

No. 18849

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**UNITED STATES OF AMERICA  
and  
EGYPT**

**Project Loan Agreement for the Suez canal cities water and  
sewerage systems (with annex). Signed at Cairo on 30  
September 1978**

*Authentic text: English.*

*Registered by the United States of America on 30 May 1980.*

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**ÉTATS-UNIS D'AMÉRIQUE  
et  
ÉGYPTE**

**Accord de prêt pour un projet relatif aux systèmes d'ad-  
duction d'eau et d'égouts de villes proches du canal de  
Suez (avec annexe). Signé au Caire le 30 septembre 1978**

*Texte authentique : anglais.*

*Enregistré par les États-Unis d'Amérique le 30 mai 1980.*

PROJECT LOAN AGREEMENT<sup>1</sup> AMONG THE ARAB REPUBLIC OF EGYPT, UNITED STATES OF AMERICA, THE MINISTRY OF HOUSING, SUEZ CANAL AUTHORITY AND THE GENERAL ORGANIZATION FOR SEWERAGE AND SANITARY DRAINAGE FOR CANAL CITIES WATER AND SEWERAGE

Dated: September 30, 1978

A.I.D. Loan No. 263-K-050  
Project No. 263-0048

TABLE OF CONTENTS

PROJECT LOAN AGREEMENT

Article 1. The Agreement	Section 6.2. Execution of the Project
Article 2. The Project	Section 6.3. Funds and other resources to be provided
Section 2.1. Definition of Project	Section 6.4. Operation and maintenance
Article 3. Financing	Section 6.5. Management
Section 3.1. The Loan	Section 6.6. Continuing consultation
Section 3.2. Borrower resources for the Project	Section 6.7. Financing
Section 3.3. Project assistance completion date	Section 6.8. SCA successor
Article 4. Loan terms	Section 6.9. Raw water supply
Section 4.1. Interest	Article 7. Procurement source
Section 4.2. Repayment	Section 7.1. Foreign exchange costs
Section 4.3. Application, currency, and place of payment	Article 8. Disbursements
Section 4.4. Prepayment	Section 8.1. Disbursements for foreign exchange costs
Section 4.5. Renegotiation of terms	Section 8.2. Other forms of disbursement
Section 4.6. Termination of full payment	Section 8.3. Date of disbursement
Article 5. Conditions precedent to disbursement	Article 9. Miscellaneous
Section 5.1. First disbursement	Section 9.1. Communications
Section 5.2. Additional conditions precedent	Section 9.2. Representatives
Section 5.3. Notification	Section 9.3. Standard Provisions Annex <sup>2</sup>
Section 5.4. Terminal dates for conditions precedent	Annex 1. Project description
Article 6. Special covenants	
Section 6.1. Project evaluation	

PROJECT LOAN AGREEMENT dated September 30, 1978, among the ARAB REPUBLIC OF EGYPT ("Borrower"), the MINISTRY OF HOUSING ("MOH"), the GENERAL ORGANIZATION FOR SEWERAGE AND SANITARY DRAINAGE ("GOSSD"), SUEZ CANAL AUTHORITY ("SCA"), 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 Borrower of the Project described below, and with respect to the financing of the Project by the Parties.

<sup>1</sup> Came into force on 30 September 1978 by signature.

<sup>2</sup> For the text of the annex see "Project Loan Agreement among the Arab Republic of Egypt, the United States of America and the Ministry of Irrigation for Canal Maintenance, signed at Cairo on 27 September 1977", in United Nations, *Treaty Series*, vol. 1169, p. 31.

## Article 2. THE PROJECT

*Section 2.1. DEFINITION OF PROJECT.* The Project, which is further described in annex 1, will consist of assistance to the Government of the Arab Republic of Egypt for rehabilitation and expansion for the water and wastewater systems in the Suez Canal cities of Port Said, Ismailia and Suez, to include (1) improvements to water and wastewater treatment plants; (2) water distribution and wastewater collection systems (including sewer cleaning); (3) construction of new water and wastewater pumping stations; and (4) the construction of a water transmission pipeline to the Suez Cement Company (hereinafter referred to as the "Project"). Funds made available under the Loan will be passed through the Ministry of Housing until such time that a reloan agreement, satisfactory to A.I.D., can be negotiated with the responsible successor organization(s) of the present canal cities' water/wastewater organizations.

