



From the Secretary of State

The Rt Hon Lord Carrington KCMG MC
Secretary of State
Foreign and Commonwealth Office
Downing Street
SW1A 2AL

NBPN

Egypt

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- 7/1

5 January 1981

Dear Peter.

CAIRO WASTEWATER PROJECT

Before your visit to Egypt next month, I think you would wish to give consideration to some of the issues raised by the British involvement in the Cairo Wastewater Project. The responsible Egyptian Minister, Hassaballa Kafrawi, has already sent you a copy of his letter to me on this subject and I enclose also a letter from Lord Selsdon, the Chairman of the British consortium, which has been most active in pursuing this business at the commercial level.

There is general agreement between Departments that it is extremely important to maximise the commercial benefit of the £50m aid commitment. I understand that the main difference between the view taken by this Department and ODA is over the issue of the UK Government formally seeking the agreement of the Egyptian authorities that it will be a condition of our participation in the whole East Nile project (estimated value \$600m) that all the foreign content should be purchased from the UK. I think it would be helpful for you to know that my own instinct is strongly to support the idea of conditionality. The memorandum signed by Mr Kafrawi which he enclosed with his letter demonstrates that the Egyptians are prepared to proceed in this way. This confirms the informal indications from the Egyptian side to my officials that they expect this sort of aid/credit package approach which has the advantage for them of securing a much larger overall British contribution. I accept of course that the implications of this package approach is that ECCG cover will need to be available for the £100m of British content not covered by aid funds and this aspect will need discussion in the Export Guarantees Committee.

My second concern is that we should do as much as possible to press forward this project quickly. I understand that Neil Marten will be visiting Egypt in the last week of January and will undoubtedly be seeing Mr Kafrawi. I would suggest that this might provide an opportunity for further discussions at official level about the drafting of agreements between the two Governments which could be signed at a later date when Mr Kafrawi visits London. In order to help matters along, I would welcome it if Neil was able to agree that a representative of DOT and ECCG form part of his team for this visit.



From the Secretary of State

If you foresee major difficulties about this approach, I believe that Ministers should meet early in the New Year to try and sort matters out.

I am copying this letter to the Prime Minister, Geoffrey Howe, Neil Marten, and Sir Robert Armstrong.

Yours ever
John

JOHN NOTT

PS:

I welcome our Ambassador's assessment that Lord Selsdon's achievement should secure substantial benefits for the UK beyond our £50 million pledge, but I do not think it is sufficient to assume that a document signed by a British industrial group (rather than HMG) and the Egyptian Minister will necessarily ensure that all the foreign content supplies for the East Nile Project will go to the UK.



From the Secretary of State

Mr Hassaballa Kafrawi
Minister for Reconstruction
and State for Housing and
Land Reclamation
Arab Republic of Egypt

5 January 1981

Dear Minister

Many thanks for your letter of recent date.

I am pleased to hear of progress made this month between your Ministry and British Wastewater Limited. I believe that our two Governments share the objective of wanting to see the East Nile Wastewater Project progressed quickly.

Neil Marten will be visiting your country for the IBRD Conference at the end of January and this will be a useful opportunity for you to review progress. I myself would be only too pleased to welcome you to the UK subsequently. I will be asking our Ambassador to keep in touch with you so that a mutually convenient date can be arranged.

*Kind regards
John Nott*

JOHN NOTT



From the Secretary of State

Lord Selsdon
Midland Bank International Ltd
Suffolk House
Laurence Poutney Hill
London EC4

5 January 1981

Dear Lord Selsdon,

Many thanks for your letter of 8 December about British Wastewater Limited's success in negotiating a protocol with the Egyptian authorities on the East Nile project.

I understood that you have now had an opportunity to discuss matters further with Department of Trade, ECGD and ODA officials. You will appreciate that there are a number of important issues which are being given attention in Whitehall as a result of the group's potentially valuable initiative. These are being given active consideration and Roy Williams will keep you in touch with developments.

