

**No. 14980**

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**UNITED STATES OF AMERICA  
and  
SYRIAN ARAB REPUBLIC**

**Loan Agreement—*Damascus Water System* (with annex).  
Signed at Damascus on 30 June 1975**

*Authentic text: English.*

*Registered by the United States of America on 19 August 1976.*

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**ÉTATS-UNIS D'AMÉRIQUE  
et  
RÉPUBLIQUE ARABE SYRIENNE**

**Accord de prêt—*Système de distribution des eaux à Damas*  
(avec annexe). Signé à Damas le 30 juin 1975**

*Texte authentique : anglais.*

*Enregistré par les États-Unis d'Amérique le 19 août 1976.*

## LOAN AGREEMENT<sup>1</sup> BETWEEN SYRIAN ARAB REPUBLIC AND THE UNITED STATES OF AMERICA—DAMASCUS WATER SYSTEM

LOAN AGREEMENT dated the 30th day of June 1975, between the SYRIAN ARAB REPUBLIC (“the Borrower”) and the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT (“A.I.D.”)

### *Article I. THE LOAN*

*Section 1.01.* THE LOAN. A.I.D. agrees to lend to the Borrower pursuant to the Foreign Assistance Act of 1961, as amended, an amount not to exceed forty-eight million United States dollars (\$48,000,000) (the “Loan”) for the foreign exchange costs of goods and services required for construction of a portion of the Damascus water system (“the Project”). Goods and services authorized to be financed hereunder are hereinafter referred to as “Eligible Items”. The aggregate amount of disbursements under the Loan is hereinafter referred to as “Principal”.

*Section 1.02.* THE PROJECT. The Project financed hereunder shall consist of construction of a domestic water supply distribution system for a portion of the City of Damascus all as described in Annex I (Project Description) attached hereto and made a part hereof. Such Annex I may be modified by the parties hereto in writing consistent with the terms of this Agreement.

### *Article II. LOAN TERMS*

*Section 2.01.* INTEREST. The Borrower shall pay to A.I.D. interest which shall accrue at the rate of two per cent (2%) per annum for ten years following the date of the first disbursement hereunder and at the rate of three per cent (3%) per annum thereafter on the outstanding balance of Principal and on any due and unpaid interest. Interest on the outstanding balance shall accrue from the date of each respective disbursement (as such date is defined in Section 5.03) and shall be computed on the basis of a 365-day year. Interest shall be payable semi-annually. The first payment of interest shall be due and payable no later than six (6) months after the first disbursement hereunder, on a date to be indicated by A.I.D.

*Section 2.02.* REPAYMENT. The Borrower shall repay the Principal to A.I.D. within forty (40) years from the date of the first disbursement hereunder in sixty-one (61) approximately equal semi-annual installments of Principal and interest. The first installment of Principal shall be payable nine and one-half (9-½) years after the date on which the first interest payment is due in accordance with Section 2.01. A.I.D. shall provide the Borrower with an amortization schedule in accordance with this Section after the final disbursement under the Loan.

*Section 2.03.* APPLICATION, CURRENCY AND PLACE OF PAYMENT. All payments of interest and Principal hereunder shall be made in United States dollars and shall be applied first to the payment of interest due and then to the repayment of Principal. Except as the Borrower and A.I.D. may otherwise specify in writing, all such payments shall be made to the Controller, Agency for International Development, Washington, D.C., U.S.A., and shall be deemed made when received by the Office of the Controller.

<sup>1</sup> Came into force on 30 June 1975 by signature.

*Section 2.04. PREPAYMENT.* Upon payment of all interest and refunds then due, the Borrower may prepay, without penalty, all or any part of the Principal. Any such prepayment shall be applied to the installments of Principal in the inverse order of their maturity.

*Section 2.05. RENEGOTIATION OF THE TERMS OF THE LOAN.* The Borrower agrees to negotiate with A.I.D., at such time or times as A.I.D. may request, an acceleration of the repayment of the Loan in the event that there is any significant improvement in the internal and external economic and financial position and prospects of the country of the Borrower.