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 9.2 without formal amendment of this Agreement.

## Article 3. FINANCING

*Section 3.1. THE LOAN.* To assist the Borrower to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to lend the Borrower under the terms of this Agreement not to exceed sixty million United States ("U.S.") dollars (\$60,000,000) ("Loan"). The aggregate amount of disbursements under the Loan is referred to as "principal".

The Loan may be used only to finance foreign exchange costs, as defined in section 7.1 of goods and services required for the Project.

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

(b) The resources provided by Borrower for the Project will be not less than thirty-nine million one hundred fourteen thousand Egyptian pounds (LE 39,114,000), including costs borne on an "in-kind" basis.

*Section 3.3. PROJECT ASSISTANCE COMPLETION DATE.* (a) The "Project assistance completion date" (PACD), which is July 1, 1982, 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 Loan will have been performed and all goods financed under the Loan 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 Loan (1) in response to request received by A.I.D. after January 31, 1982, 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 8.1 no later than five (5) 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 Borrower, may at any time or times reduce the amount of the Loan 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.* LOAN TERMS

*Section 4.1.* INTEREST. The Borrower will pay to A.I.D. interest which will accrue at the rate of two percent (2%) per annum for ten (10) 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 will accrue from the date (as defined in section 8.3) of each respective disbursement, and will be payable semiannually. The first payment of interest will 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 4.2.* REPAYMENT. The Borrower will repay to A.I.D. the principal within forty (40) years from the date of the first disbursement of the Loan in sixty-one (61) approximately equal semiannual installments of principal and interest. The first installment of principal will be paid nine and one-half (9½) years after the date on which the first interest payment is due in accordance with section 4.1. A.I.D. will provide the Borrower with an amortization schedule in accordance with this section after the final disbursement under the Loan.

*Section 4.3.* APPLICATION, CURRENCY, AND PLACE OF PAYMENT. All payments of interest and principal hereunder will be made in U.S. dollars and will 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, payments will be made to the Controller, Office of Financial Management, Agency for International Development, Washington, D.C. 20523, U.S.A., and will be deemed made when received by the Office of Financial Management.

*Section 4.4.* PREPAYMENT. Upon payment of all interest and any refunds then due, the Borrower may prepay, without penalty, all or any part of the principal. Unless A.I.D. otherwise agrees in writing, any such prepayment will be applied to the installments of principal in the inverse order of their maturity.

*Section 4.5.* RENEGOTIATION OF TERMS. (a) The Borrower and A.I.D. agree to negotiate, at such time or times as either may request, an acceleration of the repayment of the Loan in the event that there is any significant and continuing improvement in the internal and external economic and financial position and prospects of the Arab Republic of Egypt, which enable the Borrower to repay the Loan on a shorter schedule.

(b) Any request by either Party to the other to so negotiate will be made pursuant to section 9.2 and will give the name and address of the person or persons who will represent the requesting Party in such negotiations.

(c) Within thirty (30) days after delivery of a request to negotiate, the requested Party will communicate to the other, pursuant to section 9.2, the name and address of the person or persons who will represent the requested Party in such negotiations.

(d) The representatives of the Parties will meet to carry on negotiations no later than thirty (30) days after delivery of the requested Party's communication under subsection (c). The negotiations will take place at a location mutually agreed upon by the representatives of the Parties, provided that, in the absence of mutual agreement, the negotiations will take place at the Office of Borrower's Minister of Economy and Economic Cooperation in the Arab Republic of Egypt.

*Section 4.6.* TERMINATION OF FULL PAYMENT. Upon payment in full of the principal and any accrued interest, this Agreement and all obligations of the Borrower and A.I.D. under it will cease.

