

No. 18599

**UNITED STATES OF AMERICA
and
EGYPT**

**Project Grant Agreement for Port Said salines plant (with
annex). Signed at Cairo on 28 September 1977**

Authentic text: English.

Registered by the United States of America on 18 April 1980.

**ÉTATS-UNIS D'AMÉRIQUE
et
ÉGYPTE**

**Accord de don pour un projet relatif aux salines de Port-
Saïd (avec annexe). Signé au Caire le 28 septembre
1977**

Texte authentique : anglais.

Enregistré par les États-Unis d'Amérique le 18 avril 1980.

PROJECT GRANT AGREEMENT¹ AMONG THE ARAB REPUBLIC OF EGYPT, EL NASR SALINES COMPANY AND THE UNITED STATES OF AMERICA FOR PORT SAID SALINES PLANT

September 28, 1977

A.I.D. Project Number 263-0072

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A.I.D. Project No. 263-0072

PROJECT GRANT AGREEMENT dated September 28, 1977, among ARAB REPUBLIC OF EGYPT ("Grantee"), EL NASR SALINES COMPANY ("Company") and the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D.").

Article 1. THE AGREEMENT

The purpose of this Agreement is to set out the understandings of the Parties named above ("Parties") with respect to the undertaking by the Grantee of the Project described below, and with respect to the financing of the Project by the Parties.

¹ Came into force on 28 September 1977 by signature.

² Not printed herein; for text, see "Project Grant Agreement between the United States of America and Egypt for applied science and technology research, signed at Cairo on 29 March 1977" in United Nations, *Treaty Series*, vol. 1116, p. 97.

Article 2. THE PROJECT

Section 2.1. DEFINITION OF PROJECT. The Project, which is further described in annex 1, will consist of reconstructing the Port Said Salines Plant located at Port Said, Egypt. The Project will provide for an increase in production of salt for the domestic market with attendant foreign exchange savings. A.I.D. will provide foreign exchange to be used for procurement of various kinds of equipment required for the salt plant, construction materials, and technical assistance. Annex 1, attached, amplifies the above definition of the Project. Within the limits of the above definition of the Project, elements of the amplified description stated in annex 1 may be changed by written agreement of the authorized representatives of the Parties named in section 8.2, without formal amendment of this Agreement.

Article 3. FINANCING

Section 3.1. THE GRANT. To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of this Agreement not to exceed thirteen million United States (“U.S.”) dollars (\$13,000,000) (“Grant”). The Grant may be used only to finance foreign exchange costs, as defined in section 6.1, of goods and services required for the Project.

Section 3.2. GRANTEE RESOURCES FOR THE PROJECT. (a) The Grantee agrees to provide or cause to be provided for the Project all funds, in addition to the Grant, and all other resources required to carry out the Project effectively and in a timely manner.

(b) The resources provided by Grantee for the Project will be not less than L.E. 4,000,000, including costs borne on an “in-kind” basis.

Section 3.3. PROJECT ASSISTANCE COMPLETION DATE. (a) The “Project Assistance Completion Date” (PACD), which is March 1, 1980, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the Project as contemplated in this Agreement.

(b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Grant (1) in response to requests received by A.I.D. after August 31, 1979, or (2) for services performed subsequent to the PACD or for goods furnished for the Project, as contemplated in this Agreement, subsequent to the PACD.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters are to be received by A.I.D. or any bank described in section 7.1 no later than six (6) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to the Grantee, may at any time or times reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

Article 4. CONDITIONS PRECEDENT TO DISBURSEMENT

Section 4.1. FIRST DISBURSEMENT. Prior to the first disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

- (a) A statement of the names of the persons holding or acting in the offices of the Grantee specified in section 8.2, and of any additional representatives, together with a specimen signature of each person specified in such statement;
- (b) Evidence that the Grant proceeds will be made available to the Company on terms and conditions acceptable to A.I.D., in the form of a Loan Agreement conforming to section 5.2; and
- (c) An executed contract acceptable to A.I.D. for consulting engineering services with a firm acceptable to A.I.D.

Section 4.2. ADDITIONAL DISBURSEMENT. Prior to disbursement under the Grant, or to issuance by A.I.D. of documentation pursuant to which disbursement will be made, for any purpose other than to finance the services referred to in section 4.1, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

- (a) A model flow analysis and sedimentation study of the sea water intake location;
- (b) A cost comparison between obtaining sea water from the Mediterranean Sea and the building of a pipe line to Lake Mallaha; [and]
- (c) An executed agreement between El Nasr Salines and the Suez Canal Authority for the building of new concentration ponds which defines responsibility between the two Parties.

