

**No. 19205**

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**UNITED STATES OF AMERICA  
and  
EGYPT**

**Project Grant Agreement for telecommunications II (with  
annexes). Signed at Cairo on 29 August 1979**

*Authentic text: English.*

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

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

**Accord de don pour les télécommunications II (avec  
annexes). Signé au Caire le 29 août 1979**

*Texte authentique : anglais.*

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

PROJECT GRANT AGREEMENT<sup>1</sup> AMONG THE ARAB REPUBLIC OF EGYPT, THE UNITED STATES OF AMERICA, THE MINISTRY OF COMMUNICATIONS AND THE ARAB REPUBLIC OF EGYPT TELECOMMUNICATIONS ORGANIZATION FOR TELECOMMUNICATIONS II

Dated: August 29, 1979

Project No. 263-0075

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<sup>1</sup> Came into force on 29 August 1979 by signature.

<sup>2</sup> For the text of the Standard Provisions Annex, see "Project Grant Agreement between the United States of America and Egypt relating to applied science and technology research, signed at Cairo on 29 March 1977" in United Nations, *Treaty Series*, vol. 1116, p. 97.

PROJECT GRANT AGREEMENT dated August 29, 1979, among the ARAB REPUBLIC OF EGYPT ("Grantee"), the MINISTRY OF COMMUNICATIONS, the ARAB REPUBLIC OF EGYPT TELECOMMUNICATIONS ORGANIZATION ("ARETO") 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.

*Article 2. THE PROJECT*

*Section 2.1. DEFINITION OF PROJECT.* The Project, which is further described in Annex 1, will consist of technical assistance for improvement of the present telecommunications system and strengthening the management, operations, planning, training and financial functions of ARETO and for the procurement and installation of telecommunications and related equipment. Except as provided in Section 4.1 (c) of this Agreement, the amount of the Grant hereunder will be regranted to ARETO in the form of equity.

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 Eighty Million United States ("U.S.") Dollars (\$80,000,000) ("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 Nineteen Million Five Hundred Eighty Thousand Egyptian Pounds (LE 19,580,000) including cost borne on an "in-kind" basis.

*Section 3.3. PROJECT ASSISTANCE COMPLETION DATE.* (a) The "Project Assistance Completion Date" (PACD), which is March 31, 1984, 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 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 nine (9) 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 any disbursement 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 and titles with specimen signatures of the person or persons who will act as the representatives of the Grantee and ARETO;
- (b) An opinion of the Egyptian Ministry of Justice or other legal counsel satisfactory to A.I.D. that the grant agreement and the corresponding sub-grant agreement have been duly authorized and/or ratified by, and executed on behalf of, the Grantee and ARETO and that they constitute valid and legally binding obligations in accordance with all of their terms;
- (c) A regrant agreement satisfactory to A.I.D. for the Project between the Grantee and ARETO under which the Grantee will regrant to ARETO all Grant funds, except, if A.I.D. so agrees, the amount of Grant funds required to finance the cost of technical assistance to the Ministry of Communications; and
- (d) Such other information and documents as A.I.D. may reasonably require.

*Section 4.2. ADDITIONAL DISBURSEMENT FOR EQUIPMENT.* Prior to any disbursement or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made for equipment, the Grantee shall, 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 Procurement Plan, approved by the consultant funded under A.I.D. Loan 263-K-047<sup>1</sup> and the Grant, for all procurement planned by ARETO through the end of calendar year 1983, showing specifications, quantities, estimated prices and timing of such procurement; and
- (b) 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 Sections 4.1 and 4.2 have been met, it will promptly notify the Grantee.

<sup>1</sup> For the text of this Agreement, see "Project Loan Agreement among the Arab Republic of Egypt, the United States of America, the Ministry of Communications and the Arab Republic of Egypt Telecommunications Organization for Telecommunications, signed at Cairo on 28 August 1978" in United Nations, *Treaty Series*, vol. 1181, p. 279.