*Article 5.* CONDITIONS PRECEDENT TO DISBURSEMENT

*Section 5.1.* FIRST DISBURSEMENT. Prior to the first disbursement under the Loan, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Borrower will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

- (1) An opinion of the Egyptian Minister of Justice, or other legal counsel satisfactory to A.I.D., that the Loan Agreement has been duly authorized by, and executed on behalf of the Arab Republic of Egypt, MOH, SCA, and GOSSD, and that it constitutes a valid and legally binding obligation in accordance with its terms;
- (2) A statement of the names of the persons who will act as the representatives of the Borrower, MOH, SCA and GOSSD together with a specimen signature of each;
- (3) Evidence that the Loan funds will be administered by the MOH on behalf of the Borrower and made available to SCA, GOSSD and the Governorates of Port Said, Ismailia and Suez, until such time that reloan agreement(s) satisfactory to A.I.D. can be negotiated with the existing or successor organization(s) responsible for the Canal cities' water/wastewater facilities;
- (4) Executed contracts acceptable to A.I.D. with consulting engineering firms acceptable to A.I.D. for services relating to the Project; and
- (5) Such other documentations as A.I.D. may require.

*Section 5.2.* ADDITIONAL CONDITIONS PRECEDENT. Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement to finance any costs other than of consulting engineering services, GOE shall, except as A.I.D. may otherwise agree in writing, furnish in form and substance satisfactory to A.I.D.:

- (1) A financial and physical plan for each of the project elements;
- (2) A detailed implementation plan, CPM/PERT form, for the rehabilitation and expansion of the water treatment plants, water distribution systems, sewage collection systems, and sewage treatment plants of Port Said, Ismailia, and Suez; and
- (3) Such other documentation as A.I.D. may require.

*Section 5.3.* NOTIFICATION. When A.I.D. has determined that the conditions precedent specified in sections 5.1 and 5.2 have been met, it will promptly notify the Borrower.

*Section 5.4.* TERMINAL DATES FOR CONDITIONS PRECEDENT. If all of the conditions specified in section 5.1 have not been met within ninety (90) 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 Borrower.

*Article 6.* SPECIAL COVENANTS

*Section 6.1.* PROJECT EVALUATION. The Parties agree to establish an evaluation program as part of the Project. Except as the Parties may 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 6.2. EXECUTION OF THE PROJECT.* The Borrower, MOH, GOSSD and SCA shall:

- (1) Cause the project to be carried out with due diligence and efficiency, and in conformity with sound engineering, construction, financial and administrative practices;
- (2) Cause the project to be carried out in conformance with all plans, specifications, contracts and other arrangements, and with all modifications therein approved by A.I.D. pursuant to this Agreement;
- (3) Submit for A.I.D. approval, prior to implementation, issuance, or execution, all plans, specifications, construction schedules, bid documents concerning solicitation of proposals relating to eligible items, contracts, and all modifications in these documents.

*Section 6.3. FUNDS AND OTHER RESOURCES TO BE PROVIDED.* The Borrower, MOH, GOSSD and SCA shall make available on a timely basis any Egyptian currency and any foreign currency in addition to the Loan for the punctual and effective carrying out of construction, maintenance, repair and operation of the project.

*Section 6.4. OPERATION AND MAINTENANCE.* The Borrower, MOH, GOSSD and SCA shall operate, maintain and repair the Project in conformity with sound engineering, financial and administrative practices and in such manner as to ensure the continuing and successful achievement of the purposes of the Project.

*Section 6.5. MANAGEMENT.* The Borrower, MOH, GOSSD and SCA shall provide qualified and experienced management for the Project and to train such staff as may be appropriate for the maintenance and operation of the Project.

*Section 6.6. CONTINUING CONSULTATION.* The Borrower, MOH, GOSSD and SCA shall cooperate fully with A.I.D. to assure that the purpose of the Loan will be accomplished. To this end, the Borrower, MOH, SCA, GOSSD and A.I.D. 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 of the Borrower, MOH, SCA and GOSSD of its obligations under the Loan Agreement, the performance of consultants, contractors, suppliers engaged on the Project, and other matters relating to the Project. The Borrower, MOH, SCA and GOSSD shall specifically review and discuss with A.I.D. the relevant recommendations of the management and tariff consultant and shall implement the recommendations agreed as a result of such discussions.