Section 4.3. NOTIFICATION. When A.I.D. has determined that the conditions precedent specified in sections 4.1 and 4.2 have been met, it will promptly notify the Grantee.

Section 4.4. TERMINAL DATE FOR CONDITIONS PRECEDENT. If all of the conditions specified in Section 4.1 have not 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 written notice to Grantee.

Article 5. SPECIAL COVENANTS

Section 5.1. PROJECT EVALUATION. The Parties agree to establish an evaluation program as part of the Project. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Project and at one or more points thereafter:

- (a) Evaluation of progress toward attainment of the objectives of the Project;
- (b) Identification and evaluation of problem areas or constraints which may inhibit such attainment;
- (c) Assessment of how such information may be used to help overcome such problems; and
- (d) Evaluation, to the degree feasible, of the overall development impact of the Project.

Section 5.2. LOAN BY GRANTEE TO COMPANY. In order to assist the Company in carrying out the Project, the Grantee shall lend to the Company the proceeds of the Grant under a loan agreement (“Loan Agreement”) to be entered into between the Grantee and the Company under terms and conditions satisfactory to A.I.D. Such terms and conditions shall include, but not be limited to, repayment by the Company within fifteen (15) years, including a five (5) year grace period, and an interest rate of ten percent (10%) per annum.

Section 5.3. USE OF EXISTING STOCKPILES. Grantee and the Company agree to undertake necessary action to determine the best means of removing and appropriately utilizing the existing stockpiles of salt at Port Said which were harvested prior to 1967.

Section 5.4. ELECTRICITY SUPPLY. Grantee and the Company agree to obtain from the Egyptian Electricity Authority (EEA) a written guarantee that Port Said Salines will be provided, prior to plant startup, the full electrical power requirement of 1,000 KW.

Section 5.5. FINANCIAL PLANNING. Grantee and the Company covenant as follows with respect to the financial structure of the Company:

- (a) Not to take any action or make any investments to increase the Company’s salt production capacity without prior consent and approval of A.I.D.
- (b) To employ an independent accountant satisfactory to A.I.D. to translate into English each year through 1980 appropriate sections of the Company’s Annual Reports, and to prepare Historical Financial Reports, including balance sheets, income statements and source and application of funds in accordance with accounting practices and principles generally accepted as sound.
- (c) To submit to A.I.D. on or before December 31st each year through 1990 a one-year and a five-year plan showing sources and application of funds to insure that all debts of the Company will be properly serviced.
- (d) Except as A.I.D. may otherwise agree in writing, that the Company will not:
 - (1) (A) declare any dividend or make any other distribution with respect to its capital except out of accumulated adjusted net earnings; (B) purchase, redeem or otherwise acquire, directly or indirectly, for any consideration any such capital; or ([C]) otherwise reduce its capital or prepare any long-term debt, if, after giving effect to any such action the ratio of current assets to the current liabilities would be less than 1.5:1 (60:40).
 - (2) Make expenditures, or commitments for expenditures for capital additions in any one year which exceed Egyptian pounds Three Million (L.E. 3,000,000), except those expenditures and commitments required for carrying out the Project.
 - (3) Maintain a ratio of current assets to current liabilities of less than 1.5:1 (60:40) or to incur or to have outstanding any long-term debt to the extent that the aggregate principal amount of the outstanding long-term debt exceeds 150 percent of the net worth.
- e) Submit to A.I.D. by the end of 1980, a completed market and sales price policy study relating to the salt industry, along with the Company’s plans for implementing the recommendation of the study. The salt prices should be

set at a level which will allow the Company to generate a reasonable profit on investment after paying all production costs and operating costs and servicing debt.

Article 6. PROCUREMENT SOURCE

Section 6.1. FOREIGN EXCHANGE COSTS. Disbursements pursuant to Section 7.1 will be used exclusively to finance the costs of goods and services required for the Project having their source and origin in the United States (code 000 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods or services) ("Foreign Exchange Costs"), except as A.I.D. may otherwise agree in writing, and except as provided in the Project Grant Standard Provisions Annex, section C.1 (b) with respect to marine insurance.

