

No. 16571

**UNITED STATES OF AMERICA
and
EGYPT**

Loan Agreement relating to public and private sector productive enterprises (with annex). Signed at Cairo on 29 July 1976

Authentic text: English.

Registered by the United States of America on 27 April 1978.

**ÉTATS-UNIS D'AMÉRIQUE
et
ÉGYPTE**

Accord de prêt pour les entreprises productives du secteur public et du secteur privé (avec annexe). Signé au Caire le 29 juillet 1976

Texte authentique : anglais.

Enregistré par les États-Unis d'Amérique le 27 avril 1978.

LOAN AGREEMENT¹ AMONG THE UNITED STATES OF AMERICA, THE ARAB REPUBLIC OF EGYPT AND THE DEVELOPMENT INDUSTRIAL BANK OF EGYPT

Dated: July 29, 1976

A.I.D. Loan 263-K-035

LOAN AGREEMENT dated the 29th day of July 1976 among the ARAB REPUBLIC OF EGYPT ("Borrower"), the DEVELOPMENT INDUSTRIAL BANK OF EGYPT ("Bank") 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 thirty-two million United States dollars (\$32,000,000) ("Loan") to assist the Borrower and the Bank in financing the foreign exchange costs of goods and services required to carry out the Project referred to in section 1.02 ("Project"). The aggregate amount of disbursements under the Loan is hereinafter referred to as "Principal".

Section 1.02. THE PROJECT. Project funds shall be reloaned by the Borrower to the Bank so that the Bank can provide public and private sector productive enterprises in Egypt (hereinafter referred to as "Sub-borrowers") with foreign exchange credits in the form of Sub-loans ("Sub-loans") evidenced by Sub-loan Agreements ("Sub-loan Agreements") for the purchase of United States capital goods and related services needed to carry out productive investment. The Project is more fully described in annex 1, attached hereto, which annex may be modified in writing by the Parties designated in section 9.02 hereof.

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 percent (2 %) per annum for ten years following the date of the first disbursement hereunder and at the rate of three percent (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 7.03), and shall be computed on the basis of a 365-day year. Interest shall be payable semiannually. 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 specified by A.I.D.

Section 2.02. REPAYMENT. The Borrower shall repay to A.I.D. the Principal within forty (40) years from the date of the first disbursement hereunder in sixty-one (61) approximately equal semiannual 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. The Borrower's obligation pur-

¹ Came into force on 29 July 1976 by signature.

suant to this section shall not be affected by any non-performance by the Bank of its obligations under the Reloan Agreement.

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 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.

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.

Section 2.06. RELOAN BY BORROWER TO BANK. In order to assist the Bank in carrying out the Project, the Borrower shall relend to the Bank the proceeds of the Loan under a reloan agreement ("Reloan Agreement") to be entered into between the Borrower and the Bank under terms and conditions satisfactory to A.I.D. Unless A.I.D. otherwise agrees in writing such terms and conditions shall include, but not be limited to, repayment by the Bank to the Borrower within twenty (20) years, including a grace period of not to exceed three (3) years, and an interest rate of not less than eight percent (8 %). Repayments shall be made at least semiannually in approximately equal payments of interest or interest and Principal. Said repayments shall be in Egyptian pounds, or such other currency as may be at the time lawful tender in the country of the Borrower ("Local Currency"). The amount of each repayment in Local Currency shall be calculated by applying to the United States dollar amount of the repayment due on any given date the official rate of exchange between the United States dollar and the Egyptian pound in effect on that date.

Article III. CONDITIONS PRECEDENT TO DISBURSEMENT

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

- (a) an opinion of the Minister of Justice or of other counsel acceptable to A.I.D. that this Agreement and the corresponding Reloan Agreement have been duly authorized and/or ratified by, and executed on behalf of, the Borrower, and that they constitute valid and legally binding obligations of the Borrower in accordance with all of their terms;
- (b) an opinion of the chief legal officer of the Bank, or of other counsel acceptable to A.I.D., that this Agreement and the corresponding Reloan Agreement have been duly authorized and/or ratified by, and executed on behalf of the Bank, and that they constitute valid and legally binding obligations of the Bank in accordance with their terms;
- (c) a statement of the names of the persons authorized to represent the Borrower and the Bank as specified in section 9.02, and a specimen signature of each person;