### *Article III. CONDITIONS PRECEDENT TO DISBURSEMENT*

*Section 3.01. CONDITIONS PRECEDENT TO INITIAL DISBURSEMENT.* Prior to the initial disbursement or to the issuance of the initial Letter of Commitment or other authorization of disbursement under the Loan, the Borrower shall, except as A.I.D. and the Borrower may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

- (a) an opinion or opinions of the State Council of the Syrian Arab Republic that this Agreement has been duly authorized and/or ratified by and executed on behalf of the Borrower and that it constitutes a valid and legally binding obligation of the Borrower in accordance with all of its terms;
- (b) a statement of the names of the persons holding or acting in the office of the Borrower specified in Section 8.02 and a specimen signature of each person specified in such statement;
- (c) an arrangement between the Borrower and EPEF, pursuant to which the proceeds of this Loan are made available by the Borrower to EPEF for the Project, either by relending or other suitable arrangements;
- (d) final design and bid documents for the Project prepared by the engineering consultant designing the entire expansion plan for the Damascus water distribution network; and
- (e) a signed contract with a United States architectural and engineering consultant for services to review EPEF tender documents and specifications related to the Project and to adapt them as necessary for U.S. supply of goods, to assist in bidding and awarding of the construction contract and to supervise the construction contractor.

*Section 3.02. CONDITIONS PRECEDENT TO DISBURSEMENT FOR CONSTRUCTION GOODS OR SERVICES.* Except as the Borrower and A.I.D. may agree in writing, prior to the first disbursement for construction goods or services Borrower shall furnish or cause to be furnished to A.I.D., in form and substance satisfactory to A.I.D.:

- (a) a signed contract with a United States construction contractor for construction goods and services required for the Project;
- (b) evidence that all rights to install the water distribution network for the Project have been secured or are available to EPEF as a public utility, and
- (c) a signed contract for construction of the water transmission tunnel generally referred to as Part I of the overall Damascus water supply expansion project. (See Annex I attached hereto.)

*Section 3.03. TERMINAL DATE FOR MEETING CONDITIONS PRECEDENT TO INITIAL DISBURSEMENT.* If all the conditions specified in Section 3.01 (a) and (b) shall not have been met within ninety (90) days or those of Section 3.01 (c), (d) and (e) within one hundred fifty (150) days after the date of this Agreement or such later date

as A.I.D. and the Borrower may agree to in writing, A.I.D., at its option, may terminate this Agreement by giving written notice to the Borrower. In the event of a termination hereunder, this Agreement and all obligations of the parties hereunder shall terminate, provided, if A.I.D. shall have disbursed any funds in advance of said conditions being met, upon the giving of notice, the Borrower shall immediately repay the Principal then outstanding and shall pay any accrued interest.

*Section 3.04. TERMINAL DATE FOR MEETING ALL CONDITIONS PRECEDENT.* If all of the conditions specified in Sections 3.01 and 3.02 shall not have been met within one year after the date of this Agreement or such later date as A.I.D. and the Borrower may agree to in writing, A.I.D., at its option, may terminate this Agreement by giving written notice to the Borrower. In the event of a termination hereunder, this Agreement and all obligations of the parties hereunder shall terminate, provided, if A.I.D. shall have disbursed any funds in advance of said conditions being met, upon the giving of notice, the Borrower shall immediately repay the Principal then outstanding and shall pay any accrued interest.

*Section 3.05. NOTIFICATION OF MEETING CONDITIONS PRECEDENT TO DISBURSEMENT.* A.I.D. shall notify the Borrower upon determination by A.I.D. that the conditions precedent to disbursement specified in Sections 3.01 and 3.02 or any subsections thereof have been met.

#### *Article IV. PROCUREMENT*

*Section 4.01. SOURCE OF PROCUREMENT.* Except as Borrower and A.I.D. may otherwise agree in writing, the source and origin of goods and services financed hereunder will be in the United States of America.

*Section 4.02. ELIGIBILITY DATE.* Except as the Borrower and A.I.D. may otherwise agree in writing, no goods or services may be financed by A.I.D. hereunder which are procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Agreement.