Unfortunately I myself will be out of the country during most of January and will not be able to see you and your colleagues for a discussion with Neil Marten. Neil himself will be visiting Cairo in the last week of January. What I suggest therefore is that I should take stock of the situation with Neil Marten on his return from Egypt and we can see whether a meeting at that time with your group would be advantageous.

I would of course be very pleased to welcome Mr Kafrawi to the United Kingdom as soon as it makes sense for him to come. I will be writing to him to that effect.

*Kind regards
John Nott*

JOHN NOTT



ARAB REPUBLIC OF EGYPT
MINISTRY OF DEVELOPMENT AND NEW COMMUNITIES

TO Secretary EGD	COPIES
FOR ACTION (AND DRAFT REPLY IF APPROPRIATE)	25/1/80 Mr G Mr B Mr W Mr H 5/6/80
PLEASE BY:	17.12.80.

RECEIVED IN
SECRET

MINISTER'S OFFICE
1, Ismail Abaza Street,
Cairo, A.R.E.

Your Ref. :
Our Ref. :

The Right Honourable John Nott PC MP
Secretary of State for Trade
1 Victoria Street,
London S.W.1.

Dear Mr Nott

We are most grateful to your Government for the amount of E50 million of Grant Aid, which together with E100 million of Export Credit will make the realisation of the much needed East Bank Wastewater Project possible.

I confirm that my Government will provide the necessary funds to cover the local cost of the project which are estimated at LE.440 million at mid 1980 prices.

The cooperation between our two countries on this matter is very much appreciated and I hope that an early meeting may be arranged in London to finalise and sign all relevant agreements and contracts.

with my best regards

Hassaballa Kattawi

Hassaballa Kattawi
Minister of Reconstruction
and State for Housing
and Land Reclamation

Copy to Right Honourable Lord Carrington PC MP Secretary of State for Foreign Affairs.
H.B.M. Ambassador Cairo

Enclosure Greater Cairo Wastewater Project Protocol.

DATED 5th December 1980

PROTOCOL

relating to

THE EAST BANK OF
CAIRO WASTEWATER PROJECT

between

GENERAL ORGANIZATION FOR SEWERAGE
AND SANITARY DRAINAGE
OF THE ARAB REPUBLIC OF EGYPT

and

BRITISH WASTEWATER LIMITED
OF THE UNITED KINGDOM

GENERAL ORGANIZATION FOR SEWERAGE AND SANITARY DRAINAGE (GOSSD) and BRITISH WASTEWATER LIMITED (British Wastewater) recognising the desire of the Governments of the Arab Republic of Egypt and of the United Kingdom to co-operate in the early implementation of the project known as the Greater Cairo Wastewater Project (The Project), acknowledging the Protocol signed by the Anglo-Egyptian Joint Commission on 8th October 1980, and considering the recommendations of AMERIC, the consultants appointed by GOSSD, do hereby agree that, subject to satisfactory aid agreements being entered into between the appropriate Egyptian and British governmental agencies and to the arrangement of the Export Credit finance referred to in paragraph 3 below:-

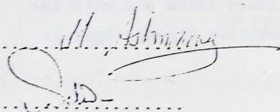
1. GOSSD, in accordance with specifications and the documents prepared by its consultants and in conformity with the rules and regulations in force, shall award contracts (within the amount of financing and aid provided by UK agencies and or guaranteed by ECCD) relating to that part of the Project known as the "East Bank Project" to suppliers and contractors from the United Kingdom working where relevant with appropriate suppliers and contractors from the Arab Republic of Egypt.
2. The procurement of equipment, goods and services for the East Bank Project from United Kingdom shall be in a manner which complies with all British aid and Export Credit finance terms and with the terms applied by GOSSD and including competitive tenders against documents prepared by GOSSD.
3. British Wastewater voluntarily will seek to arrange an Export Credit facility from the United Kingdom for that part of the project and for that portion of the foreign currency cost not covered by other aid agreements.

