

**No. 18919**

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**UNITED STATES OF AMERICA  
and  
EGYPT**

**Project Grant Agreement for Canal cities water and sewerage (with annex). Signed at Cairo on 27 June 1979**

*Authentic text: English.*

*Registered by the United States of America on 12 June 1980.*

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

**Accord relatif à l'octroi d'un don au titre d'un projet concernant l'utilisation des eaux et l'assainissement dans les villes riveraines du Canal (avec annexe). Signé au Caire le 27 juin 1979**

*Texte authentique : anglais.*

*Enregistré par les États-Unis d'Amérique le 12 juin 1980.*

PROJECT GRANT AGREEMENT<sup>1</sup> AMONG THE ARAB REPUBLIC OF EGYPT, [THE] 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: June 27, 1979

Project No. 263-0048

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PROJECT GRANT AGREEMENT, June 27, 1979, among the ARAB REPUBLIC OF EGYPT ("Grantee"), 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 Grantee of the Project described below, and with respect to the financing of the Project by the Parties.

\*Not printed herein. The annex is deposited in the archives of the Department of State where it is available for reference.

<sup>1</sup> Came into force on 27 June 1979 by signature.

## 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"). Assistance for the Project will consist of this Grant and a Loan, the Agreement for which was executed by the Parties on September 30, 1978.<sup>1</sup> Funds made available under the Grant will be passed through the Ministry of Housing until such time that a loan 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 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 thirty-six million United States dollars (\$36,000,000) ("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 fifty million four hundred twenty-eight thousand Egyptian pounds (L.E. 50,428,000), 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 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 request received by A.I.D. after January 31, 1982, or (2) for services performed subsequent to the PACD or for goods finished 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 five (5) months following

<sup>1</sup> United Nations, *Treaty Series*, vol. 1178, No. 1-18849.

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.:

- (1) A statement of the names of the persons who will act as the representatives of the Grantee, MOH, SCA and GOSSD together with a specimen signature of each;
- (2) Evidence that the Grant funds will be administered by the MOH on behalf of the Grantee and made available to SCA, GOSSD and the Governorates of Port Said, Ismailia and Suez, until such time that loan 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;
- (3) Executed contracts acceptable to A.I.D. with consulting engineering firms acceptable to A.I.D. for services relating to the Project; and
- (4) Such other documentation as A.I.D. may require.

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

*Section 4.4. TERMINAL DATES FOR CONDITIONS PRECEDENT.* If all of the conditions specified in Section 4.1 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 the 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 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 5.2. EXECUTION OF THE PROJECT.* The Grantee, 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 5.3. FUNDS AND OTHER RESOURCES TO BE PROVIDED.* The Grantee, MOH, GOSSD and SCA shall make available on a timely basis any Egyptian currency and any foreign currency in addition to the Grant, for the punctual and effective carrying out of construction, maintenance, repair and operation of the project.

*Section 5.4. OPERATION AND MAINTENANCE.* The Grantee, MOH, GOSSD and SCA shall operate, maintain and repair the project in conformity with sound engineering, financial and administrative practices and in such manner to ensure the continuing and successful achievement of the purposes of the project.

*Section 5.5. MANAGEMENT.* The Grantee, 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 5.6. CONTINUING CONSULTATION.* The Grantee, MOH, GOSSD and SCA shall cooperate fully with A.I.D. to assure that the purpose of the Grant will be accomplished. To this end, the Grantee, 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 Grantee, MOH, SCA and GOSSD of its obligations under the Grant Agreement, the performance of consultants, contractors, suppliers engaged on the project, and other matters relating to the project. The Grantee, 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 5.7. FINANCING.* In form and substance satisfactory to A.I.D. the Grantee, 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 a manner that after including the A.I.D. loan and grant, the debt to equity ratio will be no greater than 1.5.:1. Also, no later than April 30, 1980, SCA tariffs shall be set at a level 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 loan agreement or agreements with the organization(s) who will be recipients of the loan from the GOE containing the terms of payment including interest and repayment of interest acceptable to A.I.D.

*Section 5.8. 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. Grant shall be lent and the facilities attributable to the Grant shall be made available to the successor organization(s) on terms and conditions acceptable to A.I.D.

*Section 5.9. RAW WATER SUPPLY.* The Grantee, 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 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, 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 Grant Standard Provisions Annex, Section C.1(b), with respect to marine insurance.

#### *Article 7. DISBURSEMENTS*

*Section 7.1. DISBURSEMENTS 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 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 Grantee in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless the 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.

*Section 7.3. 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 Grantee or its designee, or to a bank, contractor or supplier pursuant to a Letter of Commitment, contractor, or purchase order.

*Article 8.* MISCELLANEOUS.

*Section 8.1.* 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 Grantee:

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 8.2.* REPRESENTATIVES. For all purposes relevant to this Agreement, the Grantee 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 Grantee, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any documents 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)<sup>1</sup> is attached and forms part of this Agreement.

<sup>1</sup> See note on p. 64 of this volume.

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. HAMED EL SAYEH  
*Title:* Minister of Economy, Foreign Trade and Economic Affairs

Suez Canal Authority:

*By:* [Signed]  
*Name:* MASHHOUR AHMED MASHHOUR  
*Title:* Chairman

United States of America:

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

Ministry of Housing:

*By:* [Signed]  
*Name:* Eng. MOUSTAFA EL HEFNAWI  
*Title:* Minister

GOOSD:

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

ANNEX 1

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, flowmeters, 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 unserved 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.

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.

REVISED EXHIBIT A — FY 1978/1979 PROGRAM

<i>Applications</i>		<i>Port Said</i>		<i>Ismailia</i>		<i>Suez</i>		<i>Total</i>	
		\$	LE	\$	LE	\$	LE	\$	LE
<b>Water:</b>									
Treatment	1978	3,035	970	7,421	2,565	2,118	945	12,574	4,480
	1979	—	—	3,851	170	—	—	3,851	170
TOTAL		3,035	970	11,272	2,735	2,118	945	16,425	4,650
Distribution	1978	—	—	—	—	14,796	4,870	14,796	4,870
	1979	1,428	619	6,189	3,567	11,239	3,384	18,856	7,570
TOTAL		1,428	619	6,189	3,567	26,035	8,254	33,652	12,440
SUB-TOTAL		4,463	1,589	17,461	6,302	28,153	9,199	50,077	17,090
<b>Sewerage:</b>									
Collection	1978	6,512	4,203	17,235	14,172	8,804	11,389	32,551	29,764
	1979	—	—	—	—	—	—	—	—
TOTAL		6,512	4,203	17,235	14,172	8,804	11,389	32,551	29,764
Treatment	1978	—	—	—	—	—	—	—	—
	1979	687	584	12,178	2,451	183	539	13,048	3,574
TOTAL		687	584	12,178	2,451	183	539	13,048	3,574
SUB-TOTAL		7,199	4,787	29,413	16,623	8,987	11,928	45,599	33,338
GRAND TOTAL		11,662	6,376	46,874	22,925	37,140	21,127	95,676	50,428