL IN FINALIZING THE COMPOSITION OF THIS FY83 PROJECT
BEFORE THE SEPTEMBER APPRAISAL. COUDOL WILL BE IN MOROCCO WITH
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THAT EYE CAN PLAN TO OVERLAP WITH YOU. REGARDS, ZAIDAN, INTBAFRAD
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REGARDS, ZAIDAN. PS . ONE ZAIDAN ON LEAVE MONDAY & POSSIBLY TUESDAY,
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NOT TO BE TRANSMITTED

CLASS OF SERVICE: TELEX

TELEX NO.:

DATE:

SUBJECT:

DRAFTED BY:
GZ

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AUTHORIZED BY (Name and Signature):

G. Zaidan, Acting Assistant Director, EMP
EMP

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TO:

BOOK OF TWO

1. MR. ABDEL RAHMAN EL KASHIF
CHAIRMAN, STEERING COMMITTEE
EGYCO CONTRACTING COMPANY
CAIRO, EGYPT

TELEX: 92903 EGYCO UN

2. MR. SAMIR KORAIEM
UNDERSECRETARY
MINISTRY OF ECONOMY, FOREIGN TRADE
AND ECONOMIC COOPERATION
CAIRO, EGYPT

TELEX: 438 GAFEC UN

END
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CLASS OF SERVICE:

TELEX NO.:

DATE: 5/28/82

SUBJECT:

DRAFTED BY:
GZaidan

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TO: MR. ABDEL RAHMAN EL KASHIF

CHAIRMAN STEERING COMMITTEE COPY TO MR. SAMIR KORAIEM, SENIOR
UNDERSECRETARY, MINISTRY OF ECONOMY AND FOREIGN TRADE. REURTEL
MAY 23, ON THAT BASIS WE PROPOSE THAT EGYPT CONSTRUCTION MISSION
VISIT YOU AROUND JUNE 15. WE WILL INFORM YOU IN DUE COURSE OF
THE DETAILS AND TIME OF INDIVIDUAL MISSION MEMBERS. BEST REGARDS,
GEORGE ZAIDAN, DIVISION CHIEF, INTBAFRAD

END
OF
TEXT

NOT TO BE TRANSMITTED

CLASS OF SERVICE:

TELEX NO.:

DATE: 5/28/82

SUBJECT:

Egypt: Construction/contract.GZaidan:isc

DRAFTED BY:

CLEARANCES AND COPY DISTRIBUTION:

cc: Messrs. Kinawy, Malik
Mrs. Mendoza

AUTHORIZED BY (Name and Signature):

George C. Zaidan, Chief

DEPARTMENT:

EMPID

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248423 WORLD BANK
CAIRO 26/5/1982

EGT - Construction Ind
Project -
mc

1982 MAY 27 AM 7:28

MR. GEORGE ZAIDAN

Distribution:

Mr. Zaidan

Mr. Favilla

DIVISION CHIEF

WORLD BANK

WASHINGTON D.C

3562

EMENA REGION
INDUSTRIAL DEVELOPMENT AND FINANCE
DATE RECEIVED **MAY 27 1982**
COUNTRY/IDF Egypt - Coun.
LOAN/CREDIT NO. SM/AD (O/R)
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REURTLEX OF MAY 21 REGARDING PROPOSED MISSION
FOR CONSTRUCTION / CONTRACTING INDUSTRY. STARTING JUNE 15

TIMING CONVENIENT. REGARDS.

SAMIR KORAIEM

⊕

248423 WORLD BANK

348 GAFEC UN

✓

EGT- Construction
Incl. VR
distribution: 5/23/82
Mr. ~~XXXXXX~~ Zaidan
Mr. Favilla

1982 MAY 23 AM 11:47

COMMUNICATIONS DIVISION

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MR. MALIK AGTING DIVISION CHEF ANDUSTRIAL DEVELOPENT AND FINANCE
DIVISION WORLD BANK WASHINGTON D. C.

MAY 20?

REURTELEX OF MAY 14 REGARDING BNANK S PROPOSED
MISSION FOR CONSTRUCTION/CONTRACTING INDUSTR SINCE MR
EL KASHEF BE AWAY FROM EGYPT DURING PROPOSED PERIOD
APPERCIAT YOU RESCHEDULING TIMING OF THE MISSION
REGARDS

SAMIR KORAIEB

COL 14

MAY 24 1982

EMENA REGION

INDUSTRIAL DEVELOPMENT AND FINANCE
MAY 24 1982

DATE RECEIVED

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Egypt

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No response
necessary.

Await KoraieB's
response to our
telex of May 20
SM

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248423 WORLDBANK

92903 EGYCO UN

248423 WORLDBANK

92903 EGYCO UN

DISTRIBUTION: D.S. EGT- D.F.C. Sector
MR G ZAIDAN (Construction)
MR FAVILLA Ind- DFC VII

see
5/20/82

20.5.82 MAY 20 AM 8 10
COMMUNICATIONS DIVISION

ATT. MR. SURINDER MALIK

ACTING CHIEF INDUSTRIAL DEVELOPMENT AND FINANCE DEVISION EUROPE
MIDDLE EAST AND NORTH AFRICA RAGION INTBAFRAD

PLEASE CONFIRM OUR TLX. DATED 18.5.82

REGARDS

ENG. ABDEL RAHMAN EL-KASHIF

248423 WORLDBANK

92903 EGYCO UN

248423 WORLD BANK 18.5.82

ATC MR. SURINDER MALIK

ACTING CHIEF INDUSTRIAL DEVELOPMENT AND FINANCE DIVISION

EUROPE MIDDLE EAST AND NORTH AFRICA REGION INTBAFRAD

REF. TO YOUR TELEX REGARDING

CONSTRUCTION / CONTRACTING INDUSTRY , I SHALL BE AWAY FROM
EGYPT FROM THE 30 TH INSTANT UNTIL THE 14 TH JUNE , SO PLEASE
REARRANGE THE DELEGATION VISIT ACCORDINGLY .

BEST REGARDS .

ENG . ABDEL RAHMAN EL - KASHIF .

248423 WORLD BANK

92903 EGYCO UN

Distribution:

EGT - D.F.C. Sector ^{mc}
Mr. Zaidan (Amstruc. Im)
Mr. Favilla - C-708

DFC 7) see

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END
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TO:

BOOK OF TWO (SEE ATTACHED)

1. MR. SAMIR KORAIEM
UNDERSECRETARY
MINISTRY OF ECONOMY
CAIRO, EGYPT
2. MR. ABDEL RAHMAN EL KASHEF
CHAIRMAN
STEERING COMMITTEE
EGYCO
CAIRO, EGYPT

TELEX: 348 GAFEC UN

CABLE: HOUDPLAN, CAIRO

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CLASS OF SERVICE:

TELEX NO.:

DATE: 5/12/82

SUBJECT:

DRAFTED BY:

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TO:

MR. SAMIR KORAIEM, UNDERSECRETARY,
MINISTRY OF ECONOMY, FOREIGN TRADE AND ECONOMIC COOPERATION.
COPY TO MR. ABDEL RAHMAN EL KASHEF, CHAIRMAN, STEERING COMMITTEE.
REFERENCE CONSTRUCTION/CONTRACTING INDUSTRY. WE ARE PROPOSING A
BANK MISSION CONSISTING OF MESSRS. DESHPANDE, KINAWY AND MALIK
TO VISIT EGYPT FOR APPROXIMATELY TEN DAYS STARTING MAY 29 TO
ASCERTAIN PROGRESS ON BRIEFING NOTE, TO FIRM UP PROJECT COMPONENTS
AND TO FOLLOW UP ON THE DISCUSSIONS WITH FINANCIAL INTERMEDIARIES.
YOUR EARLY CONCURRENCE WILL BE GREATLY APPRECIATED. BEST REGARDS,
SURINDER MALIK, ACTING CHIEF, INDUSTRIAL DEVELOPMENT AND FINANCE
DIVISION, EUROPE, MIDDLE EAST AND NORTH AFRICA REGION, INTBAFRAD.

