

No. 19204

**UNITED STATES OF AMERICA
and
EGYPT**

**Project Grant Agreement for Shoubrah El Kheima thermal
power plant (with annexes). Signed at Cairo on
29 August 1979**

Authentic text: English.

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

**ÉTATS-UNIS D'AMÉRIQUE
et
ÉGYPTE**

**Accord relatif à un don pour la centrale thermique de
Shoubrah El Kheima (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 AGREEMENT¹ AMONG THE ARAB REPUBLIC OF EGYPT, THE UNITED STATES OF AMERICA, THE MINISTRY OF ELECTRICITY AND POWER AND THE EGYPTIAN ELECTRICITY AUTHORITY FOR SHOUBRAH EL KHEIMA THERMAL POWER PLANT

Dated: August 29, 1979

Project Number 263-0030

TABLE OF CONTENTS

PROJECT GRANT AGREEMENT

Article 1. The Agreement	Section 5.4. Management
Article 2. The Project	Section 5.5. Financial Planning
Section 2.1. Definition of the Project	Section 5.6. Personnel Policies
Article 3. Financing	Section 5.7. Rate of Return
Section 3.1. The Grant	Section 5.8. Assuring Rate of Return
Section 3.2. Grantee Resources for the Project	Section 5.9. Share Distribution
Section 3.3. Project Assistance Completion Date	Section 5.10. Accounting Procedures
Article 4. Conditions Precedent to Disbursement	Section 5.11. Financial Reports
Section 4.1. First Disbursement	Article 6. Procurement Source
Section 4.2. Additional Disbursement	Section 6.1. Foreign Exchange Costs
Section 4.3. Notification	Article 7. Disbursement
Section 4.4. Terminal Date for Conditions Precedent	Section 7.1. Disbursement for Foreign Exchange Costs
Article 5. Special Covenants	Section 7.2. Other Forms of Disbursement
Section 5.1. Project Evaluation	Article 8. Miscellaneous
Section 5.2. Continuing Consultation	Section 8.1. Communications
Section 5.3. Consultation on Power Rates	Section 8.2. Representatives
	Section 8.3. Standard Provisions Annex ²
	Section 8.4. Investment Guaranty Project Approval
	Annex 1. Project Description

A.I.D. Project Number 262-0030

PROJECT GRANT AGREEMENT dated August 29, 1979, among the ARAB REPUBLIC OF EGYPT ("Grantee"), the MINISTRY OF ELECTRICITY AND POWER, 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 Grantee of the

¹ Came into force on 29 August 1979 by signature.

² 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 described below, and with respect to the financing of the Project by the Parties.

Article 2. THE PROJECT

Section 2.1. DEFINITION OF THE PROJECT. The Project, which is further described in Annex 1, will consist of engineering and construction of a 600 MW thermal power plant to be located on a site at Shoubrah El Kheima in Cairo, Egypt. The plant will initially include two steam generating units each capable of producing 300 MW net, under normal operating conditions, together with the necessary auxiliary equipment. The plant will be designed to accommodate later installation of an additional 300 MW unit. Annex 1, attached, amplifies the above definition of the Project. Within the limits of the above definition of the Project, elements of the amplified description stated in Annex 1 may be changed by written agreement of the authorized representatives of the Parties named in Section 8.2, without formal amendment of this Agreement.

Article 3. FINANCING

Section 3.1. THE GRANT. To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of this Agreement not to exceed One Hundred Million United States ("U.S.") Dollars (\$100,000,000) ("Grant"). The Grant may be used 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 the Egyptian Pound equivalent of Seventy-Eight Million One Hundred Thousand U.S. Dollars (\$78,100,000), including costs borne on an "in-kind" basis.

Section 3.3. PROJECT ASSISTANCE COMPLETION DATE. (a) The "Project Assistance Completion Date" (PACD), which is March 31, 1986 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 the first disbursement or the issuance of any commitment documents under the Project Agreement, the Cooperating Country shall, except as the A.I.D. 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 Grant Project Agreement has been duly authorized and/or ratified by, and executed on behalf of the Cooperating Country and that it constitutes a valid and legally binding obligation of the Cooperating Country in accordance with all of its terms.
- (b) A statement of the names of the persons authorized to represent the Cooperating Country and EEA and a specimen signature of each person.
- (c) An acceptable contract for consulting engineering services for the Project, with an organization acceptable to A.I.D.
- (d) Evidence that the proceeds of the Grant will be made available to the EEA as a grant contribution to its equity capital.
- (e) Evidence from the appropriate Cooperating Country entity that utilization of World Bank air quality guidelines as project criteria is acceptable to the Cooperating Country and will not constitute violation of Egyptian law.

