

No. 11998

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**INTERNATIONAL DEVELOPMENT ASSOCIATION  
and  
EGYPT**

**Development Credit Agreement—*Railways Project* (with  
schedules and General Conditions Applicable to De-  
velopment Credit Agreements). Signed at Washington  
on 9 February 1972**

*Authentic text: English.*

*Registered by the International Development Association on 26 September  
1972.*

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**ASSOCIATION INTERNATIONALE  
DE DÉVELOPPEMENT  
et  
ÉGYPTE**

**Contrat de crédit de développement — *Projet relatif aux  
chemins de fer* (avec annexes et Conditions générales  
applicables aux contrats de crédit de développement).  
Signé à Washington le 9 février 1972**

*Texte authentique : anglais.*

*Enregistré par l'Association internationale de développement le 26 septem-  
bre 1972.*

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

AGREEMENT, dated February 9, 1972, between ARAB REPUBLIC OF EGYPT (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS (A) The Borrower has requested the Association to assist in the financing of the foreign exchange cost of the Project described in Schedule 2 to this Agreement by extending the Credit as hereinafter provided;

(B) The Project will be carried out by Egyptian Railways Organization (hereinafter called ER) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to ER the proceeds of the Credit as hereinafter provided; and

(C) The Association is willing to make the Credit available upon the terms and conditions set forth hereinafter and in a project agreement of even date herewith<sup>2</sup> between the Association and ER;

NOW THEREFORE the parties hereto hereby agree as follows:

### *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>3</sup> with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said General Conditions Applicable to Development Credit Agreements of the Association, as so modified, being hereinafter called the General Conditions):

(a) Section 5.01 is deleted;

<sup>1</sup> Came into force on 17 July 1972, upon notification by the Association to the Government of Egypt.

<sup>2</sup> The said Agreement entered into force on 17 July 1972. As it does not constitute an international agreement or a part of the present Agreement, it is not reproduced herein. However, it was published by the Association as document CN 284 UAR, a certified true copy of which was transmitted to the Secretariat together with the documentation submitted for registration of the present Development Credit Agreement.

<sup>3</sup> See p. 96 of this volume.

(b) Section 6.02 (h) is deleted and Section 6.02 (i) becomes 6.02 (h);

(c) The following subparagraph is added to Section 2.01:

“13. The term Project Agreement shall have the meaning set forth in the Development Credit Agreement.”; and

(d) Section 8.02 is amended by inserting the words “or under the Project Agreement” after the words “the Development Credit Agreement”.

*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 following additional terms have the following meanings:

(a) “Project Agreement” means the agreement between the Association and ER of even date herewith, as the same may be amended from time to time;

(b) “Subsidiary Loan Agreement” means the agreement to be entered into between the Borrower and ER pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time;

(c) “ER” means Egyptian Railways Organization as constituted by the Presidential Act No. 366 of 1956 of the Borrower;

(d) “Railway Investment Program” means the proposed investment program of ER for fiscal years 1972 to 1976 estimated to cost about £E137 million as described in Schedule 3 hereto and as such Schedule may from time to time be amended in accordance with Section 4.02 of this Agreement;

(e) “fiscal year” means the period of 12 months commencing on July 1 of the previous year and ending on June 30 of the indicated year; and

(f) “Egyptian Pound” and the letter and sign “£E” mean pounds in the currency of the Borrower.

## *Article II*

### THE CREDIT

*Section 2.01.* The Association agrees to lend to the Borrower, on the terms and conditions in the Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to thirty million dollars (\$30,000,000).

*Section 2.02.* The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule shall be amended from time to time, for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed under the Development Credit Agreement; provided, however, that, except as the Association shall otherwise agree, no withdrawal shall be made on account of expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in, or services supplied from, such territories.

*Section 2.03.* The Closing Date shall be: (i) with respect to amounts for the Project other than for signalling and telecommunications equipment and installation, December 31, 1973, and (ii) with respect to amounts for signalling and telecommunications equipment and installation included in the Project, September 30, 1976, or such other date or dates as shall be agreed between the Borrower and the Association.

*Section 2.04.* 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 2.05.* Service charges shall be payable semi-annually on May 15 and November 15 in each year.

