

No. 18844

**UNITED STATES OF AMERICA
and
EGYPT**

**Project Loan Agreement for urban electric distribution (with
annex). Signed at Cairo on 30 September 1977**

**Amendment to the above-mentioned Agreement. Signed at
Cairo on 29 March 1978**

Authentic text: English.

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

**ÉTATS-UNIS D'AMÉRIQUE
et
ÉGYPTE**

**Accord de prêt pour un projet relatif à la distribution ur-
baine d'électricité (avec annexe). Signé au Caire le 30
septembre 1977**

**Amendement à l'Accord susmentionné. Signé au Caire le 29
mars 1978**

Texte authentique : anglais.

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

PROJECT LOAN AGREEMENT¹ AMONG THE ARAB REPUBLIC OF EGYPT, THE UNITED STATES OF AMERICA AND THE EGYPTIAN ELECTRICITY AUTHORITY FOR URBAN ELECTRIC DISTRIBUTION

Dated 30 September, 1977

A.I.D. Loan Number 263-K-043
Project Number 263-0033

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A.I.D. PROJECT No. 263-0033

PROJECT LOAN AGREEMENT dated September 30, 1977, 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 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.

¹ Came into force on 30 September 1977 by signature.

² 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", 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 providing equipment, materials and related services for the rehabilitation and expansion of urban electric distribution systems in Egypt including the cities of Cairo, Alexandria, Beni Suef and Shibin El-Kom. The Borrower will relend the funds to EEA which will be the implementing agency for the Project. 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 9.3, 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 seventeen million twelve thousand United States ("U.S.") dollars (\$17,012,000) ("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 one million nine hundred six thousand Egyptian pounds (L.E. 1,906,000), 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, 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 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 requests received by A.I.D. after July 1, 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 8.1 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 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 payable 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 Development in the Arab Republic of Egypt.

Section 4.6. TERMINATION ON 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.:

(a) An opinion of the Minister of Justice or of other counsel acceptable to A.I.D. that this Agreement and the Reloan Agreement have been duly authorized and/or ratified by, and executed on behalf of, the Borrower and EEA, and that they constitute valid

and legally binding obligations of the Borrower and EEA in accordance with all of their terms;

- (b) A statement of the names of the persons holding or acting in the offices of the Borrower specified in section 9.3 and of any additional representatives, together with a specimen signature of each person specified in such statement;
- (c) Evidence that the Loan proceeds will be made available to EEA on terms and conditions acceptable to A.I.D., in the form of a Reloan Agreement conforming to section 6.2;
- (d) 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;
- (e) The exact location and firm construction plans for civil works for the A.I.D.-financed warehouse storage facilities for the cities of Shibin El-Kom and Beni Suef;
- (f) A written and detailed explanation of EEA's methods and procedures for inventory control which will be utilized to account for the A.I.D.-financed commodities; and
- (g) Such other documentation as A.I.D. may require.

Section 5.2. NOTIFICATION. When A.I.D. has determined that the Conditions Precedent specified in Section 5.1 have been met, it will promptly notify the Borrower.

Section 5.3. TERMINAL DATES FOR CONDITIONS PRECEDENT. If all of the conditions specified in section 5.1 have not been met within 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 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. RELOAN BY BORROWER TO EEA. In order to assist EEA in carrying out the Project, the Borrower shall reloan 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 (25) years, including a five (5)-year grace period, and an interest rate of eight and one-half percent (8-1/2%) per annum.

Section 6.3. CONTINUING CONSULTATION. The Borrower and EEA covenant to review with A.I.D. the recommendations of the consultants engaged pursuant to the United Nations Development Programme to survey the Egyptian power sector.

Section 6.4. FINANCIAL MANAGEMENT. (a) The Borrower covenants that in the event the Borrower shall decide to establish companies or any other entities to take over the power distribution assets of EEA for purposes of operation and maintenance, customer billing functions or for any other purpose, the Borrower shall ensure that such decision or decisions shall include provisions, satisfactory to A.I.D., for the management, ownership, operation and maintenance of the assets provided under the Project; the Borrower shall also ensure that such decision or decisions shall include provisions, satisfactory to

A.I.D., for an annual audit of the consolidated accounts of EEA and the performance of all EEA's financial obligations under the Loan and Reloan Agreements.