END
OF
TEXT

NOT TO BE TRANSMITTED

CLASS OF SERVICE:

TELEX NO.:

DATE: 5/12/82

SUBJECT:

Egypt: Construction/Contracting

DRAFTED BY:

SMalik:isc

CLEARANCES AND COPY DISTRIBUTION:

cc: Messrs. Zaidan (o/r), El Maaroufi,
Zaborski, Deshpande,
Kinawy

AUTHORIZED BY (Name and Signature):

Surinder Malik, Act. Chief

DEPARTMENT:

EMPID

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KJUSNH
TEROLSKI* DESKRUQUE
CC: WEISLS* TAIQBU (WAA)* ET WSELONJI*

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1982 MAY 14 PM 12: 18
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DIVISION* EUROPE* MIDDLE EAST AND NORTH AFRICA REGION* INTERMED-
BANKING* ACTING CHIEF* INDUSTRIAL DEVELOPMENT AND FINANCE
ADG* EUROPE* CONCURRENCE WILL BE GREATLY APPRECIATED* BEST REGARDS*
AND TO FOLLOW UP ON THE DISCUSSIONS WITH FINANCIAL INTERMEDIARIES*
VASCULIN* PROGRESS ON BRIEFING NOTE* TO HIGH UP PROTECT COMPONENTS
TO LIST* READY FOR APPROXIMATELY TEN DAYS STARTING MAY 26 TO
BANK MISSION CONSISTING OF MESSRS* DESHAYES* KIRUNA AND WATIK
REFERENCE COMMISSION* COMBATING INDUSTRY* RE USE PROPOSING A
COPY TO MR* VERDE* MANMAN ET KASHEL* CHAIRMAN* STEERING COMMITTEE*
MINISTRY OF ECONOMY* FOREIGN TRADE AND ECONOMIC COOPERATION*

MR* ZAMIA KONVIER* UNDERSECRETARY*

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WORLD BANK OUTGOING MESSAGE FORM (Telegram, Cable, Telex)

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927- **Telex**
Telex No.: **92903**

Date: **4/9/82**
Originators Ext: **76872**

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CITY/COUNTRY **CAIRO, EGYPT**

MESSAGE NO **REURTLX DATED MARCH 15 TO MESSRS. COUDOL AND MALIK. WE**

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* *Egt- D.F.C. Sector*
(Construction/Contracting Incl.)
FOR ENGINEER ABDEL RAHMAN EL KASHEF, EGYCO

**UNDERSTAND THAT FORMS FOR REGISTRATION OF CONTRACTORS HAVE
BEEN SENT BY THE U.S. ASSOCIATION OF GENERAL CONTRACTORS TO
MR. CHERIF EL NAZER OF THE EGYPTIAN CONTRACTORS ASSOCIATION
ABOUT TWO WEEKS AGO. BEST REGARDS, DESHPANDE, INTBAFRAD.**

NOT TO BE TRANSMITTED

SUBJECT:

EGYPT - Construction

CLEARANCES AND COPY DISTRIBUTION:

**cc: Messrs. Zaidan, Malik (o/r),
Coudol, (EMPID), Kinawy
(TASS), Zaborski (EM1)**

DRAFTED BY:

ADeshpande;vr

AUTHORIZED BY (Name and Signature):

Abhay Deshpande

DEPARTMENT:

EMPID

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OFFICE MEMORANDUM

TO: Files

FROM: S.A.W. Moini, EMIDA

SUBJECT: EGYPT : Mr. Roger Chaufournier's Visit (March 13-18) : Salient points of discussions

Egt- Industry Sector (Tourism 2)
 Egt- (Street Rehabilitation)
 Egt- Coach Manufacturing
 Egt- Agr. Sector
 Egt- Water Supply & Sewerage Sector
 Egt- Energy Sector
 Egt- Urban Dev. (2)
 Egt- Pop./Nutrition Sector

Egt- Leap
 Egt- Aid Consultative Group
 Egt- El Dikheiba Steel
 Egt- In. 1837
 DATE: April 1, 1982
 Egt- Leap Ind. Trade Strategy study
 Egt- D.F.C. Sector
 (Construction/Contracting)
 Egt- In. 1849

1. During his recent visit to Egypt (Annex "A" lists program of activities) Mr. Roger Chaufournier had formal meetings with the Deputy Prime Minister for Economic Affairs and the Ministers of Economy & Foreign Trade, Planning, Industry & Mineral Wealth, Finance, Agriculture, Housing & Land Reclamation, Electric Power & Energy and Health and the Governor of Cairo.
2. In the meeting with Deputy Prime Minister for Financial & Economic Affairs (and Minister of Investment & International Cooperation), Mohammed Abdel Fattah Ibrahim, Mr. Chaufournier reviewed the scope of Bank activities and the progress of Bank loan commitments and disbursements. He provided a brief review of the Bank's view of economic developments in Egypt during the last five years and the diagnosis of the current trends. He emphasised that in the prevailing world circumstances there was no possibility of IDA funds being available for Egypt and Egyptian policy makers must decide how much borrowing on current Bank terms is desirable and where it is needed considering the Bank's experience in Egypt and the technical assistance it offers. He added that Bank funds even at a 13 percent charge are not expensive in view of the prevailing inflation and interest rates and in addition allow a longer term plus the benefits of advice based on experience in other countries. Moreover, our relationship is of a long-term and continuing nature unlike commercial and many bilateral sources of financing. More specifically, he asked: does the Government want Bank assistance for the social sectors, such as education, water supply, health, population and urban development? The Deputy Prime Minister replied that Bank lending should continue in all sectors but this general request would need the confirmation of the Minister of Health regarding population projects. In reply to Mr. Chaufournier's question about the future directions of economic policies, especially in view of recent Economic Conference, the Deputy Prime Minister said that it was generally recognized that prices must be increased. But it must be appreciated that this can only be done gradually. Regarding agriculture, the President has set up a committee to examine the prices of rice, wheat, sugar-cane and fruits. He added that he had insisted that as output prices are raised the subsidies on inputs would be reduced. Regarding energy prices, he said that the President, the Cabinet and the Peoples Assembly were now convinced that increases are called for. He confirmed that the larger goal is the same as before: attaining price levels close to international levels in 4-5 years. He said that it has already been decided that electricity charges would be adjusted by small monthly increases averaging about 1% with differentials for various categories of consumers, starting in a few months. The Bank financed petroleum products pricing study and the pricing model would be used for studying the general energy pricing problem. The prices of industrial products will also be increased gradually.

The Deputy Prime Minister asked about the National Spinning & Weaving Co. (Second Textile Project) and told us that the project had been discussed in a meeting with the President that very morning. He said the Government is keen to "save it" and Minister Abou-Zaghla is fully prepared to meet the Bank's requirements. Mr. Chaufournier told him that we do not see the project as feasible for the many reasons we have already communicated to the Government. Mr. Samir Koraïem commented that National has always been considered a major problem but the Bank had agreed to help the Government to remedy the situation, it should not now avoid facing up to its responsibility by using as a pretext the unfortunate three year delay caused by the Ameriya Textile mill and Law-43 issues and the post-appraisal. Mr. Koraïem said he would admit that there has been considerable drifting and deterioration but the Bank had aggravated the situation by dragging its feet. He said the Bank's proposal for "\$15 million project" was pointless and a mere face-saving device. Mr. Chaufournier said that the proposal put forward almost a year ago to reduce the project to one focussing only on rehabilitation was certainly not meant as a face-saving device; it was a serious attempt to address a difficult problem. He said the entire project was very marginal right from the beginning and, perhaps, we made a mistake in judgement at the time of appraisal in being over optimistic about the possibility of redressing a bad situation but that was no justification for continuing with the mistake and not facing the reality. The investment proposed in the project cannot now be justified because the return would be extremely low if not negative and the Bank cannot possibly support such an unsound investment. The Deputy Prime Minister intervened and said that if this was still the conclusion after further review the Bank can help with other industrial projects and agriculture is another area that needs Bank help, especially in the old lands. In answer to Mr. Chaufournier's question whether the Bank's economic and sector work program was appropriate the Deputy Prime Minister expressed satisfaction. The Deputy Prime Minister asked Mr. Chaufournier about the prospects of increasing the Bank's proposed loan for the Dikheila Steel project. Mr. Chaufournier said that we would consider the request in the light of overall availability of funds but he could not indicate at present how much of an increase would be possible. Mr. Chaufournier queried the Deputy Prime Minister about the possibility of another Consultative Group meeting and added that while the decision has to be that of the Government the Bank was ready to provide all the support that may be needed. The Deputy Prime Minister said that for the time being the Government does not propose to invite another Consultative Group meeting. The Government must first define its own plan and decide on the programs and investment priorities.

3. In the meeting with the Minister of Economy & External Trade, Fouad Hashem Awad, Mr. Chaufournier reviewed the Bank lending program and the economic and sector work. He asked whether the Government is interested in increasing the level of Bank lending given the fact that IDA funds are not now available. Mr. Chaufournier stressed the need for Egypt's economic and financial policy makers to appreciate the total benefits available from Bank assistance and not to concentrate on the interest rate. The Minister replied that the Government is interested in raising the level of Bank participation but it has not yet decided as to how it would like to use the resources expected from different sources. Mr. Chaufournier emphasized that the Bank would like to continue its participation in the social sectors with

co-financing as a possible means of lowering the average cost of funds for individual projects. He expressed his satisfaction at the decision to proceed with the next urban and education projects. Regarding the disbursement rate Mr. Chaufournier said that it had not been much worse than comparable countries such as Morocco or Pakistan; it had gone down during fiscal year 1981 and the first six months of this fiscal year but had picked up in the last 2 months and every effort should be made to accelerate it. Mr. Chaufournier explained that the Bank had decided that it could no longer proceed with the National Spinning & Weaving Co. project. It was a marginal project to start with and since then the problems have increased largely due to the poor management. The deterioration has gone so far that we do not see the company being able to implement the project. The Minister asked whether the project could be saved. Mr. Chaufournier replied that he did not think this was possible because the company must be reorganized and strengthened before it could possibly implement the project. Mr. Chaufournier said the appraisal of the proposed Dikheila Steel project was proceeding and a post-appraisal mission was scheduled for April. In response to the Minister's request Mr. Chaufournier said that he was prepared to consider a larger Bank loan. He signalled that a possible problem may arise regarding the contracting for the civil works -- given the need for strict adherence to the tight schedule and the complex work it would be appropriate for the Egyptian firms to be associated with foreign firms who had the experience and special expertise. In reply to a question about balance of payments prospects the Minister said that Egypt could not continue to sustain deficits although he still does not have a full strategy to tackle the problem. He is aiming at greater flexibility of the foreign exchange rate. The Minister also said he was against the recent trend of short term borrowing.