*Section 2.06.* The Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each May 15 and November 15 commencing May 15, 1982 and ending November 15, 2021, each installment to and including the installment payable on November 15, 1991 to be one-half of one per cent ( $\frac{1}{2}$  of 1%) of such principal amount, and each installment thereafter to be one and one-half per cent ( $1\frac{1}{2}\%$ ) of such principal amount.

*Section 2.07.* The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

*Section 2.08.* The Chairman of the Board of ER is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

*Article III*

## EXECUTION OF THE PROJECT

*Section 3.01.* (a) The Borrower shall cause ER to carry out the Project with due diligence and efficiency in accordance with the Project Agreement, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) The Borrower shall relend the proceeds of the Credit to ER under a subsidiary loan agreement to be entered into between the Borrower and ER for a period of about 20 years including about 4 years of grace at an interest rate of four and one-half per cent ( $4\frac{1}{2}\%$ ) per annum and under such other terms and conditions as shall be satisfactory to the Association.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and except as the Borrower and the Association shall otherwise agree, the Borrower shall not assign, nor amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

(d) The Borrower shall take and shall cause all its agencies to take all action which shall be necessary on their part to enable ER to perform all of its obligations under the Project Agreement and the Subsidiary Loan Agreement and shall not take or permit to be taken any action which might interfere with such performance.

*Section 3.02.* (a) Except as the Association shall otherwise agree, the goods and services required for the Project and to be financed out of the proceeds of the Credit shall be procured pursuant to the provisions set forth or referred to in Section 2.02 (a) of the Project Agreement.

(b) Except as the Association shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Credit to be used exclusively for the Project.

*Section 3.03.* (a) The Borrower shall cause to be furnished to the Association, promptly upon their preparation, the plans, specifications and work schedules for the Project and contract documents for goods and services to be financed out of the proceeds of the Credit, and any material modifications or amplifications thereof, in such detail as the Association shall reasonably request.

(b) The Borrower shall or shall cause ER to: (i) maintain records adequate to record the progress of the Project (including the cost thereof) and to identify the goods and services financed out of the proceeds of the Credit, and to disclose the use thereof in the Project; (ii) enable the Association's representatives to inspect the Project, the goods financed out of the proceeds of the Credit and any relevant records and documents; and (iii) furnish to the Association all such information as the Association shall reasonably request concerning the Project, the expenditure of the proceeds of the Credit and the goods and services financed out of such proceeds.

#### *Article IV*

##### OTHER COVENANTS

*Section 4.01.* The Borrower shall, within six months after the date of this Agreement, make satisfactory arrangements for the mutual settlement and payment of outstanding dues and unpaid balances of debts existing between ER on the one hand and departments, agencies and public undertakings of the Borrower on the other.

*Section 4.02.* (a) The Borrower shall take or cause to be taken all action necessary to ensure that: (i) no substantial changes are made in the Railway Investment Program except by agreement between the Borrower, the Association and ER, and (ii) ER shall be provided, promptly as needed, with funds, facilities, services and other resources required for the said purpose.

(b) For the purposes of paragraph (a) hereof, a change shall be considered substantial when it shall involve either increases or decreases of more than twenty per cent (20%) in the estimated costs of any of the groups of expenditures set forth in the annex to Schedule 3 hereto.

*Section 4.03.* (a) The Borrower shall take all action necessary to ensure that all outstanding loans made by the Borrower to ER are converted, not later than March 31, 1972, into capital investment of the Borrower in ER; provided that there shall not be included in any such loans any obligations resulting from payments of principal or interest to foreign suppliers or parties.

(b) The Borrower agrees: (i) that ER shall pay out of its gross profits to the Borrower on all of the Borrower's capital investment in ER only a fixed return at the rate of 2% per annum on a cumulative basis if necessary, or such other rate as the Borrower shall decide upon in consultation with ER;

and (ii) to permit ER in any case both to internally generate funds and utilize them in accordance with Section 4.03 of the Project Agreement.

