

**No. 10958**

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**INTERNATIONAL DEVELOPMENT ASSOCIATION  
and  
UNITED ARAB REPUBLIC**

**Development Credit Agreement—*Nile Delta Drainage Project* (with annexed General Conditions Applicable to Development Credit Agreements). Signed at Washington on 17 April 1970**

*Authentic text: English.*

*Registered by the International Development Association on 26 February 1971.*

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**ASSOCIATION INTERNATIONALE  
DE DÉVELOPPEMENT**

**et**

**RÉPUBLIQUE ARABE UNIE**

**Contrat de crédit de développement — *Projet de drainage du delta du Nil* (avec, en annexe, les Conditions générales applicables aux contrats de crédit de développement). Signé à Washington le 17 avril 1970**

*Texte authentique : anglais.*

*Enregistré par l'Association internationale de développement le 26 février 1971.*

## DEVELOPMENT CREDIT AGREEMENT<sup>1</sup>

AGREEMENT, dated April 17, 1970 between UNITED ARAB REPUBLIC (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

### *Article I*

#### GENERAL CONDITIONS; DEFINITIONS

*Section 1.01.* The parties to this Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association dated January 31, 1969,<sup>2</sup> with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Development Credit Agreements of the Association being hereinafter called the General Conditions).

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

### *Article II*

#### THE CREDIT

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

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

(b) The amount of the Credit may be withdrawn from the Credit Account as provided in, and subject to the rights of cancellation and suspen-

<sup>1</sup> Came into force on 22 December 1970, upon notification by the Association to the Government of the United Arab Republic.

<sup>2</sup> See p. 184 of this volume.

sion set forth in, this Development Credit Agreement and in accordance with the allocation of the proceeds of the Credit set forth in Schedule 1 to this Agreement, as such allocation shall be modified from time to time pursuant to the provisions of such Schedule or by further agreement between the Borrower and the Association.

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

- (i) such amounts as shall have been paid (or, if the Association shall so agree, shall be required to meet payments to be made) for goods or services included in Categories I to VII (a) of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement;
- (ii) the equivalent of sixty-five per cent (65%) of the invoiced price of such goods included in Category VII (b) of said allocation of the proceeds of the Credit as shall have been manufactured in the territories of the Borrower from imported components or raw materials, which percentage represents the estimated foreign exchange component of the cost of such goods;

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

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

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

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

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

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

### Article III

#### USE OF PROCEEDS OF THE CREDIT

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

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

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

### Article IV

#### PARTICULAR COVENANTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

serve the Drainage Project Authority or contractors employed for the Project in the field for which they were trained, for a period of at least two years after completion of such training.

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

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

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

### Article V

#### REMEDIES OF THE ASSOCIATION

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

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

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

*Article VI*

## EFFECTIVE DATE; TERMINATION

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

*Section 6.02.* The date of July 14, 1970 is hereby specified for the purposes of Section 10.04 of the General Conditions.

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

*Article VII*

## MISCELLANEOUS

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

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

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

For the Borrower:

Ministry of Economy and Foreign Trade  
Lazoughly  
Cairo, United Arab Republic  
Alternative address for cables:

Ecotrade  
Cairo

For the Association:

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

Alternative address for cables:

Indevas  
Washington, D.C.

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

United Arab Republic:

By A. GHORBAL  
Authorized Representative

International Development Association:

By J. BURKE KNAPP  
Vice President

#### SCHEDULE 1

#### ALLOCATION OF PROCEEDS OF CREDIT

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

#### REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the cost of the items included in any of the Categories I to VII shall decrease, the amount of the Credit then allocated to, and no longer required for, such Category will be reallocated by the Association to Category VIII.

2. If the estimate of the cost of the items included in any of the Categories I to VII (a) shall increase, an amount equal to the portion, if any, of such increase to be financed out of the proceeds of the Credit (or, in the case of Category VII (b) an amount equal to 65% of such increase) will be allocated by the Association, at the request of the Borrower, to such Category from Category VIII, subject, however, to the requirements for contingencies, as determined by the Association, in respect of the cost of the items in the other Categories.

## SCHEDULE 2

### DESCRIPTION OF PROJECT

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

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

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

## SCHEDULE 3

### SUPPLEMENTARY PROCUREMENT PROCEDURES

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

- (a) If bidders are to be pre-qualified, a description of the pre-qualification procedure, a list of pre-qualified bidders and the recommendations and comments of the Drainage Project Authority will be submitted to the Association for approval.

- (b) Before invitations to bid are issued, a copy of such invitations, draft forms of contract, specifications and all other bidding documents, together with a complete description of the international advertising procedures to be used, will be submitted to the Association for approval.
- (c) Contracts shall include appropriate clauses for the provision of (including payment for) a sufficient number of fully experienced technical personnel to supervise the assembly and maintenance of the equipment in the Project area and to train the operators of such equipment. The required number of personnel shall be made available for field maintenance duties in the Project area on the machinery and vehicles supplied from the dates of delivery to the construction contractors until the completion of their use on the Project; or in the case of pump station equipment, from the start of installation until a six-month training period for operating staff has been completed after the commissioning of each installation.
- (d) After bids have been received and analyzed and before a contract is awarded or a letter of intent is issued, a copy of the analysis of bids together with the recommendations of the Drainage Project Authority and the proposals for the award stating the reasons for such proposals will be submitted to the Association for approval.
- (e) If the proposed final contract is to differ substantially from the terms and conditions contained in the documents approved by the Association under (b) above, a copy of the text of the proposed changes will be submitted to the Association for approval before the signature of the contract.
- (f) Promptly after the signature of each contract, two conformed copies thereof will be sent to the Association.
- (g) If during the term of a contract there is any change or addition which is in excess of 10% of the original value of such contract, a copy of the proposed amendment to the contract, or variation order thereunder, will be submitted to the Association for its approval.

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

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

- (a) All applicable customs duties and similar taxes shall first be deducted from the total cost submitted by such foreign manufacturer;
- (b) The portion of such cost representing the c.i.f. landed price of the goods shall then be increased by 15% thereof or the actual rate of such duties and taxes, whichever is lower;

- (c) The resulting figure plus the portion of such cost representing inland freight, insurance and other costs of delivery of the goods to the site of use in the Project, shall be deemed to be the price of the foreign bid;
- (d) The ex-factory price of the goods offered by a competing local manufacturer plus inland freight, insurance and other costs of delivery to the site of use in the Project shall be deemed to be the price of the local manufacturer's bid.
- (e) If the price of the local manufacturer's bid is equal to or lower than the price of the foreign bid, and other terms and conditions are satisfactory, then the local manufacturer's bid will be considered the lowest evaluated bid.

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS

[*Not published herein. See United Nations, Treaty Series, vol. 703, p. 244.*]