Development Credit Agreement

(Nile Delta Drainage II Project)

between

ARAB REPUBLIC OF EGYPT

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 15, 1977
DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 15, 1977, between ARAB REPUBLIC OF EGYPT (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS (A) the Borrower has requested the Association to assist in the financing of the foreign exchange cost of the Project described in Schedule 2 to this Agreement by extending the Credit as hereinafter provided;

(B) the Borrower has also requested the Bank to assist in the financing of the foreign exchange cost of the Project and by an agreement of even date herewith between the Borrower and the Bank (hereinafter called the Loan Agreement), the Bank is agreeing to provide a loan in an aggregate principal amount equivalent to twenty-seven million dollars ($27,000,000) (hereinafter called the Loan);

(C) the Borrower has further requested the Bank to provide additional assistance towards the financing of the foreign exchange cost of the Project under the Interest Subsidy Fund for the Third Window established by Resolution No. 75-111 of the Executive Directors of the Bank and by an agreement of even date herewith between the Borrower and the Bank (hereinafter called the Intermediate Term Loan Agreement), the Bank is agreeing to provide
such assistance in an aggregate principal amount equivalent to twelve million dollars ($12,000,000) (hereinafter called the Intermediate Term Loan);

(D) Part A of the Project will be carried out by the Egyptian Public Authority for Drainage Projects (hereinafter called the Authority) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to the Authority a portion of the Credit, the Loan and the Intermediate Term Loan as provided in the Development Credit Agreement, the Loan Agreement and the Intermediate Term Loan Agreement, respectively;

(E) the Borrower intends to contract from the Government of the Federal Republic of Germany, acting through the Kreditanstalt für Wiederaufbau (hereinafter called KfW), a loan (hereinafter called the KfW Loan) in an amount of about $24,000,000 to assist in financing a portion of the foreign exchange cost of Part A of the Project on the terms and conditions set forth in an agreement (hereinafter called the KfW Loan Agreement) to be entered into between the Borrower and KfW;

(F) the Borrower and the Association intend, to the extent practicable, that the proceeds of the Credit provided for in this Agreement be disbursed on account of expenditures on the Project before disbursements of the proceeds of the Loan and of the Intermediate Term Loan provided for, respectively, in the Loan Agreement and the Intermediate Term Loan Agreement are made;
(G) the Borrower and the Bank intend that the proceeds of the Loan and the Intermediate Term Loan be disbursed pro rata on the basis of a 9:4 ratio; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions hereinafter set forth and in a project agreement of even date herewith between the Association and the Bank and the Authority;

NOW THEREFORE the parties hereto hereby agree as follows:
ARTICLE I

General Conditions; Definitions

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated March 15, 1974, with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Development Credit Agreements of the Association being hereinafter called the General Conditions).

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

(a) "Authority" means the Egyptian Public Authority for Drainage Projects established by Presidential Decree No. 158 of the year 1973 of the Borrower;

(b) "Project Agreement" means the agreement between the Association, the Bank and the Authority of even date herewith, as the same may be amended from time to time, and such term includes all schedules to the Project Agreement and all agreements supplemental to the Project Agreement;
(c) "Loan Agreement" and the "Intermediate Term Loan Agreement" mean the agreements of even date herewith between the Borrower and the Bank for the purpose of the Project, as such agreements may be amended from time to time; and such terms include the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated March 15, 1974, as made applicable to such agreements, all schedules and all agreements supplemental to the Loan Agreement and the Intermediate Term Loan Agreement;

(d) "Project Area" means: (i) with respect to Part A of the Project, the areas designated by the Borrower, the Association and the Bank, in the Nile Delta within the Governorates of Sharkia, Dakahlia, Gharbia, Menufia, Behera and Kafir el Sheikh; and (ii) with respect to Part B of the Project, an area of about 1,200,000 feddans in Upper Egypt lying between Asyut Barrage and the Aswan High Dam;