*Section 4.03. PLANS, SPECIFICATIONS AND CONTRACTS.* (a) Except as the Borrower and A.I.D. may otherwise agree in writing:

- (1) the Borrower will furnish to A.I.D. upon preparation, any plans, specifications, construction schedules, bid documents, and contracts relating to the Project, and any modifications thereof, whether or not the goods and services to which they relate are financed by A.I.D.;
- (2) all of the plans, specifications, and construction schedules furnished pursuant to subsection (1) above shall be mutually approved by the parties hereto in writing;
- (3) any bid documents and documents related to the solicitation of proposals relating to goods and services financed by A.I.D. shall be in terms of United States standards and measurements and/or in terms of International Standards Organization standards and measurements (if United States manufactured goods are available according to ISO specifications and are appropriate to the Project);
- (4) the following contracts, if any, financed by A.I.D. hereunder shall be mutually approved by the parties hereto in writing prior to their execution:
  - (a) contracts for engineering and other professional services,
  - (b) contracts for construction services, and
  - (c) other contracts.

In the case of any of the above contracts for services, the parties hereto will also mutually approve in writing the contractor and key contractor personnel.

Substantial modifications in any of such contracts and changes in any of such personnel shall also be mutually approved by the parties hereto in writing prior to becoming effective.

(b) In the event consulting firms or construction contractors not financed by A.I.D. are used by the Borrower for the Project, A.I.D. shall be advised before execution of the contracts relating thereto regarding the scope of their services and supervisory personnel assigned to the Project. In the event A.I.D. believes such contracts may interfere with or otherwise affect the work financed hereunder, A.I.D. shall request consultation under Section 8.03 hereof.

(c) In exercising its approval function under this Section with respect to any documentation, A.I.D. shall approve or disapprove such documentation within thirty (30) days after receipt thereof. In the event A.I.D. shall fail to act within such time, Borrower shall request consultation under Section 8.03 hereof.

**Section 4.04. PROCEDURES.** Eligible Items will be procured on a fair and, except for consultants' services, on a competitive basis at reasonable prices (as measured against competitive international prices taking into consideration time of delivery, quality of goods, and the nature and location of the work), and, except as A.I.D. may otherwise agree in writing, in accordance with procedures set forth in A.I.D. *Handbook 11* as from time to time amended and in effect, which is hereby incorporated and made a part hereof. If any provision of A.I.D. *Handbook 11* is inconsistent with a provision of this Agreement, the provision of this Agreement shall govern.

**Section 4.05. THIRD COUNTRY NATIONALS ON CONSTRUCTION CONTRACTS.** Personnel performing on site construction services under construction contracts financed by A.I.D. shall be United States citizens or citizens or permanent residents of Syria, provided, however, that twenty percent (20%) of the personnel performing such services may be other than as described above.

**Section 4.06. SHIPPING AND INSURANCE.** (a) Goods financed under the Loan shall be transported to Syria on flag carriers of any country included in Code 935 of the A.I.D. *Geographic Code Book* as in effect at the time of shipment, provided,

- (1) at least fifty percent (50%) of the gross tonnage of all commodities (computed separately for dry bulk carriers, dry cargo liners and tankers) financed hereunder which may be transported on ocean vessels shall be transported on privately owned United States flag commercial vessels;
- (2) additionally, at least fifty per cent (50%) of the gross freight revenue generated by all shipments financed hereunder and transported to Syria on dry cargo liners shall be paid to or for the benefit of privately owned United States flag commercial vessels;
- (3) compliance with the requirements of (1) and (2) above must be achieved with respect to cargo transported from U.S. ports and also to cargo transported from non-U.S. ports, computed separately;
- (4) within ninety (90) days following the end of each calendar quarter, until project completion, or such other period as A.I.D. may indicate in writing, the Borrower shall furnish A.I.D. with a statement, in form and substance satisfactory to A.I.D., reporting on compliance with the requirements of this Section;
- (5) no such goods may be transported on any ocean vessel (or aircraft) which A.I.D., in a notice to the Borrower, has designated as ineligible to carry A.I.D.-financed goods or which has been chartered for the carriage of A.I.D.-financed goods unless such charter has been approved by A.I.D.

(b) If, in connection with the placement of marine insurance on shipments to be financed hereunder the Borrower, by statute, decree, rule, or regulation, favors any marine insurance company of any country over any marine insurance company authorized to do business in any state of the United States of America, goods procured from the United States and financed under the Loan shall, during the continuance of such favoritism, be insured against marine risk in the United States of America with a company or companies authorized to do a marine insurance business in any state of the United States of America.