4. The meeting with Minister of Planning, Kamel Ahmed El Ganzouri, started with Mr. Chaufournier telling him that we wanted to propose and agree upon a program of Bank assistance in the framework of Egypt's plan and we are, therefore, eager to know how the new plan's priorities are emerging. He also argued for the Government to look at Bank assistance in the larger context of continuing support based on an international fund of expertise and experience that cannot be assessed merely in financial terms. The Minister said that the Government was still in the initial stages of preparing the new plan. The entire pipeline of ongoing and proposed projects is being reviewed in detail. The projects are being discussed with the execution agencies and at the local level. Mr. Chaufournier asked what role was envisaged for the Governorates in helping to formulate and implement the new plan. The Minister replied that the Governorates would be given more importance but as an ex-Governor he had reached the conclusion that the Governors cannot coordinate effectively without being provided with adequate resources -- in the past the expectations were unrealistic. The Minister said the new plan would consolidate and although the criteria have not yet been decided upon the allocation of investments during the next two years would approximately be 75 percent for ongoing projects and 25 percent for new projects. The main objectives would be import substitution, export earnings and employment creation. In reply to a question the Minister said the tilt would be towards productive projects with a stabilization of investment levels in the social sectors. He said he recognized that Bank funds have to be considered as part of the overall pool

of available resources and must be utilized to complete the entire package of projects that will be included in the plan. He said that the Bank could expect an indication of the overall framework by mid-May 1982. Replying to a question about the possibility of another Consultative Group meeting the Minister said he did not think it was required as "bilateral and serious discussions can proceed without a show." He was reassured that the Bank is not pushing for a Consultative Group meeting and the decision must be that of the Egyptian Government with clear objectives.

5. In our meeting with Minister of Finance, Mohammed Salah El Din Hamed, Mr. Chaufournier expressed his pleasure at our having the opportunity of working with a Minister who knew the Bank (he had worked in the Bank) and also had experience in managing the finances of Egypt (he was Finance Minister in 1976-77). Mr. Chaufournier briefly reviewed the Bank's reading of developments in the Egyptian economy during the last 3-4 years and the current situation. He pointed out that the problems the Bank had identified at the Aswan aid donors meeting a year ago were still there but the period for handling these problems is shortening. He also cautioned against the policy makers being distracted by short term problems and crises from addressing the longer-term and more fundamental problems -- in brief the increasing fiscal and balance of payments deficits must be tackled while protecting the investment program and the advances made during recent years such as reviving the private sector. The Minister agreed with the statement of problems and said he and his colleagues were working on these problems and hoped to make gradual progress in resolving them. The dilemma was, he said, to attain the revenue targets without curbing the incentives created during the last few years. Regarding the income tax he perceived, both, the low rates and the poor collection as problems. Efforts are underway to improve the collection and the U.S. Internal Revenue Service is providing technical assistance for this. He said the so-called "luxury tax" was mere talk and it never took concrete shape as an expenditure tax. In response to a question about a proposed energy tax the Minister said Deputy Prime Minister Ezzeddin Hilal was pushing for this and most of us are supporting him but it is a political problem because of its potential impact throughout the economy -- cars, heating, cooking, transport of food, etc. The small increase attempted in 1977 had led to chaos. He agreed that the problem of price increases was largely psychological but this would require a long period of persuasion and education. Regarding investment projections he said the Minister of Planning is scrutinizing the entire position. The total investment plan for 1982-83 will be smaller than 1981-82 in real terms but the cuts would be selective with a curbing of investments in building, cars, etc, while preserving the productive investments. Regarding workers' remittances he did not feel that an adjustment of the exchange rate would remedy the situation completely because there are profits in the 25 to 40 percent range being made by using these funds for imports given the inelastic demand for these imports -- even high customs duties (e.g. 260% on Mercedes cars) have not been able to restrain the demand. In answer to a question the Minister said he did not see the duality in the Egyptian economy of a controlled public sector and a free system with Law 43 companies and access to foreign exchange continuing; they cannot be kept separate and there is movement between the sectors resulting in malpractices and black markets -- these two sectors must converge. The public

sector must compete and this needs a reform and revitalisation of the public sector. The Minister expects the conclusions of the general debate on economic problems (including the recent Economic Conference) to be reflected in the new budget and plan. The major change during the last few months, he said, was the shedding of the illusion that Egypt has become rich because of petroleum and gas resources and the growing realization that the country must return to austerity -- the President and the Cabinet are trying hard to educate the public in this direction. There is agreement amongst the Deputy Prime Ministers of Economic Affairs and Production and the Ministers of Economy, Planning and Finance with support from the Ministers of Industry and Power that prices must be increased and the public sector reformed. The Ministry of Planning is studying the whole investment program with a view to concentrating the investment effort and providing incentives. The Ministry of Planning must take the lead and the National Investment Bank can not have a competing role although how the National Investment Bank staff will be used has yet to be decided. Mr. Chaufournier explained that Bank lending has been lower than we had hoped partly because of the concern caused by the cessation of IDA. He was glad that the Government had now realized that only IBRD money is available and explained that these funds are not really expensive given the international inflation rates, the cost of borrowing that Egypt was now reported to be resorting to and the many other benefits associated with our funds. The Minister explained that the covering the debt service on hard loans such as IBRD's utilized for social projects by transfer payments presented difficulties because such a large part of budgetary resources were already tied up and thus he had little flexibility -- subsidies, security and defence and recurring expenditures each absorbed about LE 2 billion and thus pre-empted the bulk of the resources. The Minister then asked about the National Spinning & Weaving Co. and Mr. Chaufournier explained that there was little hope now. It was a marginal project to start with and the company has deteriorated so much in the last two years that it cannot possibly implement the project. The Minister wanted to know what prevented drastic action especially as Minister Abou-Zaghla is willing to take effective action. Mr. Chaufournier said that he hopes effective action can be taken but it means starting from scratch and not proceeding with the project conceived over four years ago.

6. The meeting with the Minister of Industry and Mineral Wealth, Fouad Ibrahim Abou-Zaghla, started with Mr. Chaufournier reviewing the Bank's ongoing and proposed activities. The Minister said he was interested in the outcome of the Trade & Industry Strategy report and looked forward to the implementation of the recommendations of the recent seminar on the report on the Construction and Contracting Industry. He has not had time to fully review the Bank report on modernization and expansion of the nitrogen fertilizer industry but hoped to do so in the near future. In reply to a question the Minister said he did not want to talk about the proposed reorganization of the public sector companies because the entire matter is under review and the proposals are still to be formulated and agreed upon. Most of the discussion was concentrated on six projects/institutions: (a) Development Industrial Bank: the Minister said some small industrialists had

complained about the interest rate on sub-loans being too high. Mr. Chaufournier said that there is already an implicit subsidy on loans given at 13% when inflation rates are at 15% or more. (b) El Dikheila Steel: The Minister said the project should proceed and not wait for the participation of the two banks and the insurance company that can join in the second phase. The Minister said the Chairman-designate Mr. Ibrahim Mohamadein was a good choice and described him as a man of great experience who enjoyed an excellent reputation as a public official. He asked for consideration of a larger Bank loan for the project. Mr. Chaufournier said he had agreed to consider increasing the Bank loan amount. Asked about the pricing of energy inputs for the steel mill the Minister said the inputs and output prices are related and must be considered as a package. In response to Mr. Koraïem's question Mr. Chaufournier clarified that the Bank position on energy pricing is and will remain consistent and whatever differences there may be between the IFC and the Bank will be resolved internally. We do not feel that any special deviations or concessions for this project are desirable. Mr. Chaufournier mentioned the possible problem that may arise on the civil works contracting if the award was made to firms that lacked experience and expertise.

(c) Pulp and Paper project: Mr. Koraïem said the effectiveness of the project had been delayed pending ratification in the Assembly. The Minister said he had discussed these delays with the Prime Minister and he was hopeful the procedure could be streamlined. Mr. Koraïem complained that a new step -- review of the project after negotiations by the Ministry of Planning, has been introduced recently. Mr. Chaufournier recommended that this sort of review should be undertaken before negotiations. The Minister agreed but said that a few projects not included in the approved investment programs had in the past been proposed for and secured foreign assistance and this had to be prevented in the future by introducing some screening; he expected the screening to be very rapid. (d) Other Steel Companies (Delta, National and Egyptian

Copperworks): The Minister said he did not see any role for the Bank in the immediate future as funds for modernising these companies had already been secured. (e) SEMAF (Coach Manufacturing): The Minister asked about the status of the project. Mr. Koraïem told him that it had been considered as a possible project assuming that SEMAF would be converted to a Law-43 company.