*Section 4.04.* Except as the Association and the Borrower shall otherwise agree, the Borrower shall, by December 31, 1972, establish and maintain facilities and procedures adequate to collect, record and analyze, in accordance with appropriate methods, such data relating to traffic and costs of transport by different modes of transportation as is required for the formulation of overall transport policy and the making of sound decisions for future investments in the transportation sector.

### Article V

#### CONSULTATION, INFORMATION AND INSPECTION

*Section 5.01.* The Borrower and the Association shall cooperate fully to assure 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:

- (a) exchange views through their representatives with regard to the performance of their respective obligations under the Development Credit Agreement, the performance by ER of its obligations under the Project Agreement, the administration, operations and financial condition of ER and other matters relating to the purposes of the Credit; and
- (b) furnish to the other all such information as it shall reasonably request with regard to the general status of the Credit. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower, including its balance of payments, and the external debt of the Borrower and of any agency of the Borrower.

*Section 5.02.* (a) The Borrower shall furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the operations and financial condition of ER.

(b) 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, the performance by the Borrower of its other obligations under the Development Credit Agreement or the performance by ER of its obligations under the Project Agreement and the Subsidiary Loan Agreement.

*Section 5.03.* The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to inspect all plants, sites, works, property and equipment and any relevant records and documents of ER and to visit any part of the territories of the Borrower for purposes related to the Credit.

## *Article VI*

### TAXES AND RESTRICTIONS

*Section 6.01.* The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes imposed under the laws of the Borrower or laws in effect in its territories.

*Section 6.02.* The Development Credit Agreement and the Project Agreement shall be free from any taxes on or in connection with the execution, delivery or registration thereof, imposed under the laws of the Borrower or laws in effect in its territories.

*Section 6.03.* The payment of the principal of, and service charges on, the Credit shall be free from all restrictions, regulations, controls and moratoria of any nature imposed under the laws of the Borrower or laws in effect in its territories.

## *Article VII*

### REMEDIES OF THE ASSOCIATION

*Section 7.01.* If any event specified in Section 7.01 of the General Conditions or in Section 7.03 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 and service charges shall become due and payable immediately, anything to the contrary in the Development Credit Agreement notwithstanding.

*Section 7.02.* For the purposes of Section 6.02 of the General Conditions, the following additional events are specified:

(a) ER shall have failed to perform any covenant, agreement or obligation of ER under the Project Agreement.

(b) A default shall have occurred in the performance of any covenant, agreement or obligation on the part of the Borrower or ER under the Subsidiary Loan Agreement.



(c) Presidential Act No. 366 of 1956 of the Borrower shall have been amended, suspended, abrogated, repealed or waived in such a way as to materially and adversely affect the ability of ER to carry out the covenants, agreements and obligations set forth in the Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of ER or for the suspension of its operations.

(e) ER shall have become unable to pay its debts as they mature or any action or proceeding shall have been taken by ER or by others whereby any of the property of ER shall or may be distributed among its creditors and such event shall continue for a period of thirty days after notice thereof shall have been given by the Association to the Borrower.

(f) An extraordinary situation shall have arisen which shall make it improbable that ER will be able to perform its obligations under the Project Agreement.

*Section 7.03.* For the purposes of Section 7.01 of the General Conditions, the following additional events are specified:

(a) The event specified in Section 7.02 (a) or (b) of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower and ER.

(b) The event specified in Section 7.02 (c), (d) or (e) of this Agreement shall have occurred.

### *Article VIII*

#### EFFECTIVE DATE; TERMINATION

*Section 8.01.* The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 10.01 (b) of the General Conditions:

(a) That the Project Agreement has been duly executed and delivered on behalf of ER or ratified by all necessary corporate and governmental action;

(b) That the Subsidiary Loan Agreement has been duly executed and delivered on behalf of the Borrower and ER, respectively, or ratified by all necessary corporate and governmental action.

*Section 8.02.* The following are specified as additional matters, within the meaning of Section 10.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

- (a) That the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, ER, and constitutes a valid and binding obligation of ER in accordance with its terms;
- (b) That the Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and ER, respectively, and constitutes a valid and binding obligation of the Borrower and ER in accordance with its terms.

*Section 8.03.* The date May 10, 1972 is hereby specified for the purposes of Section 10.04 of the General Conditions.