(e) "1976 Credit Agreement", "1976 Loan Agreement" and "1976 Project Agreement" mean the Development Credit Agreement No. 637 EGT of June 11, 1976, between the Borrower and the Association. the Loan Agreement No. 1285 EGT of June 11, 1976, between the Borrower and the Bank and the Project Agreement of even date therewith between the Association, the Bank and the Authority, respectively;

(f) "Upper Egypt Drainage II Project" means the Project financed by the Association and the Bank under the 1976 Credit Agreement and 1976 Loan Agreement, respectively;
(g) "1973 Credit Agreement" and "1973 Project Agreement" mean the Development Credit Agreement No. 393 UAR of June 8, 1973, between the Borrower and the Association and the Project Agreement of even date therewith between the Association and the Authority, respectively;

(h) "Upper Egypt Drainage I Project" means the Project financed by the Association under the 1973 Credit Agreement;

(i) "Intermediate Term Loan Account" means the account opened by the Bank on its books in the name of the Borrower to which the amount of the Intermediate Term Loan is credited;

(j) "feddan" means a unit of measurement of the Borrower of which one is equivalent to 1.04 acres;

(k) "Egyptian Pound" and "LE" mean the currency of the Borrower;

(l) "UNDP Study" means the study of a Master Plan for Water Resources Development and Use to be carried out in the territories of the Borrower pursuant to the Project Document No. EGY/73/024/A/01/42, between the Borrower, the Bank and United Nations Development Programme, dated January 16, 1977;

(m) "1970 Credit Agreement" means the Development Credit Agreement No. 181 UAR between the Borrower and the Association of April 17, 1970;

(n) "Nile Delta Drainage I Project" means the Project financed by the Association under the 1970 Credit Agreement;
(o) "Ministerial Decrees" means the Ministerial Decree No. 2908 of March 24, 1976, and the Ministerial Decree No. 606 of October 25, 1976, of the Borrower's Minister of Agriculture, each as amended to the date of this Agreement; and

(p) "Projects" means the Project, the Nile Delta Drainage I Project, the Upper Egypt Drainage I Project and the Upper Egypt Drainage II Project.
ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions in the Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to twenty-seven million dollars ($27,000,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Association, for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit.

Section 2.03. Except as the Association shall otherwise agree, contracts for the purchase of goods or for civil works to be financed out of the proceeds of the Credit, shall be procured in accordance with the provisions set forth or referred to in Section 2.02 of the Project Agreement.

Section 2.04. The Closing Date shall be December 31, 1983, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.
Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Service charges shall be payable semi-annually on June 15 and December 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each June 15 and December 15 commencing June 15, 1987, and ending December 15, 2026, each installment to and including the installment payable on December 15, 1996 to be one-half of one per cent (1/2 of 1%) of such principal amount, and each installment thereafter to be one and one-half per cent (1-1/2%) of such principal amount.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. The following are designated as the Borrower's representatives for the purpose 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:

(a) in respect of Part A of the Project, the Chairman of the Board of the Authority;
(b) in respect of Part B of the Project, the Minister of Health of the Borrower;

(c) in respect of Part C of the Project, the Minister of Agriculture of the Borrower; and