Since it was decided not to go through with the conversion the proposed project had been dropped. The Minister was also informed that there were questions about the market for the proposed production. (f) Textile Rehabilitation: Mr. El Mehelmy (Acting Deputy Chairman of COFI) proposed that the Bank consider assisting the ESCO (Industrial Establishment for Silk and Cotton) textile mill. Mr. Koraïem said that ESCO was in no better situation than the National Spinning & Weaving Co. Mr. Chaufournier said our association with the textile sector has not been the happiest although the first project is now almost complete. He said the National Spinning & Weaving Co. (NSWC) project is no longer viable. The Bank has provided detailed analyses and reasons to the Government already but he would summarise them to be (i) large cost increases that mean the rate of return does not match the opportunity cost of capital, (ii) the deterioration of the management, and (iii) the labor force has hardly been reduced in the last two years. We have looked at the project at the highest levels -- the Director and Deputy Director of our Industrial Projects Department have been involved directly in reviewing the project. Mr. Chaufournier said he was ready to concede that the

Bank may have been too optimistic about the chances of improving a very marginal project. The Minister said that he considered the Bank's views seriously. He realized that NSWC faced a critical situation largely due to obsolete machinery but there are thousands of jobs involved and a totally new project will require considerable effort and heavy investments. The Government looks to the Bank for help in difficult situations; for instance Bank and German assistance have helped HADISOLB to move up from a bad situation. He had, therefore, invited Mr. Salma Ismail (Chairman of NSWC) to be present at the meeting. Mr. Chaufournier said the Bank was ready to help where there was evidence of potential for improvement and signs of serious effort. This was the case with the pulp and paper companies, they had hired consultants and started gearing up for modernization during the interlude and not sat by idly for the Bank to come in and carry the entire burden. The Minister said the project could be re-designed but to cancel it and start all over again would mean borrowing at a much higher rate of interest. Mr. Salma Ismail explained that investments of LE 12 million had already been made in the last two years and the Government has agreed to provide LE 16 million as assistance of which LE 3 million were made available to NSWC last week. The technical and financial situation of NSWC is, therefore, much better. A management control system contract has been agreed to with a Swiss firm and NSWC is only awaiting the Bank loan. The only deterioration in the management has been the departure of the Project Manager and he is ready to come back. Mr. Chaufournier said that a more dynamic and serious approach would have been not only to retain the competent managers but to strengthen the management and to have engaged the consultants so that they could have started their work. The Minister said all he requested was an extension to June 1982 and another full and objective review by the Bank. He would not then question the Bank's conclusions. Mr. Chaufournier said the effort put in by the Bank has been tremendous and now we see no alternative but to let the loan lapse as NSWC cannot now implement the project as envisaged. A new project would need to be identified and appraised. Mr. Koraïem said that even if the Bank now felt that it had initially made a mistake it should feel obligated to continue with the project. He saw serious implications for relations with the Bank if the project were to be abandoned. Mr. Chaufournier said that if the Bank had made a mistake by being over optimistic we should all learn from it and it would not make sense to repeat the same mistake twice. The Minister said there was no point in continuing the argument; he would leave the matter to Mr. Chaufournier's judgement and all he requested was a postponement to June because the matter is politically complicated. Mr. Chaufournier said that he would bring the Minister's preoccupation and his request to the Bank's higher management but he could not change his own recommendation and saw no hope of a change in the Bank's decision.

7. The meeting with Minister of Agriculture and Food Security, Yousef Wali Miraz, opened with the Minister declaring his support for removing subsidies and price controls in agriculture. He felt that this must be done gradually because previous attempts have resulted in political problems. The Minister said the experiment and problems faced by President Numeiry in reducing subsidies in Sudan would set the stage for Egypt. He said the extension services have deteriorated in Egypt over the last 15-20 years and this was largely due to the fragmentation of responsibility for the agricultural and rural development sector over four ministries. Foreign assistance cannot help Egyptian agricultural development significantly but one effective solution could be to attract massive Saudi and Kuwait financing by

leasing and/or selling large tracts of land for development. Mr. Chauffournier commented that the Saudis and Kuwaitis appeared to lack expertise in agriculture and were themselves seeking foreign assistance. In reply to Mr. Chauffournier's question about the appropriateness and adequacy of Bank project assistance and studies the Minister said it was flawed in three major respects: (i) It is too cautious -- we need billion dollar investment programs for land reclamation and not small efforts which can make no impact. He was reminded that the Bank lacks this magnitude of resources for lending to Egypt and Egypt probably lacks the absorptive capacity as the ongoing reclamation projects have been behind schedule.

(ii) There are communication problems: a project's design changes completely from the identification to preparation and pre-appraisal stages, it changes again during appraisal and is completely modified during implementation. The reasons are changes in Egyptian and Bank officials and in circumstances but also because the communication is so bad.

(iii) There is too much "coordination" between the Bank and USAID. In fact this pernicious "coordination" (conspiracy?) goes much deeper -- it extends to all the big powers. The Iran-Iraq war has also been a manifestation of the importance of big power politics: Saudi Arabia and the Gulf States were ready to provide 28 billion dollars for the war when all Egypt got for rehabilitation and development after the sacrifices of the 1973 war (which itself was part of the big power coordination) was 5 billion dollars over 5 to 6 years. Mr. Chauffournier said that he could not comment on the global coordination but in Egypt it would be in the interest of efficiency if we could coordinate our lending operations more with that of USAID.

Despite these critical comments the Minister said he appreciated the Bank's efforts and particularly the quality of its project appraisals. He also informed us that his Ministry had prepared an agricultural strategy paper and he requested that Bank comments on it be provided urgently; Mr. Bhattacharya agreed to give him his comments before leaving Cairo.

8. The meeting with the Minister of Housing, Reconstruction and Land Reclamation, Hasballah El Kafrawi, rambled over many topics. The Minister opened the meeting by highlighting the importance of improving water supply and sewerage facilities throughout the country. Mr. Chauffournier told him that we hope to be able to assist two water supply projects during the next few years and if our money was considered expensive we could seek co-financing with softer funds such as with Japan in the Sharqqiya project. The Minister said that the cost of Bank funds is a big obstacle. The Minister argued for IDA funds for the sector as he gathered was the case for Pakistan. Messrs. Chauffournier and Koraïem explained at some length that IDA availability depends on country and not project considerations. For the time being the Bank could only provide IBRD loans but we could try to attract additional funds as co-financing from agencies such as the OECF. Regarding land reclamation the Minister said the Government wants to move beyond the first phase of the West Nabariya project and preparations are underway for doing this. The Minister said he wanted assistance in developing the construction industry. Mr. Koraïem said he would consult with the Minister and advise us how we should proceed on the recommendations of the recent seminar on the Construction and Contracting industry and the aide memoire left with the Minister and him by the Bank mission last month. The Minister said he was

hopeful Mr. El Kashef could continue to be associated with the proposed project although he is due for retirement in the near future. The Minister and Mr. Koraïem, both, stressed that they would like Bank participation in the proposed Second Tourah cement replacement and modernization project. We commented that the proposed project would also assist in the development of cement distribution centers, training for the sub-sector and a program of energy audits of various units to help increase the efficiency of energy use. On being queried about Bank assistance for the proposed Brick study the Minister said he was now looking for investments and did not require any further studies. Mr. Koraïem said he would give us the Government's response regarding this study in the near future.

9. In our meeting with the Minister of Electric Power and Energy, Mohammed Maher Mohammed Osman Abaza, we were told that the Committee of three Ministers had agreed on power tariff increases that would be put into effect soon. The increases would vary from 1 to 3 percent per month; they would differentiate between groups of consumers such as industry, trade, government institutions and households. A special committee is looking at the aluminium factory at Nag Hammadi and the fertiliser units. The average increase would be in excess of one percent per month and would continue until the overall average charge is increased by about 50%. He reported that this was confidential information that can not yet be made public. Mr. Chauffournier queried as to how this would relate to a possible 15-20% domestic inflation over the current and the next year and how would increases in fuel costs during this time be reflected in the power charges. The Minister did not give a direct answer but said that it is a start of an important process that has required tremendous effort on the part of his colleagues and himself. The increases in fuel cost would, of course, in due course be added to the price of electricity. The Minister then reviewed the very ambitious plans that are being prepared for the generation and distribution of power -- relying heavily on nuclear energy. He said the Government expects Bank support for these development projects especially the transmission and distribution project now under preparation and the Esna Barrage project.

10. The Minister of Health, Mohammed Sabri Zaki, welcomed Bank support in the sector. He emphasized the need for Bank assistance in equipping hospitals and health facilities. He said he did not at present need major Bank lending for population planning although he would like the Bank to remain involved, perhaps as part of a co-financed project. Mr. Chauffournier said the Bank was ready to assist in any way possible and proposed a reconnaissance visit by Mr. John Evans to discuss the possibilities of Bank assistance whenever it is mutually convenient.

11. The Governor of Cairo, General Saad Maamoum, welcomed Bank assistance for the proposed second urban project and said he looked forward to a third project that would concentrate on housing. In his view the serious problems confronting the Greater Cairo area are, first, lack of housing; second, increasing traffic congestion and the resultant pollution; and third, the lack of adequate water supply and sewerage facilities. He said he saw his job as ringing the alarm bell before the problems of Cairo became unmanageable and resulted in an explosive situation. He was appreciative of the efforts of

Bank staff to help his programs and regretted the delay of the second project. Mr. Chauffournier said that Bank involvement is a continuing process that attempts to respond to the critical needs of each sector. He expressed appreciation for the support of the Governor for the ongoing and proposed Bank assisted projects and hoped that the Governor would continue his personal involvement in these projects.