- (d) a Reloan Agreement satisfactory to A.I.D. for the Project between the Borrower and the Bank pursuant to section 2.06 and duly authorized or ratified by all necessary corporate and governmental action;
- (e) evidence that sufficient Local Currency financing for the Project is or will be available;
- (f) evidence that the staff and management of the Bank of Alexandria (“BOA”) Department called Special Services to Private Industrial Sector (“SSPIS”) have been transferred to the Bank and that the senior staff of SSPIS is committed to remain with the Bank for not less than two years;
- (g) evidence that BOA has transferred its portfolio of industrial term loans to the Bank and that the prospects for portfolio repayments are adequate to permit the Bank to repay the Reloan;
- (h) a copy of all Statutes, Articles of Association, term lending guidelines, Statements of Policy and all other documents affecting the management, administration and general policy of the Bank (which documents are hereinafter collectively referred to as “Bank Documents”);
- (i) such other documentation as A.I.D. may require.

Section 3.02. TERMINAL DATES FOR MEETING CONDITIONS PRECEDENT TO DISBURSEMENT. If all of the conditions specified in section 3.01 shall not have been met within 120 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by giving written notice to the Bank and the Borrower. Upon the giving of such notice, this Agreement and all obligations of the Parties hereunder shall terminate.

Section 3.03. NOTIFICATION OF MEETING OF CONDITIONS PRECEDENT TO DISBURSEMENT. A.I.D. shall notify the Bank upon determination by A.I.D. that the conditions precedent to disbursement specified in Section 3.01 have been met.

Article IV. GENERAL COVENANTS AND WARRANTIES

Section 4.01. EXECUTION OF THE PROJECT. (a) The Bank shall carry out the Project with due diligence and efficiency, and in conformity with sound economic, technical, financial, administrative and investment standards and practices.

(b) The Bank shall cause the Project to be carried out in conformity with all of the plans, schedules, and other arrangements, and with all modifications therein, approved by A.I.D. pursuant to this Agreement.

Section 4.02. FUNDS AND OTHER RESOURCES TO BE PROVIDED BY BORROWER AND BANK. The Borrower and the Bank shall provide promptly as needed all funds including Egyptian pounds, in addition to the Loan, and all other resources required for the punctual and effective carrying out of the Project.

Section 4.03. CONTINUING CONSULTATION. The Borrower, the Bank and A.I.D. shall cooperate fully to assure that the purpose of the Loan will be accomplished. To this end, they shall from time to time, at the request of either Party, exchange views through their representatives with regard to the progress of the Project, the performance by the Bank of its obligations under this Agreement, the performance of any consultants, contractors, and suppliers engaged on the Project, and other matters relating to the Project. The Bank and A.I.D. shall hold Annual Project Evaluations, the first to be approximately one year from the signing of this Agreement. The Bank shall promptly inform A.I.D. of any condition which interferes or threatens to interfere with the satisfactory progress of the Project.

Section 4.04. MANAGEMENT AND ASSIGNMENT. The Borrower and the Bank shall provide qualified and experienced management for the Project assisted by other qualified personnel in adequate number, and it shall train such staff as may be appropriate for the maintenance and operation of the Project. The Borrower and the Bank agree that the staff and management of SSPIS shall be transferred from BOA to the Bank, and that the transfer of senior staff members will be effective for at least a two-year period.

Section 4.05. PROJECT IMPLEMENTATION. Borrower shall cause to be carried out and the Bank shall carry out the Project in conformity with sound administrative practices, and in such manner as to insure the continuing and successful achievement of the purposes of the Project.

Section 4.06. TAXATION. 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 free from, any taxation or fees imposed under the laws in effect within the country of the Borrower. To the extent that (a) any contractor, including any consulting firm, any personnel of such contractor financed hereunder, and any property or transactions relating to such contracts and (b) any commodity procurement transaction financed hereunder are not exempt from identifiable taxes, tariffs, duties, and other levies imposed under laws in effect in the country of the Borrower, the Borrower shall pay or reimburse the same under section 4.02 of this Agreement with funds other than those provided under the Loan.

Section 4.07. UTILIZATION OF GOODS AND SERVICES. (a) Goods and services financed under the Loan shall be used exclusively for the Project, except as A.I.D. may otherwise agree in writing.

