

No. 16824

**UNITED STATES OF AMERICA
and
EGYPT**

**Loan Agreement for the National Energy Control Center
Project (with annex). Signed at Cairo on 30 September
1976**

Authentic text: English.

Registered by the United States of America on 10 July 1978.

**ÉTATS-UNIS D'AMÉRIQUE
et
ÉGYPTE**

**Accord de prêt relatif au projet de Centre national de
contrôle de l'énergie électrique (avec annexe). Signé au
Caire le 30 septembre 1976**

Texte authentique : anglais.

Enregistré par les États-Unis d'Amérique le 10 juillet 1978.

LOAN AGREEMENT¹ AMONG THE UNITED STATES OF AMERICA, THE ARAB REPUBLIC OF EGYPT AND THE EGYPTIAN ELECTRICITY AUTHORITY FOR THE NATIONAL ENERGY CONTROL CENTER PROJECT

Date: September 30, 1976

A.I.D. Loan 263-K-037

LOAN AGREEMENT dated the 30th day of September 1976 among the ARAB REPUBLIC OF EGYPT ("Borrower"), the EGYPTIAN ELECTRICITY AUTHORITY ("EEA") 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 twenty four million United States dollars (\$24,000,000) ("Loan") to assist the Borrower in financing the United States dollar costs of goods and services required to carry out the Project referred to in Section 1.02 ("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 shall consist of the construction of a National Energy Control Center which will monitor, supervise and control the entire interconnected national electric power grid throughout Egypt. The purpose of the Project is to provide improved reliability and economy of operation of the Egyptian United Power System by on-line computerized control. The Project is more fully described in Annex I, attached hereto.

Within the limits of the definition of the Project in this Section 1.02, elements of the amplified description stated in Annex I may be changed by written agreement of the authorized representatives of the Parties named in Section 8.02, without formal amendment of this Agreement.

The Eligible Items to be financed under the Loan shall be listed in the implementation letters referred to in Section 8.03 ("Implementation Letters").

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 6.03), 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 specified by A.I.D.

¹ Came into force on 30 September 1976 by signature.

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 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 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 EEA. In order to assist the EEA in carrying out the Project, the Borrower shall relend to EEA the proceeds of the Loan under a reloan agreement ("Reloan Agreement") to be entered into between the Borrower and EEA under terms and conditions satisfactory to A.I.D. Such terms and conditions shall include, but not be limited to, repayment by EEA within twenty-five (25) years including a five (5) year grace period, and an interest rate of eight and one-half percent (8 ½ %) per annum.

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 EEA, 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, EEA, and that they constitute valid and legally binding obligations of EEA in accordance with all of their terms;
- (c) A statement of the names of the persons authorized to represent the Borrower and EEA as specified in Section 8.02, and a specimen signature of each person;

- (d) A Reloan Agreement for the Project pursuant to Section 2.06 between the Borrower and EEA satisfactory to A.I.D. and duly authorized or ratified by all necessary corporate and governmental action;
- (e) An executed contract for consulting engineering services for the Project with a firm acceptable to A.I.D.;
- (f) Evidence that all Egyptian currency required for the first fiscal year in which funds will be required, in an amount based on the estimate of the consulting engineer, and as approved by EEA, have been budgeted by the Borrower and are available for expenditure by EEA;
- (g) A list showing each position required to operate the Project, a position description for each such position including a statement of the qualifications required, and a list of those key positions considered of special importance in operating the Project;
- (h) An executed contract for the supply, erection, construction and related services of the National Energy Control Center; and
- (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 seven months 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 Borrower. In the event of a termination, upon the giving of such notice, the Borrower shall immediately repay the Principal then outstanding and shall pay any accrued interest and, upon receipt of such payments in full, 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 Borrower 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 Borrower shall carry out the Project with due diligence and efficiency, and in conformity with sound construction, engineering, financial, and administrative practices.

(b) The Borrower shall cause the Project to be carried out in conformity with all of the plans, specifications, contracts, 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. The Borrower shall provide promptly as needed all Egyptian currency and all foreign currency, in addition to the Loan, and all other resources required for the punctual and effective carrying out of construction, maintenance, repair, and operation of the Project.

