

LOAN NUMBER 3071 EGT

Loan Agreement

(Agricultural Storage Project)

between

ARAB REPUBLIC OF EGYPT

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated May 8, 1990

LOAN NUMBER 3071 EGT

LOAN AGREEMENT

AGREEMENT, dated May 8, 1990, between ARAB REPUBLIC OF EGYPT (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project;

(B) the Project will be carried out by the Principal Bank for Development and Agricultural Credit (PBDAC) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to PBDAC the proceeds of the Loan as provided in this Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith between the Bank and PBDAC;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to

Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Project Agreement" means the agreement between the Bank and PBDAC of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(b) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and PBDAC pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement, and the term "Subsidiary Loan" means the loan provided under the Subsidiary Loan Agreement; and

(c) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement.

## ARTICLE II

### The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of forty million dollars (\$40,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special account in a commercial bank on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1995 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ( $3/4$  of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate per annum for each Interest Period equal to one half of one percent per annum above the Cost of Qualified Borrowings for the last

Semester ending prior to the commencement of such interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings; for such Semester.

(c) For purposes of this Section:

- (i) "Interest Period" means the six-month period commencing on each date specified in Section 2.06 of this Agreement, including the Interest Period in which this Agreement is signed.
- (ii) "Cost of Qualified Borrowings" means the cost of the outstanding borrowings of the Bank drawn down after June 30, 1982, expressed as a percentage per annum, as reasonably determined by the Bank.
- (iii) "Semester" means the first six months or the second six months of a calendar year.

Section 2.06. Interest and other charges shall be payable semiannually on February 1 and August 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

Section 2.08. PBDAC is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction

### ARTICLE IV

#### Financial and other Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained in accordance with sound accounting practices, records and accounts reflecting such expenditures;
- (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made; and
- (iii) enable the Bank's representatives to

examine such records.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) (i) of this Section and those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested, including a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

Section 4.02. The Borrower shall: (a) by September 30, 1990, furnish to the Bank the findings of the study which is currently being undertaken by PBDAC to develop options for enhancing private participation in the distribution of agricultural inputs; and

(b) Upon the selection by the Borrower of any such option, exchange views with the Bank, by December 31, 1990, as to the measures and the time framework for the implementation of the selected option.

#### ARTICLE V

##### Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified:

(a) PBDAC shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that PBDAC will be able to perform its obligations under the Project Agreement.

(c) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of PBDAC or for the suspension of its operations.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have

been given by the Bank to the Borrower; and

(b) the event specified in paragraph (c) of Section 5.01 of this Agreement shall occur.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) that the Subsidiary Loan Agreement has been executed on behalf of the Borrower and PBDAC;

(b) PBDAC has appointed the Project Coordinator and the Project Steering Committee referred to in Part A of Schedule 2 to the Project Agreement;

(c) PBDAC has finalized, in accordance with the criteria stated in Part B.2 (a) of Schedule 2 to the Project Agreement, the selection of not less than 80 of the sites proposed for the construction of storage facilities under Part A.1 of the Project; and

(d) PBDAC has completed, in accordance with Section II of Schedule 1 to the Project Agreement, the selection of consultants required to assist PBDAC in the carrying out of Part A.1 and 2 of the Project.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

(a) that the Project Agreement has been duly authorized or ratified by PBDAC, and is legally binding upon PBDAC in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and PBDAC and is legally binding upon the Borrower and PBDAC in accordance with its terms.

Section 6.03. The date 90 days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VII

##### Representative of the Borrower; Addresses

Section 7.01. The Minister of International Cooperation or the First Undersecretary for International Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of International Cooperation  
(International Finance Sector)  
8 Adly Street  
Cairo, Egypt

Cable address:                      Telex:

Ministry of International Cooperation  
Cairo

927-23348

For the Bank:

International Bank for  
Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address: Telex:

INTBAFRAD 197688 (TRT),  
Washington, D.C. 248423  
(RCA),  
64145 (WUI) or  
82987 (FTCC)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

ARAB REPUBLIC OF EGYPT

By /s/ E. A. Shafey  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ W. A. Wapenhans  
Regional Vice President  
Europe, Middle East and North Africa

#### SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

| Category  | Amount of the<br>Loan Allocated<br>(Expressed in<br>Dollar Equivalent) | % of<br>Expenditures<br>to be Financed   |
|---|--|--|
| (1) Civil Works   | 26,800,000   | 38%  |
| (2) Machinery,<br>equipment and<br>transportation<br>vehicles | 9,900,000  | 100% of foreign<br>expenditures,<br>100% of local<br>expenditures<br>(ex-factory cost)<br>and 80% of local<br>expenditures for |

|     |              |            |                                 |
|-----|--------------|------------|---------------------------------|
|     |              |            | other items<br>procured locally |
| (3) | (a)          | Project    | 100,000)                        |
|     | engineering  | )          |                                 |
|     | services     | )          |                                 |
|     | (b)          | Other      | 700,000) 100%                   |
|     | technical    | )          |                                 |
|     | services and | )          |                                 |
|     | training     | )          |                                 |
| (4) | Unallocated  | 2,500,000  |                                 |
|     | TOTAL        | 40,000,000 |                                 |

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist in modernizing the handling and storage system for agricultural inputs, grain and animal feed so as to (a) reduce physical losses and quality deterioration in the products handled; (b) improve fertilizer and animal feed transport efficiency; and (c) reduce product handling and storage cost.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

Part A: Storage Facilities

1. Construction of covered flat storage space with a capacity of about 900,000 tons, for agricultural inputs and products distributed or procured by PBDAC.