(d) in respect of Part D of the Project, the Minister of Irrigation of the Borrower.
ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower shall: (i) carry out Part A of the Project through the Authority with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and agricultural practices, and, shall provide promptly as needed the funds, facilities, services and other resources required for (A) both such purpose and the efficient operation and adequate maintenance of the drainage systems included in Part A (iv) of the Project after completion thereof, and (B) the operation and adequate maintenance of the drainage works included in Parts A (i), A (ii) and A (iii) of the Project by the Ministry of Irrigation of the Borrower; (ii) carry out Part B of the Project through its Ministry of Health with due diligence and efficiency and in conformity with appropriate administrative, financial and public health practices, and, shall provide promptly as needed the funds, facilities, services and other resources required for the purpose; and (iii) carry out Part C of the Project through its Ministry of Agriculture with due diligence and efficiency and in conformity with appropriate administrative, financial and agricultural training practices, and, shall provide promptly as needed, the funds, facilities, services and other resources required for the purpose.
(b) Without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, the Borrower shall cause the Authority to perform in accordance with the provisions of the Project Agreement all the obligations therein set forth, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(c) The Borrower shall make available the proceeds of the Credit, the Loan and of the Intermediate Term Loan allocated under: (A) Categories (1) and (2) of paragraph 1 of Schedule 1 to this Agreement, to the Authority, for the purpose of carrying out Part A of the Project; (B) Categories (3) and (4) of such Schedule, to the Ministry of Health of the Borrower, for the purpose of carrying out Part B of the Project; (C) Category (5) of such Schedule, to the Ministry of Agriculture of the Borrower, for the purpose of carrying out Part C of the Project; and (D) Category (6) of such Schedule, to the Ministry of Irrigation of the Borrower.

Section 3.02. (a) The Borrower undertakes to insure, or make adequate provision for the insurance of, the imported goods provided under Parts B and C of the Project and to be financed out of the proceeds of the Credit against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be
payable in a currency freely usable by the Borrower to replace or repair such goods.

(b) Except as the Association shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Credit to be used exclusively for the Project.

Section 3.03. The Borrower shall maintain records adequate to record the progress of Parts B and C of the Project (including the cost thereof) and to identify the goods and services financed out of the proceeds of the Credit, and to disclose the use thereof in the Project.

Section 3.04. The Borrower shall continue to maintain the coordination committees at the national, Governorate and district levels in the areas included in the Projects for the coordination of the activities of the extension service of the Borrower's Ministry of Agriculture and of the Authority in accordance with the Ministerial Decrees.

Section 3.05. (a) Except as the Association shall otherwise agree, the Borrower shall make suitable arrangements to ensure the recovery from cultivators of land drained by field drainage works to be carried out under this Agreement of an amount adequate to cover both (A) the capital costs of installing such field drainage (plus a 10% administrative charge), and (B) the maintenance costs of such drainage; it being understood that (i) the amount required
for (A) above shall be recovered by way of annual installments over a period of not more than twenty years from the respective dates of completion of each drainage unit; and (ii) the amount required for (B) above shall be determined in accordance with principles satisfactory to the Borrower and the Association and shall be recovered, on a continuing basis, two years after the completion of each drainage unit.

(b) For purposes of this Section the term "field drainage" means covered laterals, drains and collectors therefor and relevant structures.

(c) Section 3.05 of the 1976 Credit Agreement, Section 3.06 of the 1973 Credit Agreement and Section 4.07 of the 1970 Credit Agreement are amended to read as provided in Section 3.05 (a) of this Agreement.

Section 3.06. Without limitation upon the obligations of the Borrower under Section 3.01 (a) of this Agreement, the Borrower shall establish, and thereafter maintain, under arrangements satisfactory to the Association, a Special Fund from which the Authority may draw without restriction to meet expenditures in respect of the Projects. The Borrower shall adjust and replenish the amount in this Special Fund at monthly intervals to a level at least equivalent to the estimated amount of payments to be made for goods and services required for each of the Projects, less the
estimated amount of payments to be made directly by the Association or the Bank to suppliers, consultants, or contractors for such goods and services during the next three months' period, out of the proceeds of the respective credits or loans.

Section 3.07. (a) The Borrower shall, not later than June 30, 1978, or such other date as shall be agreed with the Association, prepare through its Ministry of Health a plan, acceptable to the Association, for operation of the bilharzia control program under Part B of the Project.

(b) The plan of operation referred to in paragraph (a) of this Section shall make adequate provision for the technical supervision of the snail control program under Part B (i) of the Project by experts whose qualifications and terms of reference shall be satisfactory to the Borrower and the Association.