*Section 8.04.* The obligations of the Borrower under Sections 4.02, 4.03 and 4.04 of this Agreement and the provisions of paragraph (e) of Section 7.02 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on a date twenty years after the date of this Agreement, whichever shall be the earlier.

### *Article IX*

#### REPRESENTATIVE OF THE BORROWER; ADDRESSES

*Section 9.01.* 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 9.02.* 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  
Arab Republic of Egypt

Cable address:

Ecotrade  
Cairo

For the Association:

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

Cable address:

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.

Arab Republic of Egypt:

By YOUSSEF SHARARA  
Authorized Representative

International Development Association:

By J. BURKE KNAPP  
Vice President

## SCHEDULE 1

### WITHDRAWAL OF THE PROCEEDS OF THE CREDIT

1. The table below sets forth the categories of goods and services provided from abroad financed out of the proceeds of the Credit and the allocation of amounts of the Credit to each category:

<i>Category</i>	<i>Amount of the Credit Allocated (Expressed in Dollar Equivalent)</i>
I. Signalling and telecommunications equipment and installation .....	7,600,000
II. Track materials .....	13,300,000
III. 18 diesel locomotives (2,200 hp) and spare parts therefor .....	6,500,000
IV. Air brake equipment .....	400,000
V. Spare parts for ER's present fleet of locomotives and railcars .....	1,200,000
VI. Consultants' services .....	100,000
VII. Training abroad for ER's key personnel .....	25,000
VIII. Unallocated .....	875,000
TOTAL	<u>30,000,000</u>

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

- (a) expenditures in currency of the Borrower, or for goods produced in, or services supplied from, the territories of the Borrower;
- (b) expenditures prior to the date of this Agreement; and
- (c) payments for taxes imposed under the laws of the Borrower or laws in effect in its territories on goods or services, or on the importation, manufacture, procurement or supply thereof.

3. Notwithstanding the allocation of an amount of the Credit set forth in the second column of the table in paragraph 1 above:

- (a) if the estimate of the expenditures under any Category shall decrease, the amount of the Credit then allocated to such Category and no longer required therefor will be reallocated by the Association by increasing correspondingly the unallocated amount of the Credit;
- (b) if the estimate of the expenditures under any Category shall increase, a corresponding amount will be allocated by the Association, at the request of the Borrower, to such Category from the unallocated amount of the Credit, subject, however, to the requirements for contingencies, as determined by the Association, in respect of any other expenditures.

## SCHEDULE 2

### DESCRIPTION OF THE PROJECT

The Project, which forms the first phase of the Railway Investment Program, consists of all investments to be made in accordance with the said Program in the fiscal years 1972 and 1973, the complete installation in the fiscal years 1972 to 1976 of electric signalling, interlocking and automatic block, and centralized traffic control, estimated to require the expenditure of about £E58,000,000, including contingencies. The Project consists of the following Parts, the estimated expenditures on each of which are set forth in the Annex hereto:

(A) Complete installation of electric signalling, interlocking and automatic block on Cairo/Kobri El Leimoun–El Marg–Gabal El Asfar and Cairo–Giza and Ausim sections and of Centralized Traffic Control on the Sohag–Nag Hammadi sections (including necessary track modifications).

(B) Completion of the already commenced work on the installation of electric signalling, interlocking and automatic block on Cairo-Qualyub section and the commencement of work for electric signalling, interlocking and automatic block on Qualyub-Benha section modification of mechanical signalling installations and introduction of token-less block in some sections; and installation of automatic telephone system on ER's system.

(C) Relaying of about 400 km of track with 52 kg/m rails and about 100 km of track with reconditioned rails (about 260 km on main lines in Upper Egypt, about 160 km on main lines in Lower Egypt and about 80 km on other lines in the Delta); acquisition of mechanized track laying and maintenance equipment; and stabilization of embankments, and construction/renewal of buildings and structures.

(D) Acquisition of 18 diesel locomotives of 2,200 hp, 25 diesel locomotives of 1,000 hp, 25 electric rail car sets, together with spare parts for all preceding items, 5 breakdown cranes or other rerailling equipment, about 270 passenger coaches and about 300 freight cars; installation of air brakes on about 400 freight cars, and improvement in train lighting.