Section 4.03. CONTINUING CONSULTATION. The Borrower, EEA, 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 any party, exchange views through their representatives with regard to the progress of the Project, the performance by the Borrower and EEA of its obligations under this Agreement, the performance of the consultants, contractors and suppliers engaged on the Project, and other matters relating to the Project. The Borrower and EEA shall review with A.I.D. the recommendations of the consultants presently working with the United Nations Development Program in Egypt to study the Egyptian power sector.

Section 4.04. MANAGEMENT. (a) The Borrower shall provide qualified and experienced management for the Project, and it shall train such staff as may be appropriate for the maintenance and operation of the Project.

(b) In order that training of key personnel may proceed in a timely manner, not later than six months after work begins under the contract for the supply, erection and construction of the NECC, EEA shall assign employees to those key positions specified pursuant to Section 3.02(b). Such assignments shall be based upon the individuals' qualifications and experience for the positions.

Section 4.05. OPERATION AND MAINTENANCE. The Borrower shall operate, maintain and repair the Project in conformity with sound engineering, financial and 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 now or hereafter 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. Upon completion of the Project, or at such other times as goods financed under the Loan can no longer usefully be employed for the Project, the Borrower may use or dispose of such goods in such manner as A.I.D. may agree to in writing prior to such use or disposition.

(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 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 Project and the discharge of its obligations under this Agreement. The Borrower 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 the Borrower's obligations under this Agreement.

Section 4.09. COMMISSIONS, FEES, AND OTHER PAYMENTS. (a) Borrower warrants and covenants 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 warrants and covenants 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 4.10. MAINTENANCE AND AUDIT OF RECORDS. The Borrower 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.

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 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 records and other documents relating to the Project and the Loan. The Borrower 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.

Section 4.13. INVESTMENT GUARANTY PROJECT APPROVAL BY BORROWER. The construction work to be financed under this Agreement is hereby stated to be a project approved by the Government of [the] Borrower pursuant to the agreement between the Government of Egypt and the Government of the United States of America on the subject of investment guaranties, and no further approval by the Government of Egypt shall be required to permit the United States to issue investment guaranties under that agreement covering a contractor's investment in that project.

Article V. PROCUREMENT

Section 5.01. SOURCE AND ORIGIN OF PROCUREMENT. Except as A.I.D. may otherwise agree in writing, disbursements made pursuant to Article VI 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 the date of this Agreement.

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. PLANS, SPECIFICATIONS AND CONTRACTS. In order for there to be mutual agreement on the following matters, and except as the Parties may otherwise agree in writing:

- (a) The Borrower will furnish to A.I.D. prior to implementation issuance or execution:
- (1) Any plans, specifications, procurement or construction schedules, contracts or other documentation relating to goods or services to be financed under the Loan, including documentation relating to the prequalification and selection of contractors and to the solicitation of bids and proposals. All modifications in such documentation will likewise be furnished A.I.D. on preparation;
 - (2) Such documentation will also be furnished to A.I.D., upon preparation, relating to any goods or services which, though not financed under the Loan, are deemed by A.I.D. to be of major importance to the Project. Aspects of the Project involving matters under this subsection (a) (2) will be identified in Implementation Letters;
- (b) Documents related to the prequalification of contractors, and to the solicitation of proposals for goods and services financed under the Loan will be approved by A.I.D. in writing prior to their issuance, and their terms will include United States standards and measurements;
- (c) Contracts and contractors financed under the Loan for engineering and other professional services, for construction services, and for such other services, equipment or materials as may be specified in Implementation Letters, will be approved by A.I.D. in writing prior to execution of the contract. Material modifications in such contracts will also be approved in writing by A.I.D. prior to execution; and
- (d) Consulting firms used by the Borrower for the Project but not financed under the Loan, the scope of their services and such of their personnel assigned to the Project as A.I.D. may specify, and construction contractors used by the Borrower for the Project but not financed under the Loan shall be acceptable to A.I.D.

Section 5.05. REASONABLE PRICE. No more than reasonable prices shall be paid for any goods or services financed, in whole or in part, under the Loan. Such items shall be procured on a fair and, to the maximum extent practicable, on a competitive basis.

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 are 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) No such goods may be transported on any ocean vessel (or aircraft), (i) which A.I.D., in a notice to the Borrower, has designated as ineligible to carry A.I.D.-financed goods, or (ii) which has been chartered for the carriage of A.I.D.-financed goods, unless such charter has been approved by A.I.D.