Cleared with and cc: Messrs. Chauffournier and Dervis

cc: Messrs. Karaosmanoglu, Picciotto, Fuchs, Rovani, Evans, Dubey,
Eberhard Köpp, Finzi, Haynes, Pranich, Carmignani, Stewart,
Colaco, Grosdidier de Matons, Naylor, Serageldin, Zaidan, Reekie,
Thys, Prosser, El Maaroufi, Rowat, Iskander, Gustafson,
Hovaguimian
Ms. Haug
Division 1A

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EGYPT

Mr. Chaufournier's Visit March 13-18

March 13

20:00 Meeting with Messrs. Sherif Hassan (IFC) and Ibrahim Salim Mohamadein (Chairman-designate Dikheila Steel Corporation)

March 14

10:00 Meeting with Senior Undersecretary Samir Koraiem (DPM's office)
11:00 Meeting with Minister of Housing, Reconstruction and Land Reclamation
12:30 Meeting with Deputy Prime Minister for Economic Affairs
14:15 Meeting with Minister of Economy & Foreign Trade

March 15

9:00 Meeting with Minister of Finance
10:30 Meeting with Governor of Cairo
12:00 Meeting with Undersecretary Zafar Bishary (Ministry of Planning)
13:00 Meeting with Minister of Electric Power & Energy
15:45 Departed for Alexandria by car

March 16

11:00 Meeting with Dr El Emary
15:00 Departed for Cairo by car

March 17

9:00 Meeting with Minister of Industry & Mineral Wealth
10:30 Meeting with Minister of Planning
12:00 Meeting with Minister of Health
18:30 Meeting with Minister of Agriculture & Food Security

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10.3.82

*Egpt - D.F.C. Sector
(Construction / Contracting Ind)*
RC

ATTEN. MR. JACQUES COUDOL, ACTING DIVISION CHIEF EMP, INTBAFRAD

.. MR. S.K. MALIK / INTBAFRAD

REF. RECONSTRUCTION / A CONTRACTING SEMINAR HELD ON THE 31ST
JANUARY AND THE WORLD BANK MISSION VISIT

THE CONTRACTOR ASSOCIATION IS ASKING IF THE TECHNICAL ASSISTANCE
IN THE FORM OF INFORMATION ABOUT REGISTRATION FORMS-ETC COULD BE
SUPPLIED FOR FURTHER STUDY BEFORE THE NEXT MISSION OF THE BANK
ARRIVAL ON APRIL/MAY

BEST REGARDS

ENG ABDEL RAHMAN EL KASHEF

DISTRIBUTION HC

MR. ZAIDAN

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MR. SWAYZE

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OFFICE MEMORANDUM

EGT- D.F.C. Sector
(D.F.C. III)

DATE: March 5, 1982

TO: Mr. R. Picciotto

FROM: Jacques Coudol, Acting Chief EMPID

SUBJECT: EGYPT - DFC VII (Construction Industry project)
B-T-O-R of reconnaissance/identification mission

1. This refers to your comment on the above B-T-O-R (cc. of your note attached) that at least some of the over 70 recommendations of the Construction/Contracting Industry Study should be a part of the conditionality of this operation and should be viewed as actions which the Government ought to take to make Bank assistance to the Construction Sector fully productive. In fact, as explained below, this approach was followed by the mission in designing the project, although the B-T-O-R has not succeeded in clearly highlighting this fact, while listing the resulting project components (para. 2 of B-T-O-R).

2. The 72 recommendations of the study are not independent of each other. They fall into five groups of so-called "crucial needs" covering:

- (a) Reform of institutions - Creation of a Construction Industry Development Board to unify the presently fragmented responsibility for the entire construction sector, with two satellite agencies for training and information policy and research.
- (b) Policy reforms - Need to enforce open competitive bidding for all government contracts.
- (c) Development of Human Resources - Need for training and skill upgrading of workers and management training.
- (d) Production and distribution of materials - Need to increase availability of clay brick substitutes, cement and steel.
- (e) Finance for replacement of equipment - Need to import modern equipment and also to improve access of smaller firms to sources of institutional finance and setting up an equipment leasing company.

3. It was evident to the mission, after detailed discussions in the field, that action on the above "crucial needs" would in fact lead, obviously with continued Bank pressure, to implementation of most of the 72 recommendations, (42 in fact) the rest being for improved planning at a national level and for changes in employment/education policies. The mission therefore decided to address these crucial needs in the first operation in order to create a framework for action on the majority of the recommendations, while keeping the project manageable. Recommendations relating to skill upgrading of workers, the entire recommendation group (d) above and setting up

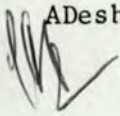
a leasing company were left out of the scope of the present project as they are likely to be taken up under prospective operations by the Education Division, IPD and IFC respectively. In addition, the mission recommended that the Bank should consider assisting the contractor's association being formed.

4. The mission believes that this approach is realistic and the design of the project would in fact (although, admittedly this is not explicitly stated in the B-T-O-R) require the government to take policy decisions to implement the crucial recommendations. A full review of conditionality under the proposed loan is difficult to make at this point especially since detailed discussions with the Ministry of Economy are yet to be held. We can, however, at this stage envisage conditionality as requiring the Government to agree to:

- (i) set up CIDB, and its two satellite organizations: CIDB would have the mandate to oversee the development of the entire construction sector and be responsible for the implementation of all the other recommendations of the study which require government legislative/administrative action. Fragmentation of responsibility over the construction sector among various institutions and agencies has been identified as a major cause of bottlenecks in the construction sector in Egypt, and setting up CIDB would be a major reform of the construction sector;
- (ii) abolish direct ordering of works and resort to free competitive bidding: At present, public sector construction companies receive preferential treatment in obtaining contracts under the direct order system. The abolition of the system would expose the public sector construction companies to competition with private sector contractors and lead to improvement in their efficiency and financial performance and;
- (iii) open up access to institutional finance: The government would have to agree to use of more than one intermediary institution to provide greater access to institutional finance for small contractors. This has been identified as a major objective in the study. This would require that equal treatment be given to all the intermediaries in respect of foreign exchange risk, exchange rates, and interest rates.

cc: Messrs. Carmignani (o/r) (EMP), Reekie (EMP),
Zaidan (o/r), Malik (o/r) (EMP),
Kinawy (TASS), Moini, Zaborski (EM1).

ADeshpande;vr



Mr Condol

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

1) Please see Piccolo's comments
of let's discuss the same concepts and

OFFICE MEMORANDUM

DATE: February 18, 1982

TO: Mr. George C. Zaidan, Division Chief

FROM: S. K. Malik, EMP

SUBJECT: EGYPT-DFC VII Reconnaissance/Identification Mission
Back to Office Report

Mr. Condol
An exceedingly
soft approach!
I'd have thought
not at least some
of the 70
recommendations should
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Additional
review
advise

2 copies
1. In accordance with terms-of-reference dated January 13, 1982 a mission consisting of Messrs. Deshpande, Kinawy, Coudol and Malik visited Egypt during January 20-February 4. In addition to assisting the Steering Committee in the preparation of and participating in the symposium on the Construction and Contracting Industry Study, the principal objective of the mission was to try to identify a suitable Bank project in support of the future development of the sector. To this end the mission held discussions with the Steering Committee, various financial institutions, technical and training organizations, international organizations and others associated with the construction/contracting industry in Egypt. The mission was also received by H. E. Mr. Kafrawi, the Minister for Reconstruction and State for Housing and Land Reclamation and H. E. Mr. Abu-Zaghla, the Minister for Industry and Mineral Wealth. A list of persons met is attached as Annex I to this report.

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on? project experience suggests

2. Both the Ministers as well as the Steering Committee have confirmed their interest for Bank assistance in support of the sector. They envisage a series of Bank operations to meet the requirements of the sector in the medium-term. Following various discussions the mission prepared a briefing note defining possible World Bank assistance for consideration by the Government and the Steering Committee. The Briefing Note (Annex II) details the mission's proposal and in the mission's view includes some of the more important policy issues and institutional and technical assistance needs of the sector. While many of the over 70 recommendations of the Construction/Contracting Industry Study could be considered for Bank technical and financial assistance, the mission's selection criteria was influenced by both what could be realistically and efficiently implemented in a first construction sector loan and what is considered to be crucial to the future development of the sector. The main components of the proposed project thus include assistance in the re-organization of the sector (creation of CIDB, the Construction Industry Development Board), technical assistance in meeting specific training needs, financial assistance and an important policy issue related to competitive bidding in Egypt. The stress on CIDB is considered essential if other policy changes and monitoring are to take place in the future. CIDB seems to be the best opportunity to catalyze in Egypt such required policy changes.

3. The mission discussed the Briefing Note with the full Steering Committee. The Steering Committee, which has been entrusted with the task of implementing the recommendations of the Construction and Contracting Industry Study under Ministerial Decree No. 181 of 1979, concurred with the mission's

proposals and plan of action. However, due to Mr. Koraïem's absence from Cairo no formal agreement on the scope of the Bank assistance and particularly on the use of IBRD funds for TA programs, could be reached. In addition, the Minister for Reconstruction informed the mission that while he, in principle, supported the recommendations of the report, a formal decision will have to await the Government's review of economic policies and the public sector in general. The Minister may make an announcement to that effect during the Economic Conference in Cairo scheduled for end-February; alternatively, it may take two to three months before a formal decision is taken. The mission left copies of the Briefing Note with the Steering Committee to be forwarded to the Minister and Mr. Koraïem.

4. There was unanimous agreement that top priority should be accorded to the establishment of CIDB which will be responsible for defining, updating and implementing programs for the development of the industry. Pending Government's formal approval, the mission proposed a plan of action (Annex II, paras 5-8) in order to be able to move rapidly when the expected formal approval of the Government is obtained.