2. Repair/rehabilitation of fertilizer and pesticide warehouses with a total flat storage capacity of about 500,000 tons.

3. Provision of handling and related equipment for the storage facilities referred to in (1) and (2) above.

4. Construction and equipping with mobile equipment of a bulk handling and storage facility for imported corn.

Part B: Management Assistance; Training

1. Establishment within PBDAC of a system for (a) planning and management of the transport and distribution of fertilizers and animal feed, including the provision of related equipment and materials and the training of

PBDAC's staff in the operation of such system; and (b) handling, storage and distribution of imported feed grains, particularly yellow corn.

2. Training for PBDAC's and BDACs' staff and distributors of agricultural inputs in handling and storage, marketing management, financial and inventory control and environmental safety.

\* \* \*

The Project is expected to be completed by December 31, 1994.

### SCHEDULE 3

#### Amortization Schedule

| Date Payment Due<br>dollars)* | Payment of Principal<br>(Expressed in<br>dollars) |
|-------------------------------|---|
| February 1, 1995              | 735,000   |
| August 1, 1995                | 760,000   |
| February 1, 1996              | 790,000   |
| August 1, 1996                | 820,000   |
| February 1, 1997              | 855,000   |
| August 1, 1997                | 885,000   |
| February 1, 1998              | 920,000   |
| August 1, 1998                | 955,000   |
| February 1, 1999              | 990,000   |
| August 1, 1999                | 1,030,000   |
| February 1, 2000              | 1,070,000   |
| August 1, 2000                | 1,110,000   |
| February 1, 2001              | 1,150,000   |
| August 1, 2001                | 1,195,000   |
| February 1, 2002              | 1,240,000   |
| August 1, 2002                | 1,290,000   |
| February 1, 2003              | 1,340,000   |
| August 1, 2003                | 1,390,000   |
| February 1, 2004              | 1,445,000   |
| August 1, 2004                | 1,500,000   |
| February 1, 2005              | 1,555,000   |
| August 1, 2005                | 1,615,000   |
| February 1, 2006              | 1,675,000   |
| August 1, 2006                | 1,740,000   |
| February 1, 2007              | 1,810,000   |
| August 1, 2007                | 1,875,000   |
| February 1, 2008              | 1,950,000   |
| August 1, 2008                | 2,025,000   |
| February 1, 2009              | 2,100,000   |
| August 1, 2009                | 2,185,000   |

\* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

#### Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

| Time of Prepayment | Premium   |
|--------------------|---|
|                    | The interest rate<br>(expressed as a percentage<br>per annum) applicable to<br>the balance outstanding on |



the Loan on the day of  
prepayment multiplied by:

|   |      |
|---|------|
| Not more than three years<br>before maturity                            | 0.15 |
| More than three years but<br>not more than six years<br>before maturity | 0.30 |
| More than six years but<br>not more than 11 years<br>before maturity    | 0.55 |
| More than 11 years but not<br>more than 16 years<br>before maturity     | 0.80 |
| More than 16 years but not<br>more than 18 years<br>before maturity     | 0.90 |
| More than 18 years before<br>maturity                                   | 1.00 |

#### SCHEDULE 4

Terms and conditions of onlending  
under the Subsidiary Loan Agreement

The following terms for onlending the proceeds of the Loan from the Borrower to PBDAC shall be included in the Subsidiary Loan Agreement:

The Borrower, acting through its Central Bank, shall maintain the following two accounts for purposes of repayment of and interest payment on the Subsidiary Loan:

(a) The Local Currency Account: to which there shall be debited the equivalent in Egyptian pounds of currencies withdrawn from the Loan Account to meet expenditures incurred and paid by PBDAC in Egyptian pounds. Such equivalent shall be determined as of the respective dates of withdrawal from the Loan Account. Amounts debited to said account shall be repaid by PBDAC to the Borrower over a period of 20 years, including a grace period of five years, with interest at the annual rate determined, from time to time, by the National Investment Bank of the Borrower to be applicable to PBDAC; and

(b) The Foreign Currency Account: to which there shall be debited all amounts of foreign currencies (that is all currencies other than Egyptian pounds) withdrawn from the Loan Account to meet expenditures incurred and paid directly by PBDAC in said foreign currencies. Debt service payments with respect to amounts debited to such account shall be made by PBDAC to the Borrower (i) over the same maturity period specified for the Loan pursuant to Schedule 3 to the Loan Agreement, (ii) at the same rates of interest applicable during such maturity period to the Loan pursuant to Section 2.05 of the Loan Agreement, and (iii) in the Egyptian Pounds equivalent (determined as of the respective dates of debt service payments in accordance with the commercial banks' exchange rates) to the amounts of currency or currencies in which the Borrower's debt service obligation, with respect to such amount, shall be payable to the Bank.

#### SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means the Categories set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$3,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been made out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Loan allocated to the eligible Categories less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible Expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