(b) Except as A.I.D. may otherwise agree in writing, no goods or services financed under the Loan shall be used to promote or assist any foreign aid project or activity associated with or 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 4.08. DISCLOSURE OF MATERIAL FACTS AND CIRCUMSTANCES. The Borrower and the Bank represent and warrant that all facts and circumstances that they have disclosed or caused to be disclosed to A.I.D. in the course of obtaining the Loan are accurate and complete, and that they have disclosed to A.I.D., accurately and completely, all facts and circumstances that might materially affect the Project and the discharge of their obligations under this Agreement. The Borrower or the Bank shall promptly inform A.I.D. of any facts and circumstances that may hereafter arise that might materially affect, or that it is reasonable to believe might materially affect, the Project or the discharge of their obligations under this Agreement.

Section 4.09. COMMISSIONS, FEES, AND OTHER PAYMENTS. (a) The Borrower and the Bank warrant and covenant that in connection with obtaining the Loan, or taking any action under or with respect to this Agreement, they have not paid, and will not pay or agree to pay, nor to the best of their 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 or Bank's full-time officers and employees or as compensation for bona fide professional, technical, or comparable services. They shall promptly report to A.I.D. any payment or agreement to pay for such bona fide professional, technical, or comparable services to which they are a Party or of which they have knowledge (indicating whether such payment has been made or is to be 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 and the Bank warrant and covenant that no payments have been or will be received by them or any official of theirs, 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 4.10. MAINTENANCE AND AUDIT OF RECORDS. The Borrower and the Bank shall maintain, or cause to be maintained, in accordance with sound accounting principles and practices consistently applied, books and records relating both to the Project and to this Agreement. Such books and records shall, without limitation, be adequate to show:

- (a) the receipt and use made of goods and services acquired with funds disbursed pursuant to this Agreement;
- (b) the nature and extent of solicitations of prospective suppliers of goods and services acquired;
- (c) the basis of the award of contracts and orders to successful bidders; and
- (d) the progress of the Project and each sub-project thereunder.

Such books and records shall be regularly audited, in accordance with sound auditing standards, for such period and at such intervals as A.I.D. may require, and shall be maintained for five years after the date of the last disbursement by A.I.D. or until all sums due A.I.D. under this Agreement have been paid, whichever date shall first occur.

Section 4.11. REPORTS. The Borrower and the Bank shall furnish to A.I.D. such information and reports relating to the Loan and to the Project as A.I.D. may request.

Section 4.12. INSPECTIONS. The authorized representatives of A.I.D. shall have the right at all reasonable times to inspect the Project, the utilization of all goods and services financed under the Loan, and the Borrower's and the Bank's books, records, and other documents relating to the Project and the Loan. The Borrower and the Bank shall cooperate with A.I.D. to facilitate such inspections and shall permit representatives of A.I.D. to visit any part of the country of the Borrower for any purpose relating to the Loan.

Article V. PROCUREMENT

Section 5.01. PROCUREMENT FROM THE UNITED STATES. Except as A.I.D. may otherwise agree in writing, disbursements made pursuant to sections 7.01 and 7.02 shall be used exclusively to finance the procurement for the Project of Eligible Items including ocean shipping and marine insurance having both their source and origin in the United States of America.

Section 5.02. ELIGIBILITY DATE. Except as A.I.D. may otherwise agree in writing, no goods or services may be financed under the Loan which are procured pursuant to orders or contracts firmly placed or entered into prior to July 1, 1976.

Section 5.03. IMPLEMENTATION OF PROCUREMENT REQUIREMENTS. The definitions applicable to the eligibility requirements of section 5.01 will be set forth in detail in Implementation Letters.

Section 5.04. ELIGIBLE PROJECTS. The Bank will submit to A.I.D. a list of categories of development projects eligible to receive Sub-loans. The list shall be satisfactory to both the Bank and A.I.D. and may be amended from time to time as they may agree. All Sub-loans made shall be within the categories listed.

Section 5.05. REASONABLE PRICE. No goods or services may be financed, in whole or in part, under the Loan, unless they have been procured at a reasonable

price, which should normally approximate the lowest competitive price for the item procured, quality, cost and time of delivery and other factors considered. Except as A.I.D. may otherwise agree in writing procurements will be based upon solicitation of a reasonable number of suppliers.

Section 5.06. SHIPPING AND INSURANCE. (a) Goods financed under the Loan shall be transported to the country of the Borrower only on flag carriers of a country included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of shipment.