(c) The Borrower shall insure, or cause to be insured, all goods financed under the Loan against risks incident to their transit to the point of their use. Such insurance shall be issued upon terms and conditions consistent with sound commercial practice, shall insure the full value of the goods, and shall be payable in the currency in which such goods were financed. Any indemnification received by the Borrower under such insurance shall be used to replace or repair any material damage or any loss of the goods insured or shall be used to reimburse the Borrower for the replacement or repair of such goods. Any such replacements shall have both their source and origin in the United States unless A.I.D. and the Borrower shall otherwise agree in writing and shall be otherwise subject to the provisions of this Agreement.

*Section 4.07. NOTIFICATION TO POTENTIAL SUPPLIERS.* In order that United States firms shall have the opportunity to participate in furnishing Eligible Items, the Borrower shall furnish to A.I.D. appropriate information with regard thereto at such time as A.I.D. may request in Implementation Letters.

*Section 4.08. INFORMATION AND MARKING.* The Borrower will cooperate with A.I.D. in its efforts to disseminate information concerning the Project and shall comply with such reasonable instructions with respect to the marking of Eligible Items as A.I.D. may issue from time to time.

*Section 4.09. U.S. GOVERNMENT-OWNED EXCESS PROPERTY.* Funds contributed by A.I.D. hereunder may be used to finance costs of obtaining for the Project reconditioned United States Government-owned excess property which is suitable for the Project and available on a timely basis, and the Borrower agrees to consider such utilization.

#### *Article V. DISBURSEMENTS*

*Section 5.01. DISBURSEMENTS FOR UNITED STATES DOLLAR COSTS—LETTERS OF COMMITMENT TO UNITED STATES BANKS.* Upon satisfaction of appropriate conditions precedent under Article III hereof, the Borrower may, from time to time, request A.I.D. to issue Letters of Commitment for specified amounts to one or more United States banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to the Borrower or any designee of the Borrower, through the use of Letters of Credit, or otherwise, for costs of Eligible Items procured in accordance with the terms and conditions of this Agreement. Payment by a bank to a contractor or supplier will be made by the bank upon presentation of such supporting documentation as A.I.D. may prescribe in Letters of Commitment and Implementation Letters. Banking charges incurred in connection with Letters of Commitment and Letters of Credit shall be for the account of the Borrower and may be financed under the Loan.

*Section 5.02. OTHER FORMS OF DISBURSEMENT.* Disbursements of the Loan may also be made through such other means and by such other procedures as the Borrower and A.I.D. may agree to in writing.

*Section 5.03. DATE OF DISBURSEMENT.* Disbursements by A.I.D. shall be deemed to occur, in the case of disbursements pursuant to Section 5.01, on the date on which A.I.D. makes a disbursement to the Borrower, to its designee, or to a banking institution pursuant to a Letter of Commitment. In the event of a disbursement under Section 5.02 hereof the date of disbursement shall be designated in the documentation by which the parties agree to such disbursement, provided, in the absence of such designation, the date of disbursement shall be the date upon which A.I.D. makes payment with respect to goods or services or delivers property into the control of the Borrower or its designee.

*Section 5.04. TERMINAL DATE FOR REQUESTS FOR LETTERS OF COMMITMENT.* Except as A.I.D. and the Borrower may otherwise agree in writing, no Letter of Commitment shall be issued in response to a request received after June 30, 1979.

*Section 5.05. TERMINAL DATE FOR DISBURSEMENT.* Except as A.I.D. and the Borrower may otherwise agree in writing, no disbursement of Loan funds shall be made against documentation submitted after June 30, 1980. A.I.D. may at any time or times thereafter reduce the amount of the funds made available hereunder by all or any part to the extent documentation for payment was not received by such date, in which case liability for payment for any goods and services not paid for will rest with the Borrower.

*Section 5.06. DOCUMENTATION REQUIREMENTS.* A.I.D. will specify by implementation letter in detail the documents required to substantiate disbursements under this Agreement by Letter of Commitment or other method of financing.

#### *Article VI. GENERAL REPRESENTATIONS AND WARRANTIES*

*Section 6.01. REPORTS.* Borrower shall furnish to A.I.D. such information and reports (in addition to those required under Section 4.06 hereof) relating to the goods and services financed by this Loan and the performance of Borrower's obligations under this Agreement as A.I.D. may reasonably request.