(d) Marine insurance on United States goods may be financed under the Loan with disbursements made pursuant to Section 6.01, 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.

(e) The Borrower shall insure, or cause to be insured, all Eligible Items 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 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 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 Borrower 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. U.S. GOVERNMENT-OWNED EXCESS PROPERTY. The Borrower agrees that wherever practicable United States Government-owned excess personal property, in lieu of new items financed under the Loan, should be utilized. Funds under the Loan may be used to finance the costs of obtaining such property for the Project.

Section 5.09. INFORMATION AND MARKING. Borrower shall give publicity to the Loan and the Project as a program of United States aid, identify the Project site, and mark goods financed under the Loan, as prescribed in Implementation Letters.

Article VI. DISBURSEMENTS

Section 6.01. DISBURSEMENT FOR UNITED STATES DOLLAR COSTS—LETTERS OF COMMITMENT TO UNITED STATES BANKS. Upon satisfaction of conditions prece-

dent, 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 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 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 6.02. OTHER FORMS OF DISBURSEMENT. Disbursements of the Loan may also be made through such other means as the Borrower and A.I.D. may agree to in writing.

Section 6.03. DATE OF DISBURSEMENT. Disbursement by A.I.D. shall be deemed to occur 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.

Section 6.04. 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 6.02, or amendment thereto shall be issued in response to requests received by A.I.D. after fifty-six months, and no disbursement shall be made against documentation received by A.I.D. or any bank described in Section 6.01 after sixty-eight months, from the date Borrower satisfies the Conditions Precedent under Article III of this Agreement.

Article VII. CANCELLATION AND SUSPENSION

Section 7.01. 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 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, including, but without limitation, 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 unpaid 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 unpaid 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 7.03. 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 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 7.04. CANCELLATION BY A.I.D. Following any suspension of disbursement 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 until the payment in full of all Principal and any accrued interest hereunder.

Section 7.06. REFUNDS. (a) In the case of any disbursement not supported by valid documentation in accordance with the terms of this Agreement, or which is not made or used in accordance with the terms of this Agreement, or which was for goods or services not used in accordance with 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 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 A.I.D. may specify.

Section 7.08. 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 such rights, powers, or remedies.

Article VIII. MISCELLANEOUS

Section 8.01. COMMUNICATIONS. Any notice, request, document, or other communication given, made, or sent by the Borrower, EEA 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 EEA:

Mail Address: Cairo, Nasr City
Extension Ramses Street
Cable Address: Electrocop
Telex: 2097 Power UN

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

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, the Borrower will be represented by the individual holding or acting in the office of Minister of Economy and Economic Cooperation, EEA will be represented by the individual holding or acting in the office of Chairman of the EEA, 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 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. 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 8.04. 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 8.05. TERMINATION UPON FULL PAYMENT. Upon payment in full of the Principal and of any accrued interest, this Agreement and all obligations of the Borrower and A.I.D. under this Loan Agreement shall terminate.

IN WITNESS WHEREOF, Borrower, EEA 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: H. FREEMAN MATTHEWS, Jr.
Title: Chargé d'affaires a.i.

Egyptian Electricity Authority:

By: [Signed]
Name: Eng. MOHAMED KAMAL HAMED
Title: Chairman

ANNEX I

DESCRIPTION OF PROJECT

This Project consists of the construction of a National Energy Control Center (NECC) which will monitor, supervise and control the entire interconnected national electric power grid throughout Egypt. The power grid, which is referred to as the Egyptian United Power System (UPS), is the 500 KV main bulk transmission line and the 220 KV interconnected networks,

together with associated hydro and thermal generating stations of the Egyptian Electricity Authority (EEA). The NECC itself consists of a control center, 39 remote terminal units for data acquisition and control, and the associated communication subsystem.

The proposed A.I.D. assistance will finance the foreign exchange costs of the computer and control room hardware, the related software, communication equipment, 39 remote terminal units, design engineering services, consulting services, formal training, spare parts, and a two year guaranty/start-up period. The estimated foreign exchange costs of the Project total 24 million U.S. dollars. The estimated local currency cost is 3,327,610 Egyptian pounds, which amount will be provided by EEA or the Borrower.

The purpose of the Project is to provide improved reliability and economy of operation of the UPS by online computerized control.