(b) Unless A.I.D. shall determine that privately owned United States-flag commercial vessels are not available at fair and reasonable rates for such vessels, (i) at least fifty percent (50 %) of the gross tonnage of all goods (computed separately for dry bulk carriers, dry cargo liners and tankers) financed under the Loan which may be transported on ocean vessels shall be transported on privately owned United States-flag commercial vessels, and (ii) at least fifty percent (50 %) of the gross freight revenue generated by all shipments financed under the Loan and transported to Egypt on dry cargo liners shall be paid to or for the benefit of privately owned United States-flag commercial vessels. Compliance with the requirements of (i) and (ii) above must be achieved with respect to both cargo transported from U.S. ports and cargo transported from non-U.S. ports, computed separately.

(c) Marine insurance on United States goods may be financed under the Loan with disbursements made pursuant to section 7.01, provided (i) such insurance is placed at the lowest available competitive rate, and (ii) claims thereunder are payable in the currency in which such goods were financed or in any freely convertible currency. If the Government of the Borrower, by statute, decree, rule, regulation, or practice discriminates with respect to A.I.D.-financed procurement against any marine insurance company authorized to do business in any state of the United States, then all goods shipped to the cooperating country financed under the Loan shall be insured against marine risks and such insurance shall be placed in the United States with a company or companies authorized to do a marine insurance business in a state of the United States.

(d) The Borrower or the Bank shall insure, or cause to be insured, all goods and services financed under the Loan against risks incident to their transit to the point of their use in the Project. Such insurance shall be issued upon terms and conditions consistent with sound commercial practice and shall insure the full value of the goods. Any indemnification received by the Borrower or the Bank 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 Bank for the replacement or repair of such goods. Any such replacements shall have their source and origin in the United States of America and shall be otherwise subject to the provisions of this Agreement.

Section 5.07. NOTIFICATION TO POTENTIAL SUPPLIERS. In order that all United States firms shall have the opportunity to participate in furnishing goods and services to be financed under the Loan, the Bank shall furnish to A.I.D. such information with regard thereto, and at such times, as A.I.D. may request in Implementation Letters.

Section 5.08. INFORMATION AND MARKING. Borrower and the Bank shall give publicity to the Loan and the Project as a program of United States aid, identify the Project sites, and mark goods financed under the Loan, as prescribed in Implementation Letters.

Article VI. ADDITIONAL COVENANTS AND WARRANTIES

Section 6.01. SUB-LOAN APPROVALS AND CONDITIONS. Unless A.I.D. shall otherwise agree in writing, the Bank hereby covenants:

- (a) to submit to A.I.D. for approval all proposed Sub-loans with a total foreign exchange requirement in excess of \$250,000 prior to the execution thereof. Such submissions shall contain a description of the Sub-borrower and an appraisal of the project (including a description of the proposed investment, including all goods and services proposed to be financed hereunder), the proposed terms, conditions and amortization schedule of the Sub-loan, and such other terms and conditions as A.I.D. shall reasonably request;
- (b) to consult with A.I.D. prior to the commencement of evaluation of, or the processing of the Sub-loan for, any new project with a total foreign exchange requirement of \$500,000, or any existing project with a total foreign exchange requirement of \$1,000,000;
- (c) to submit to A.I.D. for approval any material change proposed to be made in a Sub-loan approved by A.I.D. pursuant to section 6.01 (a). The Bank shall consult with A.I.D. with respect to any material change in any Sub-loan concerning which A.I.D. was consulted pursuant to section 6.01 (b);
- (d) to sub-lend the Loan proceeds to Sub-borrowers on terms calling for repayment in not more than fifteen (15) years, including a grace period of not to exceed three (3) years, an interest rate not less than ten percent (10 %) per annum, and maintenance of value tied to the U.S. dollar;
- (e) that Sub-borrowers will not be required to make security deposits on their Sub-loans;
- (f) that at least 65 % of the Loan funds will be used to finance the Sub-loans of private industrial Sub-borrowers;
- (g) that Sub-loans will be made only for productive enterprises having not less than a 15 % projected internal rate of return;
- (h) that the total amount of loans or other funds made available from total Bank resources, regardless of the source of funds, to any one person or entity during the first two years after execution of the Loan shall not exceed ten percent (10 %) of the Bank's total outstanding portfolio at any given time, and thereafter shall not exceed five percent (5 %) of such portfolio;
- (i) that no Sub-loans will be made for use in activities forbidden by A.I.D. such as gambling facilities, public safety, military-use items, weather modification and such other activities as A.I.D. may specify in Implementation Letters;
- (j) to maintain a reserve against bad debts of no less than two percent (2 %) per year on the balance of all outstanding Sub-loans, regardless of the source of funds.