(b) The Borrower and EEA covenant that, except as A.I.D. shall otherwise agree in writing, EEA shall promptly take all such action as shall be required to provide in any fiscal year an annual return on the average of the current net value of the fixed assets of EEA in service at the beginning and end of such fiscal year at a rate of not less than nine percent (9%), commencing with its fiscal year 1980.

(c) Except as the Parties may otherwise agree in writing, the Borrower shall assure adequate long-term financing for EEA's expansion program which has been authorized and modifications and additions to such program. Within three years from the date of this Agreement, the financing so provided will be divided between equity contributions and loans in such a manner that after the completion of loan transactions the debt to equity ratio will be no greater than 1.5:1.

(d) EEA covenants to prepare and to submit to A.I.D. by November 1 of each year, a provisional forecast of operating revenues, operating expenses and rate of return for the next succeeding year, a statement of the tariffs and assumptions underlying the forecasts, an aging report of accounts receivable from major accounts, and a statement of the measures proposed, if any, to produce the annual return provided for in paragraph (b) above, and to furnish to A.I.D. all such detail as A.I.D. may reasonably request.

(e) For the purposes of this section:

(1) The annual return specified in paragraph (b) shall be calculated in respect of each fiscal year, by using as the denominator the average current net value of the fixed assets of EEA in service at the beginning and at the end of each such year, and as numerator the net operating income of EEA for the same year;

(2) The term "current net value of the fixed assets of the EEA in service" means the gross value of EEA's fixed assets in service less the amount of accumulated depreciation, both as valued from time to time in accordance with consistently applied appropriate methods of valuation or revaluation acceptable to A.I.D.; and

(3) The term "net operating income" means gross revenues from all sources less all operating expenditures, including expenses of administration, adequate maintenance and taxes or any payment in lieu of taxes and adequate provision for depreciation but excluding interest and other charges on debt.

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 and origin in the United States (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. DISBURSEMENT 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 Letters 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. INVESTMENT GUARANTY PROJECT APPROVAL. Construction work to be financed under this Agreement is agreed to be a project approved by the Arab Republic of Egypt pursuant to the agreement between it and the United States of America on the subject of investment guaranties, and no further approval by the Arab Republic of Egypt will be required to permit the United States to issue investment guaranties under that agreement covering a contractor's investment in that project.

Section 9.2. 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:

Egyptian Electricity Authority
Nasr City
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 9.3. REPRESENTATIVES. For all purposes relevant to this Agreement, the Borrower will be represented by the individuals holding or acting in the offices of Minister of Economy and Economic Cooperation, Chairman EEA and First Undersecretary of State for Economy and Economic Cooperation, and A.I.D. will be represented by the individual holding or acting in the office of 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 9.4. STANDARD PROVISIONS ANNEX. A "Project Loan Standard Provisions Annex" (annex 2) is attached and forms part of this Agreement.

IN WITNESS WHEREOF, the Borrower 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:
By: [Signed]

United States of America:
By: [Signed]

Name: Dr. MAHMOUD SALAH EL-DIN
HAMED
Title: Minister of Finance and Acting
Minister of Economy and Economic
Cooperation

Name: H. FREEMAN MATTHEWS, Jr.
Title: Chargé d'affaires a.i.

Egyptian Electricity Authority:
By: [Signed]

Name: Eng. MOHAMED KAMAL HAMED
Title: Chairman

ANNEX 1

PROJECT DESCRIPTION

The project consists of the construction and installation of electric distribution equipment, including transformer substations, distribution transformers, switchgear, relays, distributors, and cable required to rehabilitate and expand the electric distribution systems in the cities of Cairo, Alexandria, Shihin El-Kom and Beni Suef. Included in the project, in addition to the materials and equipment, are the services of an engineering consulting firm to provide engineering supervision during the construction phase, as well as formulate and oversee a related training program for applicable EEA and Rural Electrification Authority (REA) personnel. The project is based on a feasibility study prepared by Harza Overseas Engineering Company (Harza), an American engineering consulting firm headquartered in Chicago, in which the distribution systems and related load demand in the four project cities were studied.