*Section 6.02. DISCLOSURE OF MATERIAL FACTS AND CIRCUMSTANCES.* The Borrower represents and warrants that all facts and circumstances that it has disclosed or caused to be disclosed to A.I.D. in the course of obtaining the Loan are accurate and complete, and that it has disclosed to A.I.D., accurately and completely, all facts and circumstances that might materially affect the Loan and the discharge of its obligation under this Agreement. The Borrower shall promptly inform A.I.D. of any facts and circumstances that may hereafter arise that materially affect, or that it is reasonable to believe might materially affect, this Loan, or the discharge of the Borrower's obligations under this Agreement.

*Section 6.03. TAXATION.* (a) This Agreement, the Loan and any evidence of indebtedness issued in connection herewith shall be free from, and the Principal and interest shall be paid without deduction for and be free from, any taxation or fees imposed under the laws in effect within the country of the Borrower.

(b) To the extent that (1) any contractor, including any consulting firm, any personnel of such contractor financed hereunder, and any property or transaction relating to the contract of such contractor and (2) any commodity procurement transaction financed hereunder, are subject to identifiable taxes, tariffs, duties or other levies imposed under laws in effect in the country of the Borrower, the Borrower shall refund the same if disbursement for such items has been made.

*Section 6.04. COMMISSIONS, FEES, AND OTHER PAYMENTS.* (a) Borrower represents and warrants that in connection with obtaining the Loan, or taking any

action under or with respect to this Agreement, it has not paid, and will not pay or agree to pay, nor to the best of its knowledge has there been paid nor will there be paid or agreed to be paid by any other person or entity, commissions, fees, or other payments of any kind, except as regular compensation to the Borrower's full-time officers and employees or as compensation for bona fide professional, technical or comparable services. The Borrower shall promptly report to A.I.D. any payment or agreement to pay for such bona fide professional, technical, or comparable services to which it is a party or of which it has knowledge (indicating whether such payment has been made or is to be made on a contingent basis), and if the amount of any such payment is deemed unreasonable by A.I.D., the same shall be adjusted in a manner satisfactory to A.I.D.

(b) The Borrower represents and warrants that no payments have been or will be received by the Borrower, or any official of the Borrower, in connection with the procurement of goods and services financed hereunder, except fees, taxes, or similar payments legally established in the country of the Borrower.

*Section 6.05. EXECUTION OF THE PROJECT.* The Borrower agrees to:

- (a) relend the proceeds of the Loan to EPEF on terms and conditions satisfactory to A.I.D.;
- (b) carry out the Project or cause it to be carried out:
  - (1) with due diligence and efficiency, and in conformity with sound technical, financial, and management practices, and
  - (2) in conformity with all plans, specifications, contracts, schedules or other arrangements, and with all modifications thereof, mutually approved pursuant to this Agreement;
- (c) provide or cause to be provided qualified and experienced management and staff as may be appropriate for the maintenance and operation of the Project, and, as applicable, cause the Project to be operated and maintained in such manner as to insure the continuing and successful achievement of the purposes of the Project; and
- (d) provide promptly as needed all funds, in addition to the Loan, and all other resources required for the punctual and effective carrying out of the Project.

*Section 6.06. RECORDS, INSPECTIONS, AUDIT.* Borrower shall:

- (a) maintain or cause to be maintained in accordance with sound accounting principles and practices consistently applied such books and records relating to this Agreement as may be prescribed in Implementation Letters. In addition to the above, Borrower shall maintain records adequate to establish that the goods and services financed hereunder have been utilized in accordance with Section 6.07 of this Agreement. Such books and records will be regularly audited, in accordance with sound auditing standards, and maintained for five years after the last disbursement by A.I.D. or until any sums due A.I.D. loaned under this Agreement have been paid, whichever date shall first occur;
- (b) afford authorized representatives of A.I.D. the opportunity at all reasonable times to inspect the Project, the utilization of A.I.D.-financed goods and services, and books, records and other documents relating to the A.I.D. financing and to the Project.

*Section 6.07. UTILIZATION OF GOODS AND SERVICES.* (a) Goods or services financed by A.I.D. hereunder will be used exclusively for the Project, except as the parties may otherwise agree in writing. In the case of goods so financed, upon completion of the Project, or at such other time as such goods can no longer be usefully



employed for the Project, the Borrower may use or dispose of such goods so as to further the objectives of the Project, or in such other manner as the parties may previously agree to in writing. This obligation shall survive termination of this Agreement but shall not survive repayment of the loan in the case of A.I.D. loan-financed goods.