*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. EXECUTION OF THE PROJECT.* The Grantee shall:

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

*Section 5.3. FUNDS AND OTHER RESOURCES TO BE PROVIDED.* The Grantee 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 shall operate, maintain and repair the project in conformity with sound engineering, financial and administrative practices and in such manner as to insure the continuing and successful achievement of the purposes of the project.

*Section 5.5. MANAGEMENT.* The Grantee shall provide qualified and experienced management for the project and train such staff as may be appropriate for the maintenance and operation of the Project.

*Section 5.6. CONTINUING CONSULTATION.* The Grantee shall cooperate fully with A.I.D. to assure that the purpose of the Grant will be accomplished. To this end, the Grantee, ARETO 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 and ARETO of its obligations under the Grant Agreement, the performance of consultants, contractors and suppliers engaged on the project, and other matters relating to the project.

*Section 5.7. COORDINATION.* The Grantee and ARETO shall investigate the need for the creation and implementation of a Utilities Coordination Board which would coordinate and notify all agencies of any construction efforts involving blasting and/or excavation by utility organizations and by private

contractors to minimize interruption of services, damages, repair costs, and inconvenience to the public.

*Section 5.8. PAYMENT FOR TELECOMMUNICATION SERVICE.* The Grantee shall take such steps as may be necessary to assure that its Ministries and other Governmental organizations make prompt payment to ARETO for telecommunication services rendered to them.

*Section 5.9. TARIFF RATE STRUCTURE.* Except as A.I.D. may otherwise agree in writing, within one year from the date of the Grant Agreement, Grantee and ARETO agree that ARETO shall prepare a tariff rate structure for the 1980-1985 period, taking into account *inter alia* the observations of A.I.D. and the IBRD on the subject. The proposed rate structure should show that the projected local currency and foreign exchange generations are sufficient to cover the costs of future operations, service local and foreign debt and provide an acceptable contribution to capital investment.

*Section 5.10. REORGANIZATION OF ARETO.* Except as A.I.D. may otherwise agree in writing, within one year from the date of the Grant Agreement, the Grantee and ARETO shall take the necessary legal action to reorganize ARETO under its own special charter as an autonomous entity, with the following authorities and rights:

- (a) To establish subsidiary companies able to participate in joint ventures under the provision of Investment Law No. 43.
- (b) To establish a reasonable rate/tariff structure.
- (c) To establish a reasonable wage rate structure.
- (d) To be free from Egyptian Government employment quotas.
- (e) To discharge unproductive workers.
- (f) To eliminate the ARETO legal obligation to turn over all its profits to the Ministry of Finance and to depend upon the Government budgetary process to gain necessary operating and investment funds.
- (g) To appoint top managers, without prior Governmental approval.
- (h) To establish accounting, financial reporting and inventory disposal systems designed to serve the telecommunications industry, free of Governmental requirements.

*Section 5.11. ARETO ASSETS.* Except as A.I.D. may otherwise agree in writing, within one year from the date of this Agreement, Grantee and ARETO shall take all necessary actions such that ARETO will revalue the following asset accounts using replacement value less depreciation: (1) the assets acquired from the Grantee either as a donation or for nominal amounts, and (2) the assets acquired and recorded at the official exchange rate.

*Section 5.12. ARETO STAFFING.* Except as A.I.D. may otherwise agree in writing, within one year from the date of this Agreement, ARETO shall freeze the number of its staff at its then present level, and adopt a policy that the number of new hires cannot exceed the annual turnover rate.

*Section 5.13. ARETO EQUITY.* Except as A.I.D. may otherwise agree in writing, within one year from the date of this Agreement, Grantee and ARETO

agree that ARETO will transfer LE 20 million of the monies owed by ARETO to the Grantee from a liability account to an equity account.

*Section 5.14. ARETO DEBT TO EQUITY RATIO.* Except as A.I.D. may otherwise agree in writing, within one year from the date of this Agreement, Grantee and ARETO agree that ARETO will maintain a debt to equity ratio no greater than 70:30.