Section 3.08. In order to assist the Borrower in carrying out the program for the control of bilharzia under Part B of the Project, the Borrower shall continue to employ a qualified and experienced program director.

Section 3.09. In carrying out Part B of the Project, the Borrower shall cause an effective bilharzia oral drug, acceptable to the Borrower and the Association, to be supplied only to health centers and units staffed with appropriately qualified personnel.
Section 3.10. The Borrower shall maintain within its Ministry of Health, a supervision and evaluation unit, satisfactory to the Borrower and the Association, which shall be responsible for the overall supervision and evaluation of the bilharzia control program under Part B of the Project.

Section 3.11. The Borrower shall, after the completion of the bilharzia control program under Part B of the Project, review, on a continuing basis, the effectiveness of the said program and take such measures as shall be necessary on its part (including the provision of funds required therefor) to ensure the continuation, until December 31, 1997, of the measures for the control of bilharzia in the areas referred to under Part B (i) of the Project, unless the Borrower and the Association shall otherwise agree.

Section 3.12. The Borrower shall implement, or cause to be implemented, all such recommendations emanating from the study referred to in Section 2.07 of the Project Agreement as may be satisfactory to the Borrower and the Association, in accordance with a timetable satisfactory to the Borrower and the Association.
ARTICLE IV
Other Covenants

Section 4.01. The Borrower shall maintain or cause to be maintained records adequate to reflect in accordance with consistently maintained appropriate accounting practices the operations, resources and expenditures, in respect of Parts B and C of the Project, of the departments or agencies of the Borrower responsible for carrying out the said Parts of the Project.
ARTICLE V

Remedies of the Association

Section 5.01. For the purposes of Section 6.02 of the General Conditions the following additional events are specified pursuant to paragraph (h) thereof:

(a) The Authority shall have failed to perform any covenant, agreement or obligation of the Authority under the Project Agreement.

(b) Presidential Decree No. 158 of 1973, or the Law No. 74 of October 9, 1971, or the Ministerial Decrees, of the Borrower, shall have been amended, suspended, abrogated, repealed or waived in such a way as to materially and adversely affect the ability of the Authority to carry out the covenants, agreements and obligations set forth in the Project Agreement.

(c) (i) Subject to sub-paragraph (ii) of this paragraph the KfW Loan Agreement shall have failed to become effective by December 31, 1977, or such other date as shall be agreed to between the Borrower and the Association.

(ii) The provisions of paragraph (c) (i) of this Section shall not apply if the Borrower establishes to the satisfaction of the Association that adequate funds for Part A of the Project are available to the
Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement and of the Authority under the Project Agreement.

(d) (i) Subject to sub-paragraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of the KfW Loan made to the Borrower for the financing of a portion of the cost of Part A of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the KfW Loan Agreement; or

(B) the KfW Loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) (A) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (1) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (2) adequate funds for the Project are available to the Borrower from other
sources on terms and conditions consistent with the obligations of the Borrower under this Agreement and of the Authority under the Project Agreement.

Section 5.02. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified pursuant to paragraph (d) thereof:

(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 Association to the Borrower and the Authority;

(b) the event specified in paragraph (b) of Section 5.01 of this Agreement shall occur; and

(c) the principal outstanding under the KfW Loan Agreement shall have been declared, or become, due and payable in advance of the agreed maturity thereof.
ARTICLE VI

Effective Date; Termination

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

(a) the execution of the Project Agreement on behalf of the Authority has been duly authorized or ratified by all necessary corporate and governmental action;

(b) all conditions precedent to the effectiveness of the Loan Agreement have been fulfilled subject only to the effectiveness of this Agreement;

(c) all conditions precedent to the effectiveness of the Intermediate Term Loan Agreement have been fulfilled subject only to the effectiveness of this Agreement; and