(b) Except as the parties may otherwise agree in writing, no goods or services financed by A.I.D. will be used to promote or assist any foreign aid project or activity financed by or associated with such a project or activity financed by any country not included in Code 935 of the A.I.D. *Geographic Code Book* as in effect at the time of such use.

*Section 6.08. GOODS AND SERVICES NOT FINANCED UNDER LOAN.* Goods and services procured for the Project, but not financed under the Loan, shall have their source and origin in countries included in Code 935 of the A.I.D. *Geographic Code Book* as in effect at the time orders are placed for such goods and services, provided, however, that items of source and origin other than Code 935 which are generally available in the local market in Syria may be excepted from this provision on a case-by-case basis after request to and approval by A.I.D. under procedures to be described in Implementation Letters.

#### *Article VII. CANCELLATION AND SUSPENSION*

*Section 7.01. CANCELLATION BY THE BORROWER.* The Borrower may, by written notice to A.I.D., cancel any part of the Loan (i) which, prior to the giving of such notice, A.I.D. has not disbursed or committed itself to disburse, or (ii) which has not then been utilized through the issuance of irrevocable Letters of Credit or through bank payments made other than under irrevocable Letters of Credit.

*Section 7.02. EVENTS OF DEFAULT; ACCELERATION.* If any one or more of the following events ("Events of Default") shall occur:

- (a) the Borrower shall have failed to pay when due any interest or installment of Principal required under this Agreement;
- (b) the Borrower shall have failed to comply with any other provision of this Agreement;
- (c) the Borrower shall have failed to pay when due any interest or any installment of Principal or any other payment required under any other loan agreement, any guaranty agreement, or any other agreement between the Borrower or any of its agencies and A.I.D., or any of its predecessor agencies,

then A.I.D. shall request consultation pursuant to Section 8.03 hereof and may, at its option, give to the Borrower notice that all or any part of the unrepaid Principal shall be due and payable sixty (60) days thereafter, and, unless the Event of Default is cured within such sixty (60) days: (i) Such unrepaid Principal and any accrued interest thereon shall be due and payable immediately; and (ii) the amount of any further disbursements made under then outstanding irrevocable Letters of Credit or otherwise shall become due and payable as soon as made.

*Section 7.03. SUSPENSION OF DISBURSEMENTS, TRANSFER OF GOODS TO A.I.D.* In the event that at any time:

- (a) an Event of Default has occurred;
- (b) an event occurs which A.I.D. determines to be an extraordinary situation that makes it improbable either that the purpose of the Loan will be attained or that the Borrower will be able to perform its obligation under this Agreement; or

(c) any disbursement would be inconsistent with the legislation governing A.I.D., then A.I.D. shall request consultation pursuant to Section 8.03 hereof and may, at its option, (i) decline to issue further Letters of Commitment or other disbursing authorization, (ii) suspend or cancel outstanding Letters of Commitment or other disbursing authorization to the extent that they have not been utilized through the issuance of irrevocable Letters of Credit, or (iii) to the extent that A.I.D. has not agreed to make direct reimbursement to Borrower, decline to make disbursements other than under Letters of Commitment; and (iv) at A.I.D.'s expense, direct that title to goods financed hereunder shall be transferred to A.I.D., if the goods are in a deliverable state and have not been offloaded in ports of entry of the Syrian Arab Republic.

*Section 7.04. CANCELLATION BY A.I.D.* Following any suspension of disbursements pursuant to Section 7.03, if the cause or causes for such suspension of disbursements shall not have been eliminated or corrected within sixty (60) days from the date of such suspension, A.I.D. may, at its option, at any time or times thereafter, cancel all or any part of the Loan that is not then either disbursed or subject to irrevocable Letters of Credit.

*Section 7.05. CONTINUED EFFECTIVENESS OF AGREEMENT.* Notwithstanding any cancellation, suspension of disbursement or acceleration of repayment, the provisions of this Agreement shall continue in full force and effect (as to any funds disbursed under this Loan) until the repayment in full of all Principal and any accrued interest hereunder.