5. Discussions with the Education Projects preparation mission (now in the field) indicate that TOMOHAR's (Training Organization of the Ministry of Housing) needs for vocational training would be met under Education IV (FY 83). 1/ Consequently, the construction sector project should primarily focus on management training. At present TOMOHAR has a management training program but it is limited in scope, while USAID is developing a comprehensive program for a limited number of projects/companies at an enormous cost.

6. After discussions with a number of financial institutions, the mission was able to tentatively narrow down its choice to three intermediaries - DIB, MIDB and Banque du Caire. MIDB is still having difficulty in committing the previous line of credit, 2/ although its leasing company (now awaiting Government approval) with foreign participation, including IFC, offers an interesting channel for assisting the sector. DIB hopes to have committed a substantial portion of DFC VI by the time the construction sector loan becomes effective. DIB also has a majority stake in a new leasing company (WELLCON). (If DIB is selected as one of the financial intermediaries for DFC VII, it may be appropriate when DFC VII is effective to exclude the financing of the construction sector from DFC VI). Banque du Caire (BDC) is the largest lender to the construction sector and may offer an excellent opportunity to use a commercial bank as a financial intermediary. The mission had three separate meetings with the BDC which is keen on participating. It is proposed that further detailed discussions be held with all three financial institutions at the time of the next mission. In the event that more than one financial intermediary participates, discussions will also need to be held with the Central Bank of Egypt to ensure equal treatment in respect of exchange rates, exchange risk and onlending rates.

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8. The mission agrees with the Steering Committee suggestion (Annex II, para 19) that the Bank assist the Contractors Association before the draft law is passed. It, however, does not recommend that the Bank should also finance the local currency cost of the preparation work related to the proposed project.

The Symposium

9. The symposium organized by the Steering Committee and held during January 30-February 1 was a big success and attracted a lot of attention and publicity. The Minister for Reconstruction addressed the opening session. Mr. Kinawy made a presentation on behalf of the Bank. A brief note on the symposium will be prepared by Mr. Kinawy on his return from Jordan.

Next Steps

10. The most important next step is to seek Government's reactions to the proposals presented by the mission in the Briefing Note. If the Government supports, in principle, the idea of CIDB then the proposed plan of action can be put into operation even before the Government takes a formal decision in two to three month's time. Both Messrs. Moini and Zaborski have agreed to try to solicit Mr. Koraïem's and the Government's comments during their forthcoming visit to Egypt. If any further clarification is needed a small mission (2 persons) could visit Egypt towards the end of April. A full pre-appraisal mission with major focus on preparation of the technical assistance component and detailed review of the financial institutions including the expected demand for investment projects could then be mounted in the second half of May.

11. A Project Brief will be prepared after seeking Government's reactions, but before the departure of the pre-appraisal mission.

Attachments

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EMENA Information Center

SMalik:dc

CONSTRUCTION/CONTRACTING INDUSTRY

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H. E. Hasballah Mohammad Kafrawi: Minister for Reconstruction and State
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H. E. Fuad Abu-Zaghla : Minister for Industry and Mineral
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Mr. Salah Fahmy : Undersecretary, Ministry of Housing
(also Deputy Chairman, Housing
Development Bank)
Mr. Gamal : Ministry of Economy, Foreign Trade
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Mr. Makhlouf, Misr Concrete
Mrs. Hillebrandt, Consultant to Construction Study

Egt. D.F.C. Sector
(D.F.C. VII)

2-18-82

EMENA PROJECTS DEPARTMENT
ROUTING SLIP FOR DEPARTMENTAL USE ON REPORTS
OTHER THAN APPRAISAL REPORTS

DATE:

	For Information	For Discussion/ Action
Mr. Picciotto		
Mr. Carmignani	x	
Mr. Haynes		
Mr. Pranich		
Mr. Stewart		
Mr. Elliott		
Mr. Hume		
EMENA Program Division Chief <u>1/</u> Mr. Moini, Acting	x	
Mr. Rajagopalan	x	
CPS/PAS <u>2/</u> Mr. Tolbert	x	
Subject: EGYPT - DFC VII (Construction Sector) Reconnaissance/ Identification Mission - Back-to-Office Report		
Comments: <u>3/</u> Awaiting Government's reaction to proposals presented by the mission before preparing the Project Brief and finalizing project components. This will be ascertained during Mr. Moini's forthcoming visit to Egypt (March 1982). No substantive issues are raised at this stage.		
FOR SUPERVISION REPORTS ONLY:		
		Date of Next Mission: _____
		Project Rating: _____
FROM:  George C. Zaidan, Division Chief, EMPID		

1/ Insert Name.2/ Where points are flagged to or guidance sought from persons in the Central Projects Staff (CPS) or Projects Advisory Staff (PAS), their names should be listed.3/ State if the report raises any issues; if so, indicate relevant paragraph numbers, and/or briefly describe the issue(s) involved.

Egt - DFC VII

OFFICE MEMORANDUM

DATE: February 18, 1982

TO: Mr. George C. Zaidan, Division Chief, EMP

FROM: S. K. Malik, EMP

SUBJECT: EGYPT-DFC VII Reconnaissance/Identification Mission
Back to Office Report

1. In accordance with terms-of-reference dated January 13, 1982 a mission consisting of Messrs. Deshpande, Kinawy, Coudol and Malik visited Egypt during January 20-February 4. In addition to assisting the Steering Committee in the preparation of and participating in the symposium on the Construction and Contracting Industry Study, the principal objective of the mission was to try to identify a suitable Bank project in support of the future development of the sector. To this end the mission held discussions with the Steering Committee, various financial institutions, technical and training organizations, international organizations and others associated with the construction/contracting industry in Egypt. The mission was also received by H. E. Mr. Kafrawi, the Minister for Reconstruction and State for Housing and Land Reclamation and H. E. Mr. Abu-Zaghla, the Minister for Industry and Mineral Wealth. A list of persons met is attached as Annex I to this report. ✓

2. Both the Ministers as well as the Steering Committee have confirmed their interest for Bank assistance in support of the sector. They envisage a series of Bank operations to meet the requirements of the sector in the medium-term. Following various discussions the mission prepared a briefing note defining possible World Bank assistance for consideration by the Government and the Steering Committee. The Briefing Note (Annex II) details the mission's proposal and in the mission's view includes some of the more important policy issues and institutional and technical assistance needs of the sector. While many of the over 70 recommendations of the Construction/Contracting Industry Study could be considered for Bank technical and financial assistance, the mission's selection criteria was influenced by both what could be realistically and efficiently implemented in a first construction sector loan and what is considered to be crucial to the future development of the sector. The main components of the proposed project thus include assistance in the re-organization of the sector (creation of CIDB, the Construction Industry Development Board), technical assistance in meeting specific training needs, financial assistance and an important policy issue related to competitive bidding in Egypt. The stress on CIDB is considered essential if other policy changes and monitoring are to take place in the future. CIDB seems to be the best opportunity to catalyze in Egypt such required policy changes. ✓

3. The mission discussed the Briefing Note with the full Steering Committee. The Steering Committee, which has been entrusted with the task of implementing the recommendations of the Construction and Contracting Industry Study under Ministerial Decree No. 181 of 1979, concurred with the mission's

proposals and plan of action. However, due to Mr. Koraiem's absence from Cairo no formal agreement on the scope of the Bank assistance and particularly on the use of IBRD funds for TA programs, could be reached. In addition, the Minister for Reconstruction informed the mission that while he, in principle, supported the recommendations of the report, a formal decision will have to await the Government's review of economic policies and the public sector in general. The Minister may make an announcement to that effect during the Economic Conference in Cairo scheduled for end-February; alternatively, it may take two to three months before a formal decision is taken. The mission left copies of the Briefing Note with the Steering Committee to be forwarded to the Minister and Mr. Koraiem.

4. There was unanimous agreement that top priority should be accorded to the establishment of CIDB which will be responsible for defining, updating and implementing programs for the development of the industry. Pending Government's formal approval, the mission proposed a plan of action (Annex II, paras 5-8) in order to be able to move rapidly when the expected formal approval of the Government is obtained.

5. Discussions with the Education Projects preparation mission (now in the field) indicate that TOMOHAR's (Training Organization of the Ministry of Housing) needs for vocational training would be met under Education IV (FY 83). 1/ Consequently, the construction sector project should primarily focus on management training. At present TOMOHAR has a management training program but it is limited in scope, while USAID is developing a comprehensive program for a limited number of projects/companies at an enormous cost.

6. After discussions with a number of financial institutions, the mission was able to tentatively narrow down its choice to three intermediaries - DIB, MIDB and Banque du Caire. MIDB is still having difficulty in committing the previous line of credit, 2/ although its leasing company (now awaiting Government approval) with foreign participation, including IFC, offers an interesting channel for assisting the sector. DIB hopes to have committed a substantial portion of DFC VI by the time the construction sector loan becomes effective. DIB also has a majority stake in a new leasing company (WELLCON). (If DIB is selected as one of the financial intermediaries for DFC VII, it may be appropriate when DFC VII is effective to exclude the financing of the construction sector from DFC VI). Banque du Caire (BDC) is the largest lender to the construction sector and may offer an excellent opportunity to use a commercial bank as a financial intermediary. The mission had three separate meetings with the BDC which is keen on participating. It is proposed that further detailed discussions be held with all three financial institutions at the time of the next mission. In the event that more than one financial intermediary participates, discussions will also need to be held with the Central Bank of Egypt to ensure equal treatment in respect of exchange rates, exchange risk and onlending rates.