It is understood that the loan would be for a period of 10 years and at a concessionary rate of interest (currently 7½ per cent per annum) which the British Export Credit Guarantee Department shall determine to be appropriate for such export credit at the time the applicable East Bank contracts are awarded. The terms of making available such Export Credit finance will include an undertaking from the appropriate Egyptian authorities that Egyptian currency will be available from those authorities in order to finance the costs of the Egyptian element of the East Bank Project.

4. British Wastewater working in close co-operation with GOSSD, USA and British interests involved in the Cairo Sewerage Project, if so requested by GOSSD will assist in the arranging of whatever additional services and finance may be necessary to ensure the implementation of both East and West Bank Projects at an early time.


5. Neither GOSSD, the government of Egypt, nor any other Egyptian agency shall be responsible for the payment of any fees to British Wastewater or the reimbursement of any expenses which British Wastewater might incur, and British Wastewater shall not be responsible for reimbursement of any expenses incurred by GOSSD.

SIGNED in Cairo 5th day of December 1980.


M. Shamma

GOSSD

BRITISH WASTEWATER LIMITED


* Provided that the British Wastewater Limited submits a legalized copy of its registration.

British Wastewater Limited

Lord Selston
Chairman

Suffolk House Laurence Pountney Hill
London EC4R 0EU England
Telephone 01-606 9944 Telex 888401

8th December 1980

The Rt.Hon. John Nott, MP
Secretary of State for Trade
1 Victoria Street
London SW1H 0ET

Dear John,

TO: Mr. Haggard	cc: Mr. 10
FROM: Mr. Nott	PS: Mr. P
RE: GREATER CAIRO WASTEWATER PROJECT	Mr. Benjamin
PLEASE BY: (17.12.80)	PS: Soc. Sec. D
	Mr. Williams
	cc: Mr. Selston

GREATER CAIRO WASTEWATER PROJECT

I am writing to seek your advice and guidance in connection with the British initiative relating to the Greater Cairo Wastewater Project - a major project for the rebuilding of the Cairo sewerage system.

On Friday last, 5th December, in Cairo a Protocol was signed between the General Organisation for Sewerage and Sanitary Drainage (GOSSD) and British Wastewater Ltd of the United Kingdom. A copy of this Protocol is attached and as you will note, the two most significant points raised in it are:-

- (a) Subject to satisfactory Aid agreements and arrangement of export credit finance, the entire East Bank Project will be awarded to the United Kingdom.
- (b) The Egyptian Government will undertake to provide the local finance needed and Minister Kafrawi is sending a letter to you confirming this. The amount of the local finance is around £E440 million (mid 1980 prices) and the foreign content is estimated at £150 million Sterling.

The Egyptian Authorities are naturally eager to begin the implementation of the project as soon as possible. Firstly because the sewage problem is becoming more and more serious, and secondly in order to preserve the value of both the Egyptian and the U.K. financial commitment. Further delays will undoubtedly reduce the significance of the British aid proposal.

I believe that British Wastewater has advanced matters as far as we reasonably can at this time and we would be most grateful for the advice of yourself and Neil Marten as to how we should now proceed.

/...

8th December 1980

2.

I would like to make it clear that British Wastewater in no way challenges the need for proper accountability on the disbursement of aid funds. Nevertheless, unless we can dovetail the private and public sector inputs to this major development project, we run the risk that instead of an order of £150 million plus we will win something substantially less, and perhaps little more than our own aid contribution.

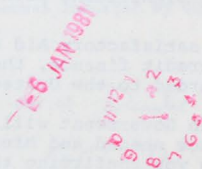
Throughout we have worked to try and maximise the level of U.K. participation and hence I would welcome an opportunity of a meeting with you and Neil Marten, together with relevant members of British Wastewater.

The Egyptian Minister concerned, Hassaballa El Kafrawi, will in his letter to you propose an early meeting in London in order to finalise all relevant agreements and contracts. He would understandably expect a firm proposal from us as to how we would like the project handled and I hope that this may be possible.

We ourselves are most encouraged by the response and reception we have had, recognising as we do the importance being attached to sewerage and water projects world-wide over the next decade.

With kind regards,

Yours
John Nott



Selsdon

Enclosure