*Section 7.06. REFUNDS.* In the case of any disbursement not supported by valid documentation in accordance with the terms of this Agreement or of any disbursement not made or used in accordance with the terms of this Agreement or in violation of the laws governing A.I.D., A.I.D. may require the Borrower to refund such amount in United States dollars to A.I.D. within sixty (60) days after receipt of a request therefor. Refunds paid by Borrower to A.I.D. under this provision shall not be considered as a reduction in the amount of A.I.D.'s obligation under the Agreement, and shall continue to be available for reuse under the Agreement.

*Section 7.07. EXPENSES OF COLLECTION.* All reasonable costs incurred by A.I.D., other than salaries of its staff, in connection with the collection of any refund or in connection with amounts due A.I.D. by reason of the occurrence of any of the events specified in Section 7.02 may be charged to the Borrower and reimbursed to A.I.D. in such manner as may be agreed between the parties after consultation under Section 8.03.

*Section 7.08. NON-WAIVER OF REMEDIES.* No delay in exercising or omission to exercise, any right, power or remedy accruing to A.I.D. under this Agreement shall be construed as a waiver of such right, power, or remedy or any other right, power, or remedy hereunder.

#### *Article VIII. MISCELLANEOUS*

*Section 8.01. COMMUNICATIONS.* Any notice, request, document, or other communication given, made, or sent by the Borrower or A.I.D. pursuant to this Agreement shall be in writing or by telegram, cable, or radiogram and shall be deemed to have been duly given, made, or sent to the party to which it is addressed when it shall be delivered to such party by hand or by mail, telegram, cable, or radiogram at the following address:

To Borrower:

Mail or Cable Address: State Planning Commission  
Damascus, Syrian Arab Republic

To A.I.D.:

Mail or Cable Address: United States Agency for International Development  
Embassy of the United States of America  
Damascus, Syrian Arab Republic

Other addresses may be substituted for the above upon the giving of notice. All notices, requests, communications, and documents submitted to A.I.D. hereunder shall be in English, except as A.I.D. may otherwise agree in writing.

**Section 8.02. REPRESENTATIVES.** For all purposes relative to this Agreement or any amendments thereto, the Borrower will be represented by the individual holding or acting in the office of Deputy Minister of State for Planning Affairs and A.I.D. will be represented by the individual holding or acting in the office of A.I.D. Representative to Syria. Such individuals shall have the authority to designate additional representatives by written notice. In the event of any replacement or other designation of a representative hereunder, Borrower shall submit a statement of the representative's name and specimen signature in form and substance satisfactory to A.I.D. Until receipt by A.I.D. of written notice of revocation of the authority of any of the duly authorized representatives of the Borrower designated pursuant to this Section, it may accept the signature of any such representative or representatives on any instrument as conclusive evidence that any action effected by such instrument is duly authorized.

**Section 8.03. CONTINUING CONSULTATION.** The Borrower and A.I.D. shall cooperate fully to assure adequate communication between the parties and that the purpose of the Loan will be accomplished. To this end, the Borrower and A.I.D. shall from time to time, within five days of the delivery of written request of either party, exchange views through their representatives with regard to the progress of the Project, the performance by either party of its obligations under this Agreement, and other matters relating to the Loan.

**Section 8.04. IMPLEMENTATION LETTERS.** A.I.D. shall from time to time issue Implementation Letters that will prescribe the procedures applicable hereunder in connection with the implementation of this Agreement.

**Section 8.05. INSTRUMENTS OF INDEBTEDNESS.** At such time or times as A.I.D. may request, the Borrower shall provide instruments of indebtedness with respect to the Loan, in such form, containing such terms and supported by such legal opinions as A.I.D. may reasonably request.

**Section 8.06. TERMINATION UPON FULL PAYMENT.** Upon payment in full of the Principal and of any accrued interest, this Agreement and all obligations of the Borrower and A.I.D. under this Loan Agreement shall terminate.

IN WITNESS WHEREOF, the Syrian Arab Republic and the United States of America, each acting through its duly authorized representative, have caused two original copies of this Agreement to be signed in the English language and delivered as of the day and year first above written.