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9. The symposium organized by the Steering Committee and held during January 30-February 1 was a big success and attracted a lot of attention and publicity. The Minister for Reconstruction addressed the opening session. Mr. Kinawy made a presentation on behalf of the Bank. A brief note on the symposium will be prepared by Mr. Kinawy on his return from Jordan.

Next Steps

10. The most important next step is to seek Government's reactions to the proposals presented by the mission in the Briefing Note. If the Government supports, in principle, the idea of CIDB then the proposed plan of action can be put into operation even before the Government takes a formal decision in two to three month's time. Both Messrs. Moini and Zaborski have agreed to try to solicit Mr. Koraïem's and the Government's comments during their forthcoming visit to Egypt. If any further clarification is needed a small mission (2 persons) could visit Egypt towards the end of April. A full pre-appraisal mission with major focus on preparation of the technical assistance component and detailed review of the financial institutions including the expected demand for investment projects could then be mounted in the second half of May.

11. A Project Brief will be prepared after seeking Government's reactions, but before the departure of the pre-appraisal mission.

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EGYPT - CONSTRUCTION/CONTRACTING INDUSTRY
RECONNAISSANCE OF A POSSIBLE WORLD BANK PROJECT
WORLD BANK MISSION (JANUARY 20-FEBRUARY 3, 1982)

BRIEFING NOTE

1. A Bank mission visited Egypt during January 20-February 3, 1982 to attend the Construction/Contracting Industry Seminar organized by the Steering Committee in Cairo during January 30-February 1, and to explore the possibility of preparing a project to support the further development of the Construction and Contracting Industry in Egypt. The mission held meetings with the Chairman and members of the Steering Committee, various financial institutions, technical and training organizations, international organizations and others associated with the Construction/Contracting industry. The mission was also received by H.E. the Minister for Reconstruction and State for Housing and Land Reclamation and H.E. the Minister for Industry and Mineral Wealth. The mission extends its deep appreciation for the cooperation it has received in all its contacts.
2. In the light of the statement to the mission by the Minister for Reconstruction that formal action to implement the recommendations of the report will only be made after a few months (see para 5) and in the absence of Mr. Samir Koraiem, Undersecretary, Ministry of Economy, Foreign Trade and Economic Cooperation from Cairo, no formal agreement on the scope of Bank assistance could be reached. However, both the Minister for Reconstruction and State for Housing and Land Reclamation and the Minister for Industry and Mineral Wealth as well as the Steering Committee, which has been entrusted with

the task of implementing the recommendations of the report under Ministerial Decree No. 181 of 1979, have confirmed their interest for Bank assistance in support of the sector. This note suggests for consideration by government officials and the Steering Committee a plan of action in order to define possible World Bank assistance, in the light of priorities that have emerged as a result of the seminar and various discussions.

3. While the seminar considered all aspects of the construction sector which were covered in the report, the mission could not but select a few priority actions to be realistically incorporated in a first World Bank project. It is important therefore to consider the proposals below as a first step. Other steps or actions would have to be undertaken by others - and principally at this time by the Steering Committee - or deferred to a later date. The proposed outline of the project has four components, namely:

- Organization of the sector.
- Training, with prime focus on management training.
- Financing of investment projects.
- Policies.

4. It is the mission's understanding that (i) following the seminar and until CIDB is created, the Steering Committee will continue to be responsible for the implementation of the report's main recommendations, (ii) such responsibility will extend to coordinating all aspects of the proposed World Bank project related to Technical Assistance matters, (iii) at the same time Mr. Koraïem will be the prime counterpart for Bank missions during project preparation in coordination with the Steering Committee and other government entities as may be appropriate.

ORGANIZATION

5. Discussions during the mission unanimously confirmed that the key recommendation of the report with respect to the creation of the Construction Industry Development Board (CIDB) should be given top priority. The Minister for Reconstruction and State for Housing and Land Reclamation has informally agreed to support future steps which could lead to the establishment of CIDB and its satellite agencies: Construction Industry Training Agency (CITA), and Construction Industry Development and Information Agency (CIDIA). A formal decision is expected to be made in two or three months when the Government's review of the public sector activity in general has been completed.

In the meantime, the Steering Committee with the support of the Ministry, and in collaboration with the World Bank, would develop in concrete terms, the recommendations of the report with respect to CIDB, CITA and CIDIA (outline of terms-of-reference, outline of statutes and policies, detailed organization, budgetary implications, etc.).

6. The preparatory work involved for this task is considerable in terms of details and coordination. The Steering Committee will require the services of widely experienced advisors to assist in establishing the policies and programs of CIDB. The mission therefore feels that the Steering Committee should seek an experienced and qualified person either from its own ranks or from other sources to work on a full-time basis with an expatriate senior advisor to help them in this preparatory work.

7. The two senior advisors should be appointed in May 1982 with terms-of-reference summarized as follows:

- (i) to assist the Steering Committee in implementing the recommendations of the report giving priority to
 - (a) formation of CIBD and (b) formation of CITA and CIDIA;
- (ii) to draft statutes and policy statement of CIBD;
- (iii) to prepare comprehensive program of management training in coordination with TOMOHAR, USAID, ILO, IBRD and other agencies involved in order to avoid duplication of effort, harmonize actions and optimize resources involved in this field; and
- (iv) subsequently, to prepare terms-of-reference, legal and other documents for CITA and CIDIA.

8. Discussions have taken place during the mission with respect to the financing of the external senior advisor and possible additional consultants (e.g. in the field of training), in order to be able to move rapidly when the expected formal approval of the Government would be obtained. The Bank mission suggested the following steps:

- (a) The Steering Committee and the World Bank would together and separately try to identify suitable candidates in Egypt and abroad as senior advisors to the Steering Committee.
- (b) The Steering Committee and the World Bank will coordinate their review of the cost to be incurred until CIBD is created. The Bank mission will indicate to the Steering Committee and the Ministry the prospects of securing a Project Preparation Facility (PPF) to finance the foreign exchange cost of the preparation work related to the creation of CIBD, CITA and CIDIA and other preparation work related to the proposed project.

- (c) The selection of senior advisors and a decision on financing preparatory work will be taken when the Government has approved the principle of the establishment of CIDB. This is expected to take place by May 1982.

TRAINING

9. To increase the efficiency and capacity of the Construction/Contracting Industry, high priority needs to be accorded to improving and expanding programs for the development of labor and management. While skills training is an important objective, management training appears more critical to assure better efficiency in the sector. In the context of the Steering Committee, the senior advisors (para 7 (iii)) will develop a comprehensive program for management development geared specifically to the Construction/Contracting Industry. The Steering Committee and TOMOHAR will also explore with the Engineering and Industrial Design and Development Center (EIDDC) the latter's willingness and capacity to develop programs for skill upgrading and inform the Bank about their position by May 1982. The mission, on the other hand, will review with the World Bank's Education Department the scope for expanding vocational training in the construction sector. Following these various reviews the World Bank will try to develop with the Steering Committee during the second half of 1982 (when the advisors will have submitted their proposals) a management and skills training program to be financed in part or in totality under the proposed World Bank project.

FINANCE

10. The report has clearly documented the need to replace and/or upgrade the equipment in both the public and private sectors. Capacity utilization

could further be improved through leasing. It is therefore envisaged that a Bank line of credit, somewhat similar to the one recently extended to DIB, will be available to financial institutions with significant lending programs to the sector.

11. Though the details would have to be worked out, the mission would recommend the following format:

(a) Application: import of

- Construction equipment, including spares.
- Machinery and equipment to producers of building materials (excluding cement and steel) and small items of equipment.
- Leasing of construction equipment.

(b) Financial Intermediaries:

- Two or three financial institutions with expertise in the sector and the ability to appraise long-term investment projects in accordance with sound financial and economic criteria.

(c) Beneficiaries:

- Public and private sector companies in the sector on a first-come-first-served basis.

12. A portion of the proposed World Bank loan would also be earmarked, as needed, to finance the foreign exchange cost of Technical Assistance. To identify suitable financial intermediaries the mission has had preliminary discussions with DIB, MIDB as well as Banque du Caire which is the largest lender to the construction industry.

13. Before each party finalizes its position on the selection of financial intermediaries, further detailed discussions are expected to take place during the next World Bank mission to assess their appraisal and technical assistance capability, or needs, to assist the construction sector (in terms of organization, technical staff, appraisal techniques, project pipeline and other institutional, operational and financial aspects and policies).

14. Equal treatment will have to be accorded to each participating bank in respect of exchange rates, exchange risk and onlending rates. To ensure that this point is acceptable, further discussions will have to be held with the Central Bank of Egypt and Ministry of Economy during the next mission.

POLICY ISSUES

15. The Construction/Contracting Industry study has identified a number of important issues (e.g. pricing and distribution of building materials, national standards for tendering procedures and contract documents, standards and codes, etc.) with a direct bearing on the efficiency of the industry. Many of these issues are also country-wide issues and their resolution will only be gradual after careful studies. In any case CIDB will be responsible for defining, updating and implementing programs for the development of the industry. The World Bank project should not therefore attempt to duplicate this effort, though the Bank would certainly be available to assist CIDB as needed and practical.

16. In the meantime, the mission suggests that for the first Bank operation, the Government should take steps to encourage the participation of private sector contractors and promote equality between public sector and private sector contractors, leading to enhanced overall efficiency of the contracting industry. The mission therefore recommends that the Government, in order to facilitate appraisal of the proposed project, put an end to the direct order method for public sector projects and replace it by competitive bidding open to private and public contractors.

