

No. 5063

---

**INTERNATIONAL BANK  
FOR RECONSTRUCTION AND DEVELOPMENT  
and  
UNITED ARAB REPUBLIC**

**Guarantee Agreement—*Suez Canal Development Project*  
(with annexed Loan Regulations No. 4 and Loan Agree-  
ment between the Bank and Suez Canal Authority).  
Signed at Washington, on 22 December 1959**

*Official text: English.*

*Registered by the International Bank for Reconstruction and Development on  
31 March 1960.*

---

**BANQUE INTERNATIONALE POUR  
LA RECONSTRUCTION ET LE DÉVELOPPEMENT  
et  
RÉPUBLIQUE ARABE UNIE**

**Contrat de garantie — *Projet de modernisation du canal  
de Suez* (avec, en annexe, le Règlement n° 4 sur les em-  
prunts et le Contrat d'emprunt entre la Banque et  
l'Autorité du canal de Suez). Signé à Washington, le  
22 décembre 1959**

*Texte officiel anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement  
le 31 mars 1960.*

No. 5063. GUARANTEE AGREEMENT<sup>1</sup> (*SUEZ CANAL DEVELOPMENT PROJECT*) BETWEEN THE UNITED ARAB REPUBLIC AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 22 DECEMBER 1959

---

AGREEMENT, dated December 22, 1959 between UNITED ARAB REPUBLIC (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith between the Bank and the Suez Canal Authority (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,<sup>2</sup> the Bank has agreed to make to the Borrower a loan in various currencies equivalent to fifty-six million five hundred thousand dollars (\$56,500,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as hereinafter provided; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed so to guarantee such obligations of the Borrower;

NOW THEREFORE the parties hereto hereby agree as follows :

*Article I*

*Section 1.01.* The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated June 15, 1956,<sup>3</sup> subject, however, to the modifications thereof set forth in Schedule 3<sup>4</sup> to the Loan Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

*Section 1.02.* Wherever used in this Guarantee Agreement, unless the context shall otherwise require, the respective terms which are defined in the Loan Agreement shall have the respective meanings therein set forth.

---

<sup>1</sup> Came into force on 12 February 1960, upon notification by the Bank to the Government of the United Arab Republic.

<sup>2</sup> See p. 206 of this volume.

<sup>3</sup> See p. 204 of this volume.

<sup>4</sup> See p. 218 of this volume.

### Article II

*Section 2.01.* Without limitation or restriction upon any of the other covenants on its part in this Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of and interest on the Bonds, the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, and the punctual performance of all the covenants and agreements of the Borrower, all as set forth in the Loan Agreement and in the Bonds.

### Article III

*Section 3.01.* It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Guarantor undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term "assets of the Guarantor" as used in this Section includes assets of the Guarantor or of any of its political subdivisions or of any agency of the Guarantor or of any such political subdivision, including the Borrower.

*Section 3.02. (a)* The Guarantor and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

*(b)* The Guarantor and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and maintenance of the service thereof. The Guarantor shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Guarantor shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Guarantor for purposes related to the Loan.

*Section 3.03.* The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes or fees imposed under the laws of the Guarantor or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of, or fees upon, payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

*Section 3.04.* This Agreement, the Loan Agreement and the Bonds shall be free from any taxes or fees that shall be imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

*Section 3.05.* The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Guarantor or laws in effect in its territories.

*Section 3.06.* The Guarantor shall take or cause to be taken all action necessary or appropriate to enable the Borrower to continue to carry out the Project expeditiously and to conduct all of its operations in an efficient and businesslike manner and in accordance with sound engineering and financial practices.

#### *Article IV*

*Section 4.01.* The Guarantor shall endorse, in accordance with the provisions of the Loan Regulations, its guarantee on the Bonds to be executed and delivered by the Borrower. The Central Minister of the Treasury of the Guarantor and such person or persons as he shall designate in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 6.12 (b) of the Loan Regulations.

#### *Article V*

*Section 5.01.* The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Guarantor :

The Central Minister of the Treasury  
Cairo  
United Arab Republic

For the Bank :

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington 25, D. C.  
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad  
Washington, D. C.

*Section 5.02.* The Central Minister of the Treasury of the Guarantor is designated for the purposes of Section 8.03 of the Loan Regulations.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Guarantee Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

United Arab Republic :  
By Mostafa KAMEL  
Authorized Representative

International Bank for Reconstruction and Development :  
By Eugene R. BLACK  
President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 JUNE 1956

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO BORROWERS OTHER THAN  
MEMBER GOVERNMENTS

[*Not published herein. See United Nations Treaty Series, Vol. 260, p. 376.*]

LOAN AGREEMENT  
(SUEZ CANAL DEVELOPMENT PROJECT)

AGREEMENT, dated December 22, 1959 between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and SUEZ CANAL AUTHORITY (hereinafter called the Borrower).