Section 4.2. ADDITIONAL DISBURSEMENT. Prior to any disbursement or to the issuance of any commitment documents under the Project Agreement for any purpose other than to finance the services of the consulting engineer, the Cooperating Country [shall], except as the 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 local currency financing for the Project has been budgeted by the Cooperating Country and will be available for expenditure by the EEA through establishment of a special fund (to be replenished monthly) adequate to meet at least three months' expenditures on the Project, pursuant to a cost estimate made by the Consulting Engineer and approved by the EEA.
- (b) Evidence that satisfactory arrangements have been made by Governmental Agencies involved in the Project to carry out, operate, and maintain the Project as planned, including evidence of the ownership and availability of the plant site on Shoubrah El Kheima, or some other site acceptable to A.I.D., for the purposes intended.
- (c) Evidence that the Cooperating Country has taken all steps necessary to ensure that adequate supplies of fuel for the power plant to be built under this Project will be made available on a continuing and timely basis; and that the Cooperating Country shall provide for the building of additional fuel pipeline facilities as and when they become necessary for Project purposes.
- (d) Evidence that the Project has been designed and shall be built and operated in a manner which shall ensure that ultimate sulphur dioxide concentration levels resulting from the Project do not exceed $1,000\mu\text{g}/\text{m}^3$ 24-hour peak and $100\mu\text{g}/\text{m}^3$ annual average.
- (e) Evidence that the Cooperating Country has formulated and is prepared to implement a firm plan, including but not limited to tariff increases, which will allow the EEA to meet the required minimum rates of return of 5 percent in

1980, 6 percent in 1981, 8 percent in 1982 and 9 percent in 1983 and thereafter; and that such a plan will evidence that these rates of return shall not be achieved by increasing the fuel input subsidy.

- (f) Evidence of firm commitment from U.S., international, and foreign lending institutions for provision of not less than seventy (70) percent of all foreign exchange funds required for the Project, aside from those funds provided by the A.I.D. Grant, on acceptable terms.
- (g) Such other information as A.I.D. may reasonably request.

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

Section 4.4. TERMINAL DATE FOR CONDITIONS PRECEDENT. If all of the conditions specified in Section 4.1 have not been met within 120 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to Grantee.

Article 5. SPECIAL COVENANTS

Section 5.1. PROJECT EVALUATION. The Cooperating Country and A.I.D. agree to establish an evaluation program as part of the Project. Except as the Cooperating Country and A.I.D. 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. CONTINUING CONSULTATION. The Cooperating Country and E.E.A. shall cooperate fully with A.I.D. and other lenders/donors to assure that the purpose of the Project will be accomplished. To this end, the Cooperating Country shall from time to time, at the request of either party, exchange views through their representatives with regard to the progress of the Project, the performance by the EEA of its obligations under the Project Agreement, the performance of the consultants, contractors and suppliers engaged on the Project, and other matters relating to the Project.

Section 5.3. CONSULTATION ON POWER RATES. The Cooperating Country shall hold periodic consultations with A.I.D. concerning fuel pricing as it relates to the power rate structure.

Section 5.4. MANAGEMENT. The EEA shall be required to provide qualified and experienced management for the Project, and shall train such staff as may be appropriate for the maintenance and operation of the Project.

Section 5.5. FINANCIAL PLANNING. Except as A.I.D. shall otherwise agree in writing, the Cooperating Country shall assure adequate long-term financing for EEA's expansion program which has been authorized and for modifications and additions to such programs. Within two years from the date of the Project 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.

Section 5.6. PERSONNEL POLICIES. The EEA shall take necessary action to implement improvements in its personnel system to reach a level of personnel which will enhance overall efficiency of operations and comply more closely with generally accepted worldwide personnel levels in the power business.

Section 5.7. RATE OF RETURN. Except as A.I.D. shall otherwise agree in writing, the Cooperating Country shall ensure that EEA will promptly take all such action as shall be required to provide in any fiscal year after 1982 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 the fiscal year concerned at a rate of not less than nine percent (9%).

Section 5.8. ASSURING RATE OF RETURN. Except as A.I.D. shall otherwise agree in writing, in order to achieve the desired nine percent (9%) rate of return by 1983 and thereafter the Cooperating Country shall ensure that EEA agrees to take prompt action including but not limited to adjustment of tariffs, if necessary, as shall be required to achieve a minimum five percent (5%) rate of return in 1980, six percent (6%) in 1981, eight percent (8%) in 1982 and nine percent (9%) in 1983 and thereafter. The Cooperating Country further agrees that these rates of return shall not be achieved by increasing the fuel input subsidy. It is further agreed that any increase in fuel costs shall be immediately reflected by commensurate increase in tariff areas.