Article 7. DISBURSEMENT

Section 7.1. DISBURSEMENT FOR FOREIGN EXCHANGE COSTS. (a) After satisfaction of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for the Foreign Exchange Costs of goods or services required for the Project in accordance with the terms of this Agreement, by such of the following methods as may be mutually agreed upon:

- (1) By submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, (A) requests for reimbursement for such goods or services, or (B) requests for A.I.D. to procure commodities or services in Grantee's behalf for the Project; or
- (2) By requesting A.I.D. to issue Letters of Commitment for specified amounts (A) to one or more U.S. 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, under Letters of Credit or otherwise, for such goods or services, or (B) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for such goods or services.

(b) Banking charges incurred by Grantee in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless Grantee instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Grant.

Section 7.2. OTHER FORMS OF DISBURSEMENT. Disbursements of the Grant may also be made through such other means as the Parties may agree to in writing.

Article 8. MISCELLANEOUS

Section 8.1. COMMUNICATIONS. Any notice, request, document, or other communication submitted by any party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such party at the following address:

To the Grantee:

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

To the Company:
2, Avenue Leader Gamal Abd El Nasser
Alexandria, A.R.E.

For Cables:
SOEGSEL, Alexandria

To A.I.D.:
A.I.D.
U.S. Embassy
Cairo, Egypt

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

Section 8.2. REPRESENTATIVES. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of Minister of Economy and Economic Cooperation and the First Undersecretary of State for Economy and Economic Cooperation, the Company will be represented by the individual holding or acting in the office of Chairman, and A.I.D. will be represented by the individual holding or acting in the office of Director, U.S.A.I.D., Cairo, Egypt, each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under section 2.1 to revise elements of the amplified description in annex 1. The names of the representatives of the Grantee and the Company, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

Section 8.3. STANDARD PROVISIONS ANNEX. A "Project Grant Standard Provisions Annex" (annex 2)¹ is attached to and forms part of this Agreement.

IN WITNESS WHEREOF, the Grantee, the Company and the United States of America, each acting through its 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:

United States of America:

By: [Signed]
Name: Dr. MAHMOUD SALAH EL DIN
HAMED
Title: Minister of Finance and Acting
Minister of Economy and Eco-
nomic Co-operation

By: [Signed]
Name: H. FREEMAN MATTHEWS, Jr.
Title: Chargé d'affaires a.i.

El Nasr Salines Company:

By: [Signed]
Name: Dr. Engr. M. K. EL KARAMANI
Title: Chairman

¹ See footnote 2, p. 112 of this volume.

ANNEX 1

PROJECT DESCRIPTION

The Project provides for the reconstruction of the El Nasr Salines Company's solar salt plant located at Port Said, Egypt. The new facility will permit the annual production of approximately 165,000 metric tons of high quality salt. The A.I.D. assistance will finance the foreign exchange costs of the required salt water pumping station, salt harvesting equipment, salt washing and stockpiling equipment, a salt refinery, materials handling equipment, certain construction materials and U.S. technical services. The estimated foreign exchange cost is \$13.0 million. This amount will be provided to the Government of Egypt ("G.O.E.") in the form of a Grant. The GOE will relend the \$13.0 million to El Nasr Salines at ten percent (10%) interest for fifteen (15) years, with a five-year grace period on the repayment of principal.

The Egyptian pound costs of the Project will be financed by the El Nasr Salines Company. These costs include all civil works and plant construction and are estimated at about L.E. 4.0 million. El Nasr has already constructed certain of the required civil works, including a new laboratory/administration building, a garage, and a guest house.

PROJECT FINANCIAL PLAN (SOURCE AND APPLICATION OF FUNDING—\$ Millions)

As of September 1977

Project No. 263-0072

<i>Projects Inputs</i>	<i>Amount for a Fully Funded Project</i>				<i>Total</i>
	<i>A.I.D.</i>		<i>Borrower/ Grantee</i>	<i>Other</i>	
	<i>Loan</i>	<i>Grant</i>			
Salt Production Equipment		8.115	.0358		8.151
U.S. Construction Materials		1.322	.0143		1.336
Engineering, Procurement and Management		1.835	.0386		1.874
Civil Works			3.679		3.679
Plant Construction			1.028		1.028
	Subtotal	11.272	4.796		16.068
Contingencies 15%		1.690	.719		2.409
	TOTAL	\$12.962	\$5.515		\$18.477