*Section 5.15. ACTIONS OF GRANTEE.* The Grantee shall not take or permit any of its political sub-divisions, or any of its agencies or instrumentalities, or any agency or instrumentality of any of its political sub-divisions, to take any action which would prevent or materially interfere with the performance by ARETO of any of its obligations under this Agreement or the Sub-grant Agreement, and shall take or cause to be taken all reasonable actions which shall be required on its part in order to enable ARETO to perform such obligations.

*Section 5.16. SERVICE IMPROVEMENT PLAN.* ARETO will continue to take all reasonable steps to implement the Service Improvement Plan (SIP) as detailed in the Telecommunications Sector Study Report.

#### *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 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.

*Article 8. MISCELLANEOUS*

*Section 8.1. COMMUNICATIONS.* Any notice, request, document, or other communication submitted by A.I.D. or the Grantee 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 addresses:

To the Grantee:

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

Ministry of Communications  
28 Ramses Street  
Cairo, Egypt

ARETO  
28 Ramses 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 Minister of Economy and Economic Cooperation, Minister of Communications, and the Chairman of ARETO 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 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 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)<sup>1</sup> is attached and forms part of this Agreement.

*Section 8.4. 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

<sup>1</sup> See footnote 2, p. 274 of this volume.



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.

IN WITNESS WHEREOF, the Grantee 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]  
*Name:* Dr. HAMED EL SAYEH  
*Title:* Minister of Economy, Foreign Trade and Economic Cooperation

United States of America:

*By:* [Signed]  
*Name:* ALFRED L. ATHERTON, Jr.  
*Title:* American Ambassador

Ministry of Communications:

*By:* [Signed]  
*Name:* Eng. ALI EL DAGHASTANI  
*Title:* Minister of Communications and Transportation

The Arab Republic of Egypt Telecommunications Organization:

*By:* [Signed]  
*Name:* ATTA SIDKY  
*Title:* Chairman

#### [ANNEX 1]

##### PROJECT DESCRIPTION

The Project consists of activities designed to improve the telecommunications system of Egypt by strengthening the planning, management, operation and training and financial functions of The Arab Republic of Egypt Telecommunications Organization (ARETO) and through technical assistance and procurement and installation of telecommunications and related equipment. ARETO shall be the implementing agent for carrying out the project, and will be advised and assisted on all phases by a U.S. consultant.

The principal elements of the Project are as follows:

##### A. *Management, Operations, Training and Service Improvement Programs*

1. Continuation for approximately two additional years of the management, operation, training and service improvement programs presently being carried out and financed under A.I.D. Loan Number 263-K-047. In addition to the services already being performed by the consultant under the above-described A.I.D. Loan, the consultant will assist ARETO in all stages of the procurement of telecommunications equipment and related services being financed under the Loan and under this Project.

##### B. *Systems Expansion and Modernization*

1. Procurement and installation and replacement of the following items:

- a. Three rotary exchanges in Cairo with Electronic Switching Systems;
- b. Outside plant (principally cable) for the rotary exchanges described in B.1.a. above; and
- c. Air conditioners, stand-by electric power generators and other equipment.

The Grant will finance the services of the U.S. consultant and the foreign exchange costs of items listed in Sections B.1.a. and B.1.c., and outside plant for two of the three rotary exchanges as may be agreed upon by A.I.D.

An illustrative financial plan is attached hereto as Attachment 1 to this Annex.

## ATTACHMENT I TO ANNEX I

*Illustrative project financial plan—Project No. 263-0075—as of early 1979*  
(Dollars in thousands)\*

	<i>A.R.E. Egyptian pounds (\$ equivalent of L.E.)</i>	<i>AID</i>	<i>Total</i>
1. Technical assistance and training .....	2,625	7,500	10,125
2. Equipment and equipment related .....	22,575	64,500	87,075
3. Contingency and escalation ...	2,800	8,000	10,800
	<u>28,000</u>	<u>80,000</u>	<u>108,000</u>

\* LE=\$1.40.