Section 6.02. ACTIONS OF BORROWER. The Borrower shall not take or permit any of its political subdivisions, or any of its agencies or instrumentalities, or any agency or instrumentality of any of its political subdivisions, to take any action which would prevent or materially interfere with the performance by the Bank of any of its obligations under this Agreement or the Reloan Agreement, and shall take or cause to be taken all reasonable action which shall be required on its part in order to enable the Bank to perform such obligations.

Section 6.03. PERMITS AND LICENSES. The Bank and the Borrower shall issue or cause to be issued, promptly as needed, all permits, import licenses and all other authorizations required for the carrying out of the Project.

Section 6.04. PROTECTION OF INTERESTS OF BORROWER AND A.I.D. The Borrower shall exercise its rights under the Reloan Agreement in such manner as to protect the interests of the Borrower, the Bank, and of A.I.D. and to accomplish the purposes of the Loan, and except as A.I.D. shall otherwise agree in writing, the Borrower shall not assign, nor amend, abrogate or waive the Reloan Agreement or any provision thereof.

Section 6.05. RELATIONSHIP WITH SUB-BORROWERS. (a) The Bank shall establish by written Sub-loan Agreement with Sub-borrowers or by other appropriate legal means, rights adequate to protect the interests of A.I.D. and the Bank including, but not limited to, the right of the Bank to: (i) require the Sub-borrowers to carry out and operate investment projects with due diligence and efficiency and in accordance with sound technical, financial and managerial standards and to maintain adequate records; (ii) require that: (1) the goods and services to be financed out of the proceeds of the Loan shall be purchased in the United States at a reasonable price, account being taken also of other relevant factors such as time of delivery and efficiency and reliability of the goods and availability of maintenance facilities and spare parts therefor, and, in the case of services; of their quality and the competence of the parties rendering them; and (2) such goods and services shall be used exclusively in the carrying out of the applicable approved investment project; (iii) inspect, by itself or jointly with representatives of A.I.D. if A.I.D. shall so request, such goods and the sites, works, plants and construction included in the Project, the operation thereof, and any relevant records and documents; (iv) require that: (1) the Sub-borrower shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice; and (2) without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of goods financed out of the Loan to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Sub-borrower to replace or repair such goods; (v) obtain all such information as the Bank or A.I.D. shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Sub-borrower and (vi) suspend or terminate the right of the Sub-borrower to the use of the proceeds of the Sub-loan upon failure by such Sub-borrower to perform its obligations under the Sub-loan.

(b) The Bank shall exercise its rights in relation to each project financed hereunder so as to protect the interests of the Bank and A.I.D., comply with its obligations under this Agreement, and achieve the purposes of the Project.

Section 6.06. TRAINING OF STAFF. The Bank shall prepare and furnish to A.I.D. for its approval not later than December 31, 1976, or such other date as shall be agreed with A.I.D., a program for the training of the Bank's staff in development banking practices and project appraisal and supervision. The Bank shall carry out said training program as approved by A.I.D.

Section 6.07. BANK OPERATIONS. The Bank shall make Sub-loans and otherwise conduct its operations in strict conformity with the Bank Documents referred to in section 3.01 (h). The Bank shall make no amendments to any such Bank Documents approved by A.I.D. pursuant to section 3.01 (h) without the prior written approval of A.I.D.

Section 6.08. PROTECTION OF THE BANK'S ASSETS. Except as A.I.D. may otherwise agree in writing, the Bank shall not sell, lease, transfer, encumber or otherwise dispose of any of its property or assets, except in the ordinary course of business; and shall take all action necessary to protect such property and assets, to

maintain its corporate existence and right to carry on operations and to acquire, maintain and renew all rights, powers, privileges and franchises necessary or useful in the conduct of its business.