Using highly specialized computer programs, Harza will prepare detailed design specifications and work programs for each of the cities to install the equipment. Installation will be carried out by EEA and REA work crews, or in the case of major installations such as the high voltage substation, by EEA civil contractors.

Although the total estimated foreign exchange requirement for the Year One Project is in excess of \$97 million, A.I.D. will finance only \$17,012 million during FY 1977 due to the availability of funds. It is expected that as and when additional funds become available, in FY 1978, subsequent authorization requests will be made for additional funds. All Egyptian pound costs will be financed by EEA or REA as applicable depending upon the location and type of installation.

ATTACHMENT A TO ANNEX I

PROJECT FINANCIAL PLAN AS OF SEPTEMBER . . . , 1977, PROJECT NO. 263-0033
(source and application of funding — \$ millions)

<i>Sub-Projects</i>	<i>A.I.D. Loan (US \$)</i>	<i>EEA Egyptian pounds (\$ equivalent of L.E.)</i>	<i>Total (US \$)</i>
Rehabilitation of Beni Suef	2,105.6	246.0	2,351.6
Rehabilitation of Shibin El-Kom	1,918.1	246.4	2,164.5
Rehabilitation of Alexandria	10,186.4	1,976.1	12,162.5
Rehabilitation of Cairo (remainder)	<u>2,801.9</u>	<u>253.7</u>	<u>3,055.6</u>
TOTAL PROJECT COSTS	17,012.0	2,722.2	19,734.2

FIRST AMENDMENT¹ TO LOAN AGREEMENT AMONG THE ARAB REPUBLIC OF EGYPT, THE UNITED STATES OF AMERICA AND THE EGYPTIAN ELECTRICITY AUTHORITY FOR URBAN ELECTRIC DISTRIBUTION²

Dated 29 March 1978

A.I.D. Loan Number 263-K-043

FIRST AMENDMENT, dated March 29, 1978, to the Loan Agreement dated September 30, 1977, among the ARAB REPUBLIC OF EGYPT ("Borrower"), the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D.") and the EGYPTIAN ELECTRICITY AUTHORITY ("EEA").²

Section 1. Section 3.1 of the Loan Agreement is amended by deleting "seventeen million twelve thousand United States dollars (\$17,012,000)" and substituting "forty-six million twelve thousand United States dollars (\$46,012,000)".

Section 2. CONDITIONS PRECEDENT TO INITIAL DISBURSEMENT UNDER FIRST AMENDMENT. Prior to any disbursement or to the issuance of any Letter of Commitment or other authorization of disbursement under this First Amendment, 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) Evidence that the Reloan Agreement required by section 6.2 of the Loan Agreement has been amended to correspond to the total dollar amount made available under this Loan Agreement;
- (b) An opinion of the Minister of Justice or of other counsel acceptable to A.I.D. that this First Amendment and the First Amendment to the Reloan Agreement have been duly authorized and/or ratified by and executed on behalf of the Borrower and EEA and that they constitute valid and legally binding obligations of the Borrower and EEA in accordance with all of their terms.

Section 3. TERMINAL DATE FOR MEETING CONDITIONS PRECEDENT TO DISBURSEMENT. If the conditions specified in section 2 shall not have been met within 90 days from the date of this First Amendment, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this First Amendment by giving written notice to the Borrower. Upon the giving of such notice, this First Amendment and all obligations of the Parties hereunder shall terminate.

Section 4. NOTIFICATION OF MEETING CONDITIONS PRECEDENT TO DISBURSEMENT. A.I.D. shall notify the Borrower upon determination by A.I.D. that the conditions precedent to disbursement specified in section 2 have been met.

Section 5. This Loan Agreement Amendment shall enter into force when signed by all Parties hereto.

Section 6. Except as specifically amended hereby, the Loan Agreement dated September 30, 1977, among the Borrower, EEA and A.I.D. shall remain in full force and effect.

¹ Came into force on 29 March 1978 by signature, in accordance with section 5.

² See p. 76 of this volume.

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: HAMED EL SAYEH
Title: Minister of Economy and
Economic Cooperation

United States of America:

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

Egyptian Electricity Authority:

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