Section 5.9. SHARE DISTRIBUTION. The Cooperating Country shall provide evidence of a plan relating to the distribution of shares in the seven distribution companies of the EEA.

Section 5.10. ACCOUNTING PROCEDURES. The Cooperating Country shall ensure that EEA takes appropriate steps to implement modifications and improvements in its existing accounting system. Such improvements shall be based, at least in part, on recommendations of the consulting firm under contract to study EEA's accounting system.

Section 5.11. FINANCIAL REPORTS. The Cooperating Country shall ensure that EEA prepares and submits 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 tariff 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 above, and to furnish to A.I.D. all such detail as A.I.D. may reasonably request.

For the purpose of this covenant:

- (a) The annual return specified above 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;
- (b) 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

- (c) 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 maintenance provision for depreciation but excluding interest and other charges on debt.

Article 6. PROCUREMENT SOURCE

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

Article 7. DISBURSEMENT

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

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

(b) Banking charges incurred by Grantee in connection with Letters of 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 Agree-

ment 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

To the Ministry of Electricity and Power or the EEA:

Ministry of Electricity and Power (or)
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 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 and EEA will be represented by the individual holding or acting in the office of Chairman of the Egyptian Electricity Authority. A.I.D. will be represented by the individual holding or acting in the office of Director, U.S.A.I.D., Cairo, Egypt, Each, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1 to revise elements of the amplified description in Annex 1. The names of the representatives of the Grantee and the EEA, 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 Provisions Annex" (Annex 2)¹ is attached to 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 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.

¹ See footnote 2, p. 254 of this volume.

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

Egyptian Electricity Authority:

By: [Signed]
Name: Eng. KAMEL H. DESSOUKY
Title: Chairman

Ministry of Electricity and Power:

By: [Signed]
Name: Dr. MOUSTAFA KAMAL SABRI
Title: Minister of Electricity and Power

ANNEX 1

PROJECT DESCRIPTION

The Project consists of engineering and construction of a 600 MW thermal power plant to be located on a site at Shoubrah El Kheima in Cairo. The plant will initially include two steam generating units each capable of producing 300 MW net, under normal operating conditions, together with the necessary auxiliary equipment including fuel storage, transmission linkage to the Unified Power System (UPS), and necessary communication and control equipment. The plant design will accommodate later installation of an additional 300 MW unit. The Plant will be designed to burn mazout but will be capable of being converted to gas if desirable at a future time. Mazout will be supplied via a pipeline by the Egyptian General Petroleum Company from a refinery at Suez.

Condensing water will be taken from the Nile River and returned without further treatment. Plant wastewater will be passed through a wastewater treatment plant before entering the river. The wastewater treatment plant will be designed to provide an effluent of a quality equal to or better than the U.S. EPA requirements.

Additions to the existing electrical transmission system required to deliver the output of the proposed plant to the system loads comprise four 220-KV circuits with associated equipment. It is anticipated that the present double circuit from Cairo North to Cairo West will be looped through the new plant financed under the Project. The Project will also include eight new 220-KV circuit breakers and line terminal positions complete with circuit breakers, and the replacement of circuit breakers and associated equipment of the Cairo North substation in order to provide sufficient current carrying capacity to handle the expected power flows.

AID financing will be utilized for the U.S. dollar costs of procurement of (1) U.S. consulting engineering services for the planning and engineering of all facilities; preparation of tender documents and procurement services related to plant and equipment, materials and related civil works construction services; supervision of installation, erection and civil works construction services; acceptance testing and start up of plant; and assistance and training during initial commercial operations; and (2) design, supply and erection of a major equipment package such as the turbine generator island or boiler island, from a U.S. firm.

Project Implementation. Prime responsibility for the overall management of implementation of the project will be the EEA. The EEA will establish a special project team, reporting directly to the Chairman of EEA, which will have full authority to approve all contracts, change orders, and payments to contractors and make final decisions on all project-related matters. This unit shall consist of a project director, electrical engineer, civil engineer, accountant, financial analyst, contract specialist and legal counsel or such other members as may be deemed appropriate by the EEA and AID.

An illustrative Project Financial Plan is attached as Attachment 1 to Annex 1.

ATTACHMENT 1 TO ANNEX 1

*Illustrative project financial plan—Project No. 263-0030—
prices as of early 1978*

(Dollars in thousands)*

	A.I.D. Grant	A.R.E. Egyptian Pounds (\$ equiv. of L.E.)	Other	Total
1. Power station	100,000**	73,775	271,371	445,146
2. Transmission lines		2,722	13,900	16,622
3. Technical assist- ance		1,585	2,498	4,083
TOTAL	100,000	78,082	287,769	465,851

* LE = US\$1.40.

** Includes architect and engineering services associated with power station and transmission lines and one major equipment package.