(d) the Borrower has established the Special Fund referred to in Section 3.06 of this Agreement.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that the Project Agreement has been duly authorized or ratified by the Authority, and is legally binding upon the Authority in accordance with its terms.
Section 6.03. The date November 15, 1977, is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.04. The obligations of the Borrower under Sections 3.04, 3.05 (a) and 3.12 of this Agreement and the provisions of Article V of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on a date twenty-five years after the date of this Agreement, whichever shall be the earlier.
ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Economy and Economic Cooperation or the Under Secretary of State for Economic Organizations and 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 Economy and Economic Cooperation
8 Adly Street
Cairo
Arab Republic of Egypt

Cable address: 
Telex:

Ministry of Economy and Economic Cooperation
348 GAFEC
Cable address: 
Telex:

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address: 
Telex:

INDEVAS
440098 (ITT)
Washington, D.C.
248423 (RCA) or
64145 (WUI)
IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, 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/ Mohamad Ibrahim Shaker
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ A. David Knox
Acting Regional Vice President
Europe, Middle East and North Africa
SCHEDULE 1

Withdrawal of the Proceeds of the Credit, the Loan and the Intermediate Term Loan

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit, the Loan and the Intermediate Term Loan (Expressed in Dollar Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Part A:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) Equipment for</td>
<td>9,400,000</td>
<td>100% of foreign expenditures,</td>
</tr>
<tr>
<td>drainage (excluding PVC</td>
<td></td>
<td>100% of local expenditures ex-</td>
</tr>
<tr>
<td>pipes) and for</td>
<td></td>
<td>factory and 80% of local</td>
</tr>
<tr>
<td>offices and laboratories</td>
<td></td>
<td>expenditures for goods imported</td>
</tr>
<tr>
<td></td>
<td></td>
<td>but procured locally</td>
</tr>
<tr>
<td>(2) Civil works</td>
<td>40,600,000</td>
<td>100% of foreign expenditures</td>
</tr>
<tr>
<td></td>
<td></td>
<td>and 40% of local expenditures</td>
</tr>
<tr>
<td>Category</td>
<td>Amount of the Credit, the Loan and the Intermediate Term Loan (Expressed in Dollar Equivalent)</td>
<td>% of Expenditures to be Financed</td>
</tr>
<tr>
<td>----------</td>
<td>---------------------------------------------------------------------------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td><strong>Part B:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(3) Equipment</td>
<td>700,000</td>
<td>100% of foreign expenditures, 100% of local expenditures ex-factory and 80% of local expenditures for goods imported but procured locally</td>
</tr>
<tr>
<td>(4) Molluscicides and other drugs for bilharzia control program</td>
<td>8,850,000</td>
<td>100% of foreign expenditures</td>
</tr>
<tr>
<td><strong>Part C:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(5) Equipment, materials and vehicles</td>
<td>350,000</td>
<td>100% of foreign expenditures, 100% of local expenditures ex-factory and 80% of local expenditures for goods imported but procured locally</td>
</tr>
</tbody>
</table>
### Category

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit, the Loan and the Intermediate Term Loan (Expressed in Dollar Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Part D:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(6) UNDP Study (Master Plan for Water Resources)</td>
<td>850,000</td>
<td>100% of foreign expenditures representing Borrower's foreign exchange contribution for said study</td>
</tr>
<tr>
<td>(7) Unallocated</td>
<td>5,250,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>66,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>
2. The purposes of this Schedule:

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

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

3. The disbursement percentages have been calculated in compliance with the policy of the Association and the Bank that no proceeds of the Credit, of the Loan and of the Intermediate Term Loan shall be disbursed on account of payments for taxes levied by, or in the territory of, the Borrower on goods or services, or on the importation, manufacture, procurement or supply thereof; to that end, if the amount of any such taxes levied on or in respect of any item to be financed out of the proceeds of the Credit and of the Loan decreases or increases, the Association or the Bank may, by notice to the Borrower, increase or decrease the disbursement percentage then applicable to such item as required to be consistent with the aforementioned policy of the Association and the Bank.
4. (a) 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.