(E) Modernization or construction of marshalling yards, including the new central marshalling yard at Qualyub or Ausim; remodelling of station facilities and yards.

(F) Reconstruction of workshops for passenger coaches at Bulaq and for freight cars at Gabal el Zeitoun; modernization of the locomotive workshop at Bulaq and other workshops; reconstruction and improvement of running sheds for passenger coaches at Abu Ghatia and for rail cars at Kobri El Leimoun; and the construction of a new running shed for diesel rail cars at El Farz.

(G) Acquisition of road vehicles, reorganization of stores facilities and augmentation of stocks of essential stores including spares, improvement of electric power supply on the Helewan line, training center facilities, training abroad of key personnel of ER, and employment of consultants for the introduction in ER of costing procedures.

The Project is expected to be completed by June 30, 1973 (except for Part A, which is expected to be completed by June 30, 1976).

#### ANNEX TO SCHEDULE 2

##### *Estimated expenditure for each Part of the Project*

<i>Part</i>	<i>£E million</i>
A .....	5.9
B .....	1.8

<i>Part</i>	<i>£E million</i>
C .....	16.6
D .....	22.5
E .....	2.4
F .....	3.1
G .....	3.4
Contingencies .....	<u>1.9</u>
	TOTAL
	<u>57.6</u>

### SCHEDULE 3

#### DESCRIPTION OF RAILWAY INVESTMENT PROGRAM

The Railway Investment Program to be implemented during fiscal years 1972 to 1976, estimated to require the expenditure of about £E137,000,000 including contingencies, consists of the following Parts, the estimated expenditure on each of which is set forth in the Annex hereto:

- A. *Way and structure renewals and improvements:* relaying of about 1,000 km track on main lines with 52 kg/m rail and about 250 km track with reconditioned rails; acquisition of mechanical track laying and maintenance equipment; stabilization of embankments; and construction and/or renewal of buildings and structures.
- B. *Increase in station and line capacities:* modernization of marshalling yards, including construction of new central marshalling yard at Qualyub or Ausim; remodelling of station facilities and yards.
- C. *Motive power and rolling stock:* acquisition of 45 diesel locomotives of 2,200 hp, 25 diesel locomotives of 1,000 hp, 25 diesel locomotives of 400 hp, 25 electric rail car sets, 5 breakdown cranes or other rerailling equipment, about 1,940 freight cars and about 730 passenger coaches; installation of air brakes on about 1,000 freight cars, and improvement in train lighting.
- D. *Modernization of workshops and sheds:* reconstruction of workshops for passenger coaches at Bulaq and for freight cars at Gabal el Zeitoun; modernization of locomotive workshops at Bulaq and other workshops; reconstruction and improvement of running sheds for passenger coaches at Abu Ghatis and for rail cars at Kobri El Leimoun; and the construction of a new running shed for diesel rail cars at El Farz.

- E. *Signalling and telecommunication*: completion of installation of automatic telephone system, completion of electric signalling and automatic block on the Cairo–Qualyub section; installation of electric signalling and automatic block on the Cairo/Kobri El Leimoun–El Marg–Gabl El Asfar, Cairo–Giza and Ausim, Qualyub–Benha and Alexandria–Sidi Gaber, and of Centralized Traffic Control on the Sohag–Nag Hammadi sections (including necessary modification of track); modification of mechanical signalling installations and introduction of token-less block on some sections.
- F. *Miscellaneous*: acquisition of road vehicles, reorganization of stores facilities and augmentation of stock of essential stores including spares, improvement of electric power supply on the Helewan line, training center facilities, training abroad of key personnel of ER, and the employment of consultants for the introduction of costing procedures in ER.

## ANNEX TO SCHEDULE 3

*Estimated expenditure for each Part  
of the Railway Investment Program*

<i>Part</i>	<i>£E million</i>
A .....	41.4
B .....	9.7
C .....	53.0
D .....	7.8
E .....	9.6
F .....	6.3
Contingencies .....	9.2
	<u>TOTAL 137.0</u>

## 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.]