*Article I*

LOAN REGULATIONS; SPECIAL DEFINITIONS

*Section 1.01.* The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated June 15, 1956,<sup>1</sup> subject, however, to the modifications thereof set forth in Schedule 3<sup>2</sup> to this Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

*Section 1.02.* Except where the context otherwise requires, the term "Borrower" means the Suez Canal Authority established by Law No. 146 of 1957, and any successor or successors thereof, and shall include any other authority, organization or agency which may be charged by law with the operation or maintenance of the Suez Canal or with the receipt of the revenues arising therefrom.

*Article II*

THE LOAN

*Section 2.01.* The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to fifty-six million five hundred thousand dollars (\$56,500,000).

*Section 2.02.* The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Regulations.

*Section 2.03.* The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ( $\frac{3}{4}$  of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time. Such commitment charge shall accrue from a date sixty days after the date of this Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Loan Account as provided in Article IV of the Loan Regulations or shall be cancelled pursuant to Article V of the Loan Regulations.

*Section 2.04.* The Borrower shall pay interest at the rate of six per cent (6%) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

<sup>1</sup> See p. 204 of this volume.

<sup>2</sup> See p. 218 of this volume.

*Section 2.05.* Except as the Bank and the Borrower shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ( $\frac{1}{2}$  of 1%) per annum on the principal amount of any such special commitments outstanding from time to time.

*Section 2.06.* Interest and other charges shall be payable semi-annually on March 15 and September 15 in each year.

*Section 2.07.* The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1<sup>1</sup> to this Agreement.

*Section 2.08.* The obligation of the Borrower to pay the principal of, and interest and other charges on, the Loan and the Bonds shall be general and not limited or restricted in any way to any particular fund or funds, or source or sources of payment, by any other provisions of this Agreement or otherwise.

### *Article III*

#### USE OF PROCEEDS OF THE LOAN

*Section 3.01.* The Borrower shall apply the proceeds of the Loan exclusively to financing the cost of goods required to carry out the Project described in Schedule 2<sup>1</sup> to this Agreement. The specific goods to be financed out of the proceeds of the Loan shall be determined by agreement between the Bank and the Borrower, subject to modification by further agreement between them.

*Section 3.02.* The Borrower shall cause all goods financed out of the proceeds of the Loan to be imported into the territories of the Guarantor and there to be used exclusively in the carrying out of the Project.

### *Article IV*

#### BONDS

*Section 4.01.* The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

*Section 4.02.* The Chairman of the Board of the Borrower and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 (a) of the Loan Regulations.

### *Article V*

#### PARTICULAR COVENANTS

*Section 5.01.* (a) The Borrower shall continue to carry out the Project with due diligence and efficiency and in conformity with sound engineering and financial practices.

---

<sup>1</sup> See p. 216 of this volume.

(b) The Borrower shall furnish to the Bank, promptly upon their preparation, the plans and specifications for the Project and any material modifications subsequently made therein, in such detail as the Bank shall from time to time request.

(c) The Borrower shall maintain records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Borrower; shall enable the Bank's representatives to inspect the Project, the goods and any relevant records and documents; and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the goods, and the operations and financial condition of the Borrower.

*Section 5.02.* (a) The Bank and the Borrower shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan.

(b) The Bank and the Borrower shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

*Section 5.03.* The Borrower shall pay or cause to be paid all taxes or fees, if any, imposed under the laws of the Guarantor or laws in effect in the territories of the Guarantor on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement<sup>1</sup> or the Bonds, or the payment of principal, interest or other charges thereunder; provided, however, that the provisions of this Section shall not apply to taxation of, or fees upon, payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

*Section 5.04.* The Borrower shall pay or cause to be paid all taxes and fees, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement or the Bonds.

*Section 5.05.* Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower shall insure or cause to be insured the goods financed out of the proceeds of the Loan against risks incident to their purchase and importation into the territories of the Guarantor. Such insurance shall be consistent with sound commercial practice and shall be payable in dollars or in the currency in which the cost of the goods insured thereunder shall be payable.

<sup>1</sup> See p. 198 of this volume.



*Section 5.06.* The Borrower shall continue to operate and maintain the Suez Canal, and the installations, equipment and property now or hereafter operated by it, and shall continue to conduct all of its operations, in an efficient and businesslike manner and in accordance with sound engineering and financial practices.

*Section 5.07.* Except as the Bank and the Borrower may from time to time otherwise agree :

(a) In each semi-annual period ending on March 15 or September 15 of each year, commencing with the period ending on the March 15 or September 15 next following the Effective Date, the Borrower shall, in accordance with arrangements satisfactory to the Bank and the Borrower, pay into a reserve in local currency from its current revenues during such period amounts adequate to pay from such reserve the principal, interest and other charges payable during such period on the Loan and the Bonds.

(b) The Borrower shall make, and maintain in effect, arrangements satisfactory to the Bank, whereby the Borrower will be enabled to convert the currency of the Guarantor, or any other currency, into the currencies required for the payment by it when due of the principal, interest and other charges on the Loan and the Bonds in accordance with the terms hereof and of the Bonds.

