

CONFORMED COPY

GET GRANT NUMBER 28628 EGT

Global Environmental Trust Fund  
Grant Agreement

(Private Sector Tourism Infrastructure and  
Environmental Management Project)

between

ARAB REPUBLIC OF EGYPT

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

acting as Trustee of the Global Environment  
Trust Fund

Dated January 26, 1993

GET GRANT NUMBER 28628 EGT

GLOBAL ENVIRONMENT TRUST FUND GRANT AGREEMENT

AGREEMENT, dated January 26, 1993, between ARAB REPUBLIC OF EGYPT (the Recipient) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT, acting as Trustee of grant funds provided by Participants of the Global Environment Facility into the Global Environment Trust Fund (GET) (the Trustee).

WHEREAS (A) the International Bank for Reconstruction and Development (the Bank) pursuant to Resolution No. 91-5 of March 14, 1991, of the Executive Directors of the Bank (the Resolution), established the Global Environment Facility consisting of the Cofinancing Arrangements with the GET and the Ozone Projects Trust Fund to assist in the protection of the global environment and promote thereby environmentally sound and sustainable economic development;

WHEREAS (B) certain members of the Bank (the Participants) have provided grant funds to the GET and requested the Bank, and the Bank has agreed, to administer, as Trustee, such grant funds for the purposes of, and in accordance with, the provisions of the Resolution;

WHEREAS (C) by an agreement of even date herewith (the Loan Agreement) between the Trustee and the Tourism Development Authority of the Recipient, the Trustee (acting in its capacity as a lending institution) has agreed to lend to said Tourism Development Authority with the Guarantee of the Recipient an amount equivalent to \$130,000,000 for financing a Private Sector Tourism Infrastructure and Environmental Management Project (the Project), which includes implementation of a program for proper environmental management of a coastal zone on the Red Sea (the Environmental Component);

WHEREAS (D) the Recipient has requested from the Trustee assistance from the resources of the GET in the financing of the Environmental Component, and the Trustee has determined that the granting of such assistance is in conformity with the provisions of the Resolution;

WHEREAS (E) the Environmental Component will be carried out by the Tourism Development Authority (TDA) and the Egyptian Environmental Affairs Agency (EAA) and the Red Sea Governorate (the Governorate), all of the Recipient, with the Recipient's assistance, and as part of such assistance, the Recipient will make available, in accordance with its applicable regulations, to TDA, EAA and the Governorate the proceeds of the GET Grant provided for in this Agreement; and

WHEREAS the Trustee has agreed on the basis, inter alia, of the foregoing to extend the GET Grant to the Recipient upon the terms and conditions set forth in this Agreement.

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### General Conditions; Definitions

Section 1.01. (a) The following provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 1, 1985, with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
- (ii) Sections 2.01 (1), (2), (3), (4), (6), (8), (9), (10), (11), (15), (18) and (20), 2.02 and 2.03;
- (iii) Section 3.01;
- (iv) Section 4.01 and the first sentence of Section 4.09;
- (v) Article V;
- (vi) Sections 6.01, 6.02 (c), (d), (e), (f), (i) and (k), 6.03, 6.04 and 6.06;
- (vii) Section 8.01 (b);
- (viii) Sections 9.01 (a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;
- (ix) Sections 10.01, 10.03 and 10.04;
- (x) Article XI; and
- (xi) Section 12.04.

(b) The General Conditions shall be modified as follows:

- (i) the term "Bank", wherever used in the General Conditions, other than in Sections 2.01 (8) and 6.02 (f) thereof and the last use of such term in Section 5.01 thereof, means the Trustee except that in Section 6.02, the term "Bank" shall also include the International Bank for Reconstruction and Development acting in its own capacity;
- (ii) the term "Borrower", wherever used in the General Conditions, means the Recipient;
- (iii) the term "Loan Agreement", wherever used in the General Conditions, means this Agreement;
- (iv) the term "Loan" wherever used in the General Conditions, means the GET Grant;
- (v) the term "Loan Account" wherever used in the General Conditions, means the GET Grant Account; and
- (vi) the term "Project", wherever used in the General Conditions, means the Environmental Component described in Schedule 2 to this Agreement.