Syrian Arab Republic:

*By: [Signed]*

MOHAMMED ISSAM HILOU  
*Title:* Deputy Minister of State  
for Planning Affairs

United States of America:

*By: [Signed]*

RICHARD W. MURPHY  
*Title:* Ambassador

ANNEX I  
PROJECT DESCRIPTION

1. *Background:* The overall expansion program of the Damascus city water supply system consists of:

- (i) an underground cut-off wall to increase the available flow and structures to prevent pollution from surface water at Fiegh spring;
- (ii) test pumping at Fiegh to determine the storage characteristics of the aquifer and the maximum reliable yield which can be developed by pumping from the aquifer;
- (iii) a 15 km tunnel from Fiegh to the western edge of Damascus and underground reservoirs at the terminus of the tunnel;
- (iv) replacement of existing mains (about 160 km) in the older part of the distribution system;
- (v) installation of new mains (about 370 km);
- (vi) equipment to assist in the operation and maintenance of the distribution system.

The overall expansion program can be described as being in major parts numbered one through four:

- Part 1: Source improvement and transmission works.
- Part 2: Urgent replacement of approximately 160 km of old existing distribution system.
- Part 3: Installation of approximately 370 km of new distribution system (the "Project").
- Part 4: Leak and waste control program.

Part 1 implementation is expected to be complete by 31 December 1978, Part 2 by October 1977, and Part 3 by April 1980. Part 4, already begun, will be an on-going activity, with no anticipated date for termination. It is recognized by both parties to this Agreement that timely, successful execution of the various parts is essential to the successful completion of the whole.

2. *The Project* (Sec. 1.02) to be undertaken with the proceeds of the Loan is construction of approximately 370 km of the general water supply distribution system falling outside the "urgent phase" of Part 2 of the overall expansion program (paragraph 1(v) above). The Project implementation will generally follow the tentative schedule:

<i>Activity</i>	<i>Tentative Estimate of Completion Date</i>
i. Prepare request for A&E (architect & engineer) proposals .....	Jul. 15, 1975
ii. Complete final design and bid documents in French .....	Aug. 30, 1975
iii. Review A&E proposals and select a firm for negotiations .....	Sep. 30, 1975
iv. Solicit expression of interest for construction contract .....	Oct. 31, 1975
v. Negotiate and sign contract with an A&E firm .....	Nov. 30, 1975
vi. Select pre-qualified construction firms and invite bids for contract .....	Feb. 28, 1976
vii. Evaluate construction bids and negotiate contract .....	Jun. 30, 1976
viii. Construction contractor will order commodities and mobilize .....	Aug. 31, 1976
ix. Contractor will take delivery of commodities and transport to Damascus .	Sept. 30, 1977
x. A&E contractor, using the services of EPEF inspection forces will be responsible for supervision and quality of construction .....	Sept. 30, 1977
xi. Project completion .....	Mar. 31, 1980

3. The Project is to be carried out by EPEF with foreign exchange financing provided by the Borrower. The relending arrangement between the Borrower and EPEF referred to in Sec. 3.01(c) will constitute the means for crediting the proceeds of the Loan to EPEF for Project implementation, and will also deal with terms and conditions of repayment, such as interest rates, period of repayment, grace period, if any, and other appropriate provisions.

4. The present estimated Project cost is 80.93 million U.S. dollars, which may be expected to increase to \$94.7 million because of price increases during Project implementation. A cost breakdown is given below (all amounts in thousands, with \$1 = LS 3.65):

	Foreign Exchange \$	Local Costs		Total \$
		LS	\$ Equiv.	
<b>Material<sup>1</sup></b>				
Pipe .....	13,200			
Fittings .....	4,000	2,000 <sup>2</sup>	450 <sup>2</sup>	25,230
Valves and Hydrants .....	2,650			
Service Connections .....	4,930			
Procurement Charge .....	2,960			2,960
Material Installation .....	9,250	116,210	31,840	41,090
Engineering .....	900	730	200	1,100
Sub-total	37,890	118,570	32,490	70,380
Contingencies 15 % .....	5,680	17,790	4,870	10,550
Sub-total	43,570	136,360	37,360	80,930
Escalation 10 % .....	4,360			4,360
Escalation 25 % .....		34,090	9,340	9,340
	47,930	170,450	46,700	94,630
Rounded	48,000		46,700	94,700

<sup>1</sup> Dollar costs CIF Latakia.

<sup>2</sup> In-country freight, Latakia to Damascus.