*Section 6.7. FINANCING.* In form and substance satisfactory to A.I.D. the Borrower, MOH, SCA and GOSSD shall:

- (a) Assure adequate long-term financing for SCA's and GOSSD's expansion program which has been authorized and modifications and adaptations to such program; no later than April 30, 1980, the financing so provided will be divided between equity contributions and loans in such a manner that after including the A.I.D. loan, the debt to equity ratio will be no greater than 1.5:1; also, no later than April 30, 1978, SCA tariffs shall be set at a level high enough to produce a reasonable rate of return on average net fixed assets in operation, appropriately valued and revalued from time to time; and
- (b) Execute at the earliest practicable time after the completion of the Management and Tariff Study a reloan agreement or agreements with the organization(s) who will be recipients of the reloan from the GOE containing the terms of payment including interest and repayment of interest acceptable to A.I.D.

*Section 6.8. SCA SUCCESSOR.* In the event that either GOSSD, SCA or the Governorates of Port Said, Ismailia and Suez are succeeded by other entities having responsibilities for the Canal Cities' water/wastewater systems, either before or after the Project

is completed, the then value of the A.I.D. Loan shall be re-lent and the facilities attributable to the Loan shall be made available to the successor organization(s) on terms and conditions acceptable to A.I.D.

*Section 6.9. RAW WATER SUPPLY.* The Borrower, MOH, GOSSD and SCA shall provide all physical and operational improvements, satisfactory to A.I.D., needed to assure that an adequate quantity and quality of raw water supply from the Ismailia–Port Said Sweetwater Canal system operated by the Ministry of Irrigation will be available for the purposes of this Project.

#### *Article 7. PROCUREMENT SOURCE*

*Section 7.1. FOREIGN EXCHANGE COSTS.* Disbursements pursuant to section 8.1 will be used exclusively to finance the costs of goods and services required for the Project having their source, origin, and nationality in the U.S. (Code 000 of the AID 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 Loan Standard Provisions Annex, section C.1(b), with respect to marine insurance.

#### *Article 8. DISBURSEMENTS*

*Section 8.1. DISBURSEMENTS FOR FOREIGN EXCHANGE COSTS.* (a) After satisfaction of conditions precedent, the Borrower may obtain disbursements of funds under the Loan 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 Borrower’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 Letter 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 Borrower in connection with Letter of Commitment and Letters of Credit will be financed under the Loan unless the Borrower instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Loan.

*Section 8.2. OTHER FORMS OF DISBURSEMENT.* Disbursements of the Loan may also be made through such other means as the Parties may agree to in writing.

*Section 8.3. DATE OF DISBURSEMENT.* Disbursements by A.I.D. will be deemed to occur on the date on which A.I.D. makes a disbursement to the Borrower or its designee, or to a bank, contractor or supplier pursuant to a Letter of Commitment, contract, or purchase order.

#### *Article 9. MISCELLANEOUS*

*Section 9.1. COMMUNICATIONS.* Any notice, request, document, or other communication submitted by either 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 Borrower:

Ministry of Economy and Economic Cooperation  
8, Adly Street  
Cairo, Egypt  
  
Ministry of Housing  
1 Ismail Abaza Street  
Cairo, Egypt

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 9.2. REPRESENTATIVES.* For all purposes relevant to this Agreement, the Borrower will be represented by the individuals holding or acting in the offices of the Minister of Economy and Economic Cooperation, Minister of Housing, Chairman of GOSSD, and Chairman, Suez Canal Authority, and Deputy Chairman of the General Authority for Arab and Foreign Investment and Free Zones, and A.I.D. will be represented by the individual holding or acting in the office of the Director, U.S.A.I.D., 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 Borrower, 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 9.3. STANDARD PROVISIONS ANNEX.* A "Project Loan Standard Provisions Annex" (annex 2) is attached and forms part of this Agreement.