Section 6.09. AUDITED STATEMENTS. The Bank shall (i) have its accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with sound auditing principles consistently applied by auditors acceptable to A.I.D.; (ii) furnish to A.I.D. as soon as available, but in any case not later than six months after the end of each such year: (A) certified copies of its financial statements for such year as so audited and (B) the report of such audit by said auditors, of such scope and in such detail as A.I.D. shall have reasonably requested; (iii) furnish to A.I.D. such other information concerning the accounts and financial statements of the Bank and the audit thereof as A.I.D. shall from time to time reasonably request; and (iv) grant A.I.D. the right, upon A.I.D.'s request, to discuss the Bank's financial statements and its financial affairs at any time and from time to time with the Bank's auditors, and the Bank shall authorize and require any representative of such auditors to participate in any such discussions, provided, however, that any such discussion shall be conducted only in the presence of an officer of the Bank except as the Bank shall otherwise agree.

Section 6.10. BANK PAYMENTS. The Bank shall not make any repayment in advance of maturity in respect of any outstanding debt which materially affects its ability to meet its financial obligations.

Section 6.11. EQUITY OF THE BANK. The Bank shall take such measures as are necessary to expand its equity base should loans disbursed and outstanding at any time having maturities exceeding one year equal or exceed six times the amount of unimpaired paid-up capital, surplus and free reserves of the Bank and subsidiaries after excluding therefrom such amounts as shall represent equity interests of the Bank in any subsidiary or of any subsidiary in the Bank or other subsidiary; provided that prior to taking any such measures the Bank shall obtain the written approval of A.I.D.

Article VII. DISBURSEMENTS

Section 7.01. DISBURSEMENT FOR UNITED STATES DOLLAR COSTS — LETTERS OF COMMITMENT TO UNITED STATES BANKS. Upon satisfaction of conditions precedent, the Bank 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 contractors or suppliers, through the use of Letters of Credit or otherwise, for Dollar Costs of goods and services procured for the Project in accordance with the terms and conditions of this Agreement. Payment by a bank to a contractor or supplier will be made by such 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 Bank and may be financed under the Loan.

Section 7.02. OTHER FORMS OF DISBURSEMENT. Disbursements of the Loan may also be made through such other means as the Bank and A.I.D. may agree to in writing.

Section 7.03. DATE OF DISBURSEMENT. Disbursements by A.I.D. shall be deemed to occur (a) in the case of disbursements pursuant to section 7.01, on the date on which A.I.D. makes a disbursement to the Borrower, the Bank, to their designee, or to a banking institution pursuant to a Letter of Commitment. In the event of a dis-

bursement under section 7.02 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, the Bank, or their designee.

Section 7.04. TERMINAL DATE FOR DISBURSEMENT. Except as A.I.D. may otherwise agree in writing, no Letter of Commitment, or other commitment documents which may be called for by another form of disbursement under section 7.02, or amendment thereto, shall be issued in response to requests received by A.I.D. after December 31, 1978, and no disbursement shall be made against documentation received by A.I.D. or any bank described in section 7.01 after December 31, 1979. A.I.D., at its option, may at any time or times after said dates, reduce the Loan by all or any part thereof for which documentation was not received by such date.

Article VIII. CANCELLATION AND SUSPENSION

Section 8.01. CANCELLATION BY THE BORROWER. The Borrower may, with the prior written consent of A.I.D., 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 8.02. 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 or the Bank shall have failed to comply with any other provision of this Agreement, including, but without limitation [to], the obligation to carry out the Project with due diligence and efficiency,
- (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. 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 hereunder 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 8.03. SUSPENSION OF DISBURSEMENT. In the event that at any time:

- (a) an Event of Default has occurred,
- (b) an event occurs that 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 or the Bank will be able to perform its obligations under this Agreement,
- (c) any disbursement by A.I.D. would be in violation of the legislation governing A.I.D., or
- (d) 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 the Government of the United States or any of its agencies, then A.I.D. may, at its option:

- (i) suspend or cancel outstanding commitment documents to the extent that they have not been utilized through the issuance of irrevocable Letters of Credit or through bank payments made other than under irrevocable Letters of Credit, in which event A.I.D. shall give notice to the Borrower promptly thereafter;
- (ii) decline to make disbursements other than under outstanding commitment documents;
- (iii) decline to issue additional commitment documents;
- (iv) at A.I.D.'s expense, direct that title to goods financed under the Loan shall be transferred to A.I.D. if the goods are from a source outside the country of the Borrower, are in a deliverable state and have not been offloaded in ports of entry of the country of the Borrower. Any disbursement made or to be made under the Loan with respect to such transferred goods shall be deducted from Principal.