(b) In addition, except as the Borrower, the Association and the Bank shall otherwise agree, and until all amounts of the Credit shall have been withdrawn or committed, no withdrawals shall be made from the Loan Account or from the Intermediate Term Loan Account except under commitments, if any, entered into by the Bank pursuant to Section 5.02 of the General Conditions referred to in Section 1.01 of the Loan Agreement and in Section 1.01 of the Intermediate Term Loan Agreement.

(c) Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made from the Loan Account or the Intermediate Term Loan Account in respect of payments made for expenditures under Category (6).

(d) The proceeds of the Loan and of the Intermediate Term Loan shall be disbursed pro rata on the basis of a 9:4 ratio.

5. Notwithstanding the allocation of an amount of the Credit, the Loan and of the Intermediate Term Loan or the disbursement percentages set forth in the table in paragraph 1 above, if the Association and the Bank have, or after full withdrawal of the entire amount of the Credit the Bank has, reasonably estimated that the amount of the Credit, the Loan and the Intermediate Term
Loan then allocated to any Category (excluding Category (6)) will be insufficient to finance the agreed percentage of all expenditures in that Category, the Association and the Bank may, by notice to the Borrower: (i) reallocate to such Category, to the extent required to meet the estimated shortfall, proceeds of the Credit, the Loan and the Intermediate Term Loan which are then allocated to another Category and which in the opinion of the Association and of the Bank are not needed to meet other expenditures; and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the disbursement percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

6. If the Association and the Bank shall have reasonably determined that the procurement of any item in any Category is inconsistent with the procedures set forth or referred to in this Agreement, no expenditures for such item shall be financed out of the proceeds of the Credit, the Loan and the Intermediate Term Loan, and the Association and the Bank may, without in any way restricting or limiting any other right, power or remedy of the Association and of the Bank under the Development Credit Agreement, the Loan Agreement and the Intermediate Term Loan Agreement, by notice to the Borrower, cancel such amount of the Credit, the Loan and the Intermediate Term Loan as, in the
Association's and the Bank's reasonable opinions, represents
the amount of such expenditures which would otherwise have been
eligible for financing out of the proceeds of the Credit, the
Loan and the Intermediate Term Loan.
SCHEDULE 2

Description of the Project

The Project which is located in the Project Area consists of:

Part A  A drainage program including:

(i) construction of four drainage pumping stations
   with provision for pump units and electric
   transmission lines of about 19 km in length to
   connect said stations to national grid, and other
   equipment required therefor;

(ii) provision and installation of ten pump units to
    replace pump units in the two existing pumping
    stations located at Bahr Saft and Kassaby;

(iii) improvement of about 1,565 km of existing open
     drains over an area of 810,000 feddans with
     provision for improvements of existing bridges,
     syphons, flumes and other structures, and the
     provision of vehicles and equipment required
     therefor;
(iv) field drainage of areas totalling about 400,000 feddans by the installation of about 32,400 km of buried field drains of PVC corrugated pipes, about 3,600 km of buried cement pipes for orchards and about 4,800 km of buried cement collectors, and the provision of vehicles and construction and maintenance equipment required therefor; and

(v) provision of buildings, materials, vehicles and laboratory and office equipment for the Authority.

Part B A bilharzia control program including:

(i) snail control through a program of regular area-wide applications of molluscicides;

(ii) provision of the oral drug for the treatment of bilharzia to health centers and units; and

(iii) provision of materials, equipment and vehicles.

Part C A technical assistance program including the development and implementation of irrigation and drainage programs for extension service personnel and training of such personnel in such programs.

Part D Assistance in connection with the UNDP Study consisting of the provision of funds to enable the Borrower to
finance a part of the foreign exchange cost of the UNDP Study.

* * * * *

The Project is expected to be completed by December 31, 1982.