CONTRACTORS ASSOCIATION

17. The proposed Contractors Association has an important role to play in the future. A draft law establishing the Association is being reviewed by the appropriate authorities and the mission was informed that it is expected to be passed during 1982. The Association has indicated its desire to receive Bank technical assistance in the initial phase of its operations (e.g. designing registration forms, documentation, classification, assessment, etc.). This request will be reviewed when the law has been passed and the Association has formulated in more detail its technical assistance needs.

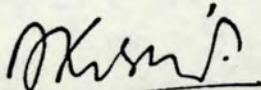
NEXT MISSION

18. The next Bank mission is tentatively scheduled to visit Egypt during April-May 1982. The mission will review with the Steering Committee and the authorities, the requirements necessary to lead to an appraisal of a Bank project in support of the Construction/Contracting Industry.

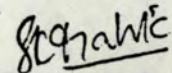
DISCUSSIONS WITH THE STEERING COMMITTEE

19. The mission discussed this briefing note with the Steering Committee in a meeting on February 2, 1982. The Steering Committee concurs with the proposals presented in the briefing note. The Steering Committee has, however, made two suggestions: (i) the Bank consider financing local currency costs in addition to the foreign exchange cost of the preparation work related to the creation of CIDB, CITA and CIDIA and other preparation work related to the proposed project (para 8 (b)), and (ii) the Bank should assist the Contractors Association before the draft law is passed (para 17).

20. Two copies of this Briefing Note have been provided to Mr. El Kashef to be sent by him to H.E. the Minister for Reconstruction and State for Housing and Land Reclamation and to Mr. Samir Koraïem, Undersecretary, Ministry of Economy, Foreign Trade and Economic Cooperation.



Eng. Abdel Rahman El Kashef
Chairman, Steering Committee



S.K. Malik
World Bank

February 3, 1982

Egy D.F.C. J. MENA
(D.F.C. VII)

OFFICE MEMORANDUM

TO: Mr. W. Moini, Acting Division Chief, EMI

FROM: George C. Zaidan, ^{Cr} Division Chief, EMP

SUBJECT: EGYPT - Construction Sector Loan FY83

DATE: February 11, 1982

1. Please find attached two copies of the recent identification mission briefing note for a possible Construction Sector Loan (FY83). The proposals contained in the note are based on the recommendations of a comprehensive study (1981) of the Construction and Contracting Industry financed from the proceeds of the Import Loan (1456-EGT) and carried out by a team of Egyptian and foreign consultants under the supervision of a Steering Committee of the Ministry of Housing. The report was discussed in a three day seminar in January in Cairo, chaired by H.E. Mr. Kafrawi, the Minister for Reconstruction and State for Housing and Land Reclamation.

2. The Bank mission which visited Egypt during January 20-February 3, 1982 was not able to see Mr. Koraïem who was in Washington at that time; however, copies of the briefing note were left for him with Mr. El Kashef, the Chairman of the Steering Committee.

3. It would be very useful if during Mr. Chaufournier's forthcoming visit to Egypt enquiries could be made from Mr. Koraïem as to whether he had reviewed the briefing note and, if so, what his and the Government's reactions were. We would particularly like to hear the reactions with regards to organization (paras 5-8) and finance (paras 10-14) in order to mount the preparation mission, tentatively scheduled for the end of April.

cc: Mr. Chaufournier, Picciotto, Carmignani, Malik, Coudol

SMalik:dc

OFFICE MEMORANDUM

yellow
Egt. D.F.C. Sector
(D.F.C. VII)

TO: Mr. E.E. Henriod, Actg. Construction Industry Adviser DATE: February 3, 1982

FROM: George C. Zaidan, ^{CW}Chief, EMPID

SUBJECT: EGYPT - Request for Assistance for the
Construction Industry Loan in FY83

This is to confirm our telephone conversation requesting the participation of Mr. Kaden in the appraisal of the above project (scheduled for early FY83) followed by report writing at headquarters. The total assistance involved would amount to about 10 man-weeks. Mr. Kaden is prepared to assist us in this project having been involved in the design and review of the Construction Industry Study over the past two years. Indeed, if it is at all possible we would also welcome Mr. Kaden's participation in the pre-appraisal mission, scheduled for May 1982 (4 manweeks including 3 weeks in the field).

GCZaidan:dt

cc: Messrs. Carmignani, Kaden (o/r), Malik (o/r)
Mrs. Mendoza

OFFICE MEMORANDUM

Egt. D.F.C. Sector
(DFC. VII)

TO: Mr. S. K. Malik

FROM: George C. Zaidan *Cv*

SUBJECT: EGYPT - DFC VII Reconnaissance/Identification Mission
Terms of Reference

DATE: January 13, 1982

1. You will visit Egypt for about two weeks beginning around January 20, 1982 for the identification of a first loan in support of the Construction/Contracting Industry. You will be accompanied by Messrs. Deshpande (IDF), and Kinawy (TASS). Mr. Coudol will also join your mission. The principal objective of the mission will be to select and focus on the crucial policy issues and institutional and technical support requirements of the Construction/Contracting Industry which can be realistically and efficiently implemented and included in a first construction sector operation. To this end, the mission, during its stay in Egypt will:

- (i) assist the Steering Committee in the preparation of and participate in the seminar on the Construction/Contracting Industry Study (July 1981) to be held in Cairo on January 25-27, 1982;
- (ii) meet relevant Government authorities and agencies as well as professional entities and private sector firms to discuss the best ways to provide Bank assistance, especially institutional and technical assistance, to the construction industry;
- (iii) discuss the key sectoral issues identified by the Study, seek Government's reaction to the major policy recommendations;
- (iv) meet external agencies and institutions (UNDP/UNIDO, ILO, USAID) to explore a possible role for them in providing technical assistance;
- (v) visit various financial institutions (e.g. DIB, MIDB, Housing Bank, commercial banks) to seek their interest and to gauge their capability in assisting the construction sector.

2. To the extent possible, the mission will try to identify with Government and institutional support a suitable Bank project, including a lending and Technical Assistance package in support of the development of the construction and contracting industry. The outline of the project and its issue could be tentatively presented to the Government in an Aide Memoire to be left in Egypt before the mission's departure.

3. Within two weeks of your return you will submit a short back-to-office report summarizing your findings. You will also prepare a project brief the review of which is scheduled for April 1982.

Cleared w/ and cc: Messrs. El Maaroufi (EMP), Moini (EM1)

cc: Mission Members

cc: Messrs. Dubey
Karaosmanoglu
Ms. Schaeffer
Zaborski
Obouzar
Carmignani
Pranich
Stewart
Li
Socknat
Muhtasib
Rajagopalan (3)
Tolbert
Fuchs
Kaden
Corwell
Training Adviser, Education Dept.
Gustafson
Ms. Doany
Ms. Copley/Ms. Longchamp (o/r)
EMENA Information Center

SMalik:dc

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MESSAGE NO

CAIRO

ATT. TEWFIK GAMIL YASSIN, GENERAL MANAGER

PLANNING TO ARRIVE CAIRO VIA ZURICH AT 1740 HOURS ON JANUARY

TWENTY BY SWISSAIR FLT. 348 AND WILL STAY IN NILE HILTON UNTIL

FEBRUARY FOUR. I TELEXED MY BROTHER SALAH TO MEET ME. HAPPY NEW

YEAR AND BEST REGARDS. ABDEL SALAM KINAWY

*Egt. DFC Sector
(DFC-VII)*

END
OF
TEXT

NOT TO BE TRANSMITTED

SUBJECT:
**EGT: DFC VII Reconnaissance/Identifi-
cation**

CLEARANCES AND COPY DISTRIBUTION:

DRAFTED BY:
ASK/ccc

AUTHORIZED BY (Name and Signature):

AS Kinawy

DEPARTMENT:
EMPTA

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Telex No.: **92407 BAC UN** Originators Ext: **72754**

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START
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SAMIR AND MOHAMED YOUNIS

CITY/COUNTRY

ATT. SALAH KENAWI

MESSAGE NO

CAIRO, EGYPT

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PLANNING TO ARRIVE CAIRO VIA ZURICH AT 1740 HOURS ON JANUARY

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TWENTY BY SWISSAIR FLT. 348 AND WILL STAY IN NILE HILTON UNTIL

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FEBRUARY FOUR. PLEASE INFORM FAMILY AND CLOSE FRIENDS. REGARDS,

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ABDEL SALAM KINAWY

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Egt-DFC. Sector
(DFC. VII)

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SUBJECT:
EGYPT: DFC VII Reconnaissance

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A.S. Kinawy

DEPARTMENT:

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START
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MR. ABDEL RAHMAN EL KASHEF

CITY/COUNTRY

CHAIRMAN, STEERING COMMITTEE

MESSAGE NO

EGYCO CONTRACTING COMPANY

4

CAIRO, EGYPT

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PLANNING TO ARRIVE CAIRO VIA ZURICH AT 1740 HOURS ON JANUARY

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TWENTY BY SWISSAIR FLT. 348 AND WILL STAY IN NILE HILTON UNTIL

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FEBRUARY FOUR. HAPPY NEW YEAR AND BEST REGARDS, ABDEL SALAM KINAWY

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Egt. DFC Sealer
(DFC VII)

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SUBJECT:
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