#### *Article VI*

##### REMEDIES OF THE BANK

*Section 6.01.* (i) If any event specified in paragraph (a), paragraph (b), paragraph (e), paragraph (f) or paragraph (j) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.

#### *Article VII*

##### EFFECTIVE DATE; TERMINATION

*Section 7.01.* The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 9.01 (a) (ii) of the Loan Regulations :

(a) The Borrower shall have made or caused to be made, and the Bank shall have approved, the arrangements provided for in Section 5.07 of this Agreement.

*Section 7.02.* The following is specified as additional matter, within the meaning of Section 9.02 (e) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank :

(a) The arrangements approved by the Bank pursuant to Section 5.07 of this Agreement are valid.

*Section 7.03.* A date sixty days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

*Article VIII*

MISCELLANEOUS

*Section 8.01.* The Closing Date shall be December 31, 1961.

*Section 8.02.* The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Bank :

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington 25, D. C.  
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad  
Washington, D. C.

For the Borrower :

The Chairman of the Board  
Suez Canal Authority,  
Ismailia,  
United Arab Republic

Alternative address for cablegrams and radiograms :

Sucanal  
Ismailia  
UAR

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

International Bank for Reconstruction and Development :

By Eugene R. BLACK  
President

Suez Canal Authority :

By M. YOUNES  
Authorized Representative

SCHEDULE 1  
AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>
March 15, 1962 . . . . .	\$1,250,000	September 15, 1968 . . . . .	2,000,000
September 15, 1962 . . . . .	1,250,000	March 15, 1969 . . . . .	2,000,000
March 15, 1963 . . . . .	1,500,000	September 15, 1969 . . . . .	2,000,000
September 15, 1963 . . . . .	1,500,000	March 15, 1970 . . . . .	2,750,000
March 15, 1964 . . . . .	1,750,000	September 15, 1970 . . . . .	2,750,000
September 15, 1964 . . . . .	1,750,000	March 15, 1971 . . . . .	2,750,000
March 15, 1965 . . . . .	2,000,000	September 15, 1971 . . . . .	2,750,000
September 15, 1965 . . . . .	2,000,000	March 15, 1972 . . . . .	2,750,000
March 15, 1966 . . . . .	2,000,000	September 15, 1972 . . . . .	2,750,000
September 15, 1966 . . . . .	2,000,000	March 15, 1973 . . . . .	2,750,000
March 15, 1967 . . . . .	2,000,000	September 15, 1973 . . . . .	2,750,000
September 15, 1967 . . . . .	2,000,000	March 15, 1974 . . . . .	2,750,000
March 15, 1968 . . . . .	2,000,000	September 15, 1974 . . . . .	2,750,000

\* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.02), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than 3 years before maturity . . . . .	½ of 1%
More than 3 years but not more than 6 years before maturity . . . . .	2%
More than 6 years but not more than 11 years before maturity . . . . .	3 ½%
More than 11 years but not more than 13 years before maturity . . . . .	5%
More than 13 years before maturity . . . . .	6%

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project consists of widening and deepening various sections of the Canal by dredging and other civil works, in order to achieve a depth which will permit vessels having a maximum draft at rest of 11.27 meters (37 feet) to pass through the canal, and to achieve in the cuts a ratio of 1 to 5 between the wet cross section of such vessels and the wet cross section of the Canal; improvements to Port Said harbor, in order to diminish congestion in the harbor, including dredging the channel, removal of existing islands and part of the existing internal breakwater, and the provision of navigational aids and deep-sea quays in order to berth passenger and cargo ships; provision of buildings and other civil works including a research laboratory and berths along the Canal for mooring

the Borrower's floating equipment; the purchase of construction, operation and maintenance equipment, including a floating dock, dredges, tugs, barges, cranes, launches and other vessels, machine tools and office, telecommunications, electrical and other equipment, in order to replace obsolescent equipment and to meet future requirements.

### SCHEDULE 3

#### MODIFICATION OF THE LOAN REGULATIONS

For the purposes of this Agreement the provisions of Loan Regulations No. 4 of the Bank, dated June 15, 1956, shall be deemed to be modified as follows :

(a) Section 2.02 is deleted.

(b) Sub-section (j) of Section 5.02 is amended to read as follows :

“(j) (i) If the amounts available pursuant to paragraphs (a) and (b) of Section 5.07 of the Loan Agreement during any semi-annual period are insufficient to meet in full the principal, interest and other charges payable during such period on the Loan and the Bonds.

“(ii) If the National Assembly of the Guarantor shall disapprove, in accordance with Article 53 of the Provisional Constitution of the Guarantor, Law No. 263 of 1959 or Decision No. 2122 of 1959.”

(c) Paragraph 6 of Section 10.01 is amended to read as follows :

“The term ‘Guarantor’ means the United Arab Republic.”

(d) Paragraph 14 of Section 10.01 is amended to read as follows :

“14. The term ‘external debt’ means any debt payable in any medium other than currency of the Guarantor, whether such debt is or may become payable absolutely or at the option of the creditor in such other medium.”