Section 8.04. CANCELLATION BY A.I.D. Following any suspension of disbursements pursuant to section 8.03, 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 8.05. 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 until the payment in full of all Principal and any accrued interest hereunder.

Section 8.06. REFUNDS. (a) 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, A.I.D., notwithstanding the availability or exercise of any of the other remedies provided for under this Agreement, may require the Borrower to refund such amount in United States dollars to A.I.D. within thirty days after receipt of a request therefor. Such amount shall be made available first for the cost of goods and services procured for the Project hereunder, to the extent justified; the remainder, if any, shall be applied to the installments of Principal in the inverse order of their maturity and the amount of the Loan shall be reduced by the amount of such remainder. Notwithstanding any other provision in this Agreement, A.I.D.'s right to require a refund with respect to any disbursement under the Loan shall continue for five years following the date of such disbursement.

(b) In the event that A.I.D. receives a refund from any contractor, supplier, or banking institution, or from any other third party connected with the Loan, with respect to goods or services financed under the Loan, and such refund relates to an unreasonable price for goods or services, or to goods that did not conform to specifications, or to services that were inadequate, A.I.D. shall first make such refund available for the cost of goods and services procured for the Project hereunder, to the extent justified, the remainder to be applied to the installments of Principal in the inverse order of their maturity and the amount of the Loan shall be reduced by the amount of such remainder.

Section 8.07. 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 8.02 may be charged to the Borrower and reimbursed to A.I.D. in such manner as A.I.D. may specify.

Section 8.08. NONWAIVER 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 any of such rights, powers, or remedies.

Article IX. MISCELLANEOUS

Section 9.01. COMMUNICATIONS. Any notice, request, document, or other communication given, made, or sent by the Bank, 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 addresses:

To Bank:

Mail address:

Industrial Development Bank
110 Galat Street
Cairo, Egypt

To Borrower:

Mail address:

Ministry of Economy and Economic Cooperation
8 Adly Street
Cairo, Egypt

Cable address:

8 Adly Street
Cairo, Egypt

To A.I.D.:

Mail address:

Director, USAID
c/o U.S. Embassy
Cairo, Egypt

Cable address:

U.S. Embassy
Cairo, Egypt

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 9.02. REPRESENTATIVES. For all purposes relative to this Agreement, the Borrower will be represented by the individual holding or acting in the office of Minister of Economy and Economic Cooperation, the Bank will be represented by the individual holding or acting in the office of the Chairman of the Board of Directors, and A.I.D. will be represented by the individual holding or acting in the office of Director, USAID, Cairo, Egypt. 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, the Borrower and the Bank 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 or

the Company 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 9.03. 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 9.04. PROMISSORY NOTES. At such time or times as A.I.D. may request, the Borrower shall issue promissory notes or such other evidences 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 9.05. TERMINATION UPON FULL PAYMENT. Upon payment in full of the Principal and of any accrued interest, this Agreement and all obligations of the Borrower, the Bank, and A.I.D. under this Loan Agreement shall terminate.

IN WITNESS WHEREOF, Borrower, the Bank, and the United States of America, each acting through its respective duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

Arab Republic of Egypt:

By: [Signed]
Name: Dr. MOHAMED ZAKI SHAFEI
Title: Minister of Economy and Economic Cooperation

United States of America:

By: [Signed]
Name: HERMANN FR. EILTS
Title: American Ambassador

Development Industrial
 Bank of Egypt:

By: [Signed]
Name: Mr. A. H. KABODAN
Title: Chairman, Board of Directors

A N N E X 1

DESCRIPTION OF PROJECT

The Project shall consist of:

1. sub-loans of foreign exchange credits made by the Bank to public and private sector enterprises in Egypt ("Sub-borrowers") for the purchase of United States goods and services needed for productive investment;
2. technical assistance including, but not limited to, the following areas:
 - (a) a procurement advisor for approximately one year;
 - (b) a senior development banking advisor for approximately three years;
 - (c) a training advisor for approximately one and one-half years to assist in the design and implementation of a training program for the Bank;
 - (d) training of the senior staff of the Bank in other development banks and attendance at seminars on development banking and related areas;
 - (e) technical assistance related procurement workbooks and other material related to the Bank's training program, a modest library, calculators and other office equipment.