IN WITNESS WHEREOF, the Parties, each acting through its duly authorized representatives, 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. MAHMOUD SALAH EL-DIN  
HAMED  
*Title:* Minister of Finance and Acting  
Minister of Economy and Eco-  
nomic Cooperation

United States of America:  
*By:* [Signed]  
*Name:* HERMANN FR. EILTS  
*Title:* American Ambassador

GOSSD:  
*By:* [Signed]  
*Name:* Eng. A. M. ASHMAWY  
*Title:* Chairman

Ministry of Housing:  
*By:* [Signed]  
*Name:* Eng. AHMED TALAAT TEWFIK  
*Title:* Minister

Suez Canal Authority:  
*By:* [Signed]  
*Name:* MASHHOUR AHMET MASHHOUR  
*Title:* Chairman



## ANNEX I

## PROJECT DESCRIPTION

The Project provides improvements to the public water and sewerage systems serving Port Said, Ismailia and Suez, which are now only partially operative. The improvements will include the repair and rehabilitation of the systems which were damaged and which deteriorated because of non-use during the war years of 1967–1973. The improvements also will correct the most serious design and construction deficiencies of the pre-war systems, and will provide modest extensions to serve the more rapidly developing areas of the canal cities.

At the Port Said water treatment plant, improvements will include back-wash pumps, flow meters, chlorinators, finished water pumps, and minor equipment and repair items. The Port Said water distribution system will be strengthened by a major pipeline serving the northwestern portion of the city, and inoperative valves, fire hydrants, and water meters will be replaced.

The Port Said sewer system will be restored to reliable operation by cleaning, inspecting, and repairing clogged and broken sewers, and replacing several sewage pump stations which are undersized or inadequately equipped. A proposed new gravity sewer will eliminate seven of the existing pump stations.

Port Said's existing sewage treatment plant will be restored to operation by revising the flow pattern by means of piping changes, together with construction of a sludge lagoon and various minor improvements.

At Ismailia's water treatment plant, improvements will include equipment for applying coagulating chemicals and chlorine, finished water pumps, flow meters, and minor repairs and replacements. The Ismailia water distribution system will be strengthened by new water mains, a booster pumping station, a storage reservoir, and miscellaneous items.

Ismailia's sewer system will be cleaned, inspected and repaired. New sewers will be provided for certain populated areas which are presently unsewered. Five inadequate sewage pump stations will be replaced.

At Ismailia's sewage treatment plant, the project will restore the existing war-damaged trickling filter equipment and provide new pumps, laboratory, chlorination, sludge handling, and miscellaneous facilities.

At the Suez water treatment plant, the Project will provide flow meters, chlorinators, pumps, and related piping and electrical work. The Suez water system improvements will include replacement of a number of undersized distribution pipes, new pipelines to presently unsewered areas, and a major transmission line extending from the water treatment plant to a large portland cement plant (an AID-supported project) now under construction about 42 kilometers southwest of Suez. This transmission main will provide water to several developing areas along Suez Bay and the Gulf of Suez, as well as the cement plant.

The Suez sewerage system will be cleaned, inspected, and repaired. Sewers will be provided in several populated unsewered areas. Three existing sewage pump stations and their force mains will be rehabilitated and enlarged, and one new pump station constructed.

Suez's existing sewage treatment plant will be enlarged by adding two new clarifiers. Also, flow meters, control structures, laboratory equipment, an access road, and electrical service will be provided.

Exhibit A shows the foreign exchange and local currency costs associated with the various groups of project improvements. In general, the FY 1978 items are most of the water treatment plant improvements, the Suez southwest water transmission pipeline to the cement plant, and the sewers and sewage pump stations.

The multiple activities to be carried out under the Project will require project financing of architects and engineering services contracts, to include construction supervision services and extensive procurement of materials and equipment.

EXHIBIT A  
FY 1978 PROGRAM  
(000)

	<i>LE</i>	<i>\$US</i>
<b>Port Said</b>		
Water treatment .....	970	3,035
Sewerage collection .....	<u>4,203</u>	<u>6,512</u>
Sub-total	5,178	9,547
<b>Ismailia</b>		
Water treatment .....	2,565	7,421
Sewerage collection .....	<u>14,172</u>	<u>17,235</u>
Sub total	16,787	24,656
<b>Suez</b>		
Water treatment .....	945	2,118
Water distribution .....	4,870	14,796
Sewerage collection .....	<u>11,389</u>	<u>8,804</u>
Sub-total	17,204	25,718
TOTAL	39,114	59,921
Rounded to:	40,000	60,000