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the Loan Agreement, General Conditions and in the Recitals to this Agreement have the respective meanings therein set forth and the term "Special Account" means the account referred to in Section 2.02 (b) of this Agreement.

## ARTICLE II

### The GET Grant

Section 2.01. The Trustee agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the GET Grant in an amount in various currencies equivalent to three million four hundred thousand Special Drawing Rights (SDR 3,400,000).

Section 2.02. (a) The amount of the GET Grant may be withdrawn from the GET Grant Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Trustee shall so agree, to be made) in respect of the reasonable cost of goods and services required for carrying out the Environmental Component and to be financed out of the proceeds of the GET Grant.

(b) The Recipient shall, for the purposes of the Environmental Component, open and maintain in dollars a special account in its Central Bank or in a commercial bank on terms and conditions satisfactory to the Trustee, including, should the Special Account be opened in a commercial bank, appropriate protection against set off, seizure or attachment. 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 September 30, 1996 or such later date as the Trustee shall establish. The Trustee shall promptly notify the Recipient of such later date.

## ARTICLE III

### Execution of the Project

Section 3.01. (a) The Recipient declares its commitment to the objectives of the Environmental Component as set forth in

Schedule 2 to the Loan Agreement, and, to this end, shall carry out the Environmental Component through TDA, EAA and the Governorate with due diligence and efficiency and in conformity with appropriate engineering, financial and administrative practices and with due regard to ecological and environmental factors, and shall provide, promptly as needed, the facilities and services required for the Environmental Component.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Recipient and the Trustee shall otherwise agree, the Recipient shall carry out the Environmental Component in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Trustee shall otherwise agree, procurement of the goods, works and consultants' services required for the Environmental Component and to be financed out of the proceeds of the GET Grant shall be governed by the provisions of Schedule 3 to this Agreement.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Recipient shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Environmental Component of the departments or agencies of the Recipient responsible for carrying out the Environmental Component or any part thereof.

(b) The Recipient shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Trustee;
- (ii) furnish to the Trustee 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 Trustee shall have reasonably requested; and
- (iii) furnish to the Trustee such other information concerning said records and accounts and the audit thereof as the Trustee shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the GET Grant Account were made on the basis of statements of expenditure, the Recipient shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Trustee has received the audit report for the fiscal year in which the last withdrawal from the GET Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

- (iii) enable the Trustee's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains 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.

#### ARTICLE V

##### Remedies of the Trustee

Section 5.01. (a) Pursuant to Section 6.02 (k) of the General Conditions, the following additional event is specified, namely, that the right of the Recipient to withdraw the proceeds of the Loan made to the Recipient under the Loan Agreement for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the said Loan Agreement.

(b) Paragraph (a) of this Section shall not apply if the Recipient establishes to the satisfaction of the Trustee that such suspension, cancellation or termination is not caused by the failure of the Recipient to perform any of its obligations under the Loan Agreement.

#### ARTICLE VI

##### Effectiveness; Termination

Section 6.01. This Agreement shall become effective upon its execution by the parties and upon the fulfillment of all conditions required for the effectiveness of the Loan Agreement, except for conditions related to the effectiveness of this Global Environment Trust Fund Grant Agreement.

Section 6.02. This Agreement shall continue in effect until the GET Grant has been fully disbursed and the parties to this Agreement have fulfilled all their obligations hereunder.

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 Recipient; Addresses

Section 7.01. The Minister of State for International Cooperation or the First Undersecretary for International Finance in said Ministry of the Recipient is designated as representative of the Recipient 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 Recipient:

Ministry of International Cooperation  
8 Adly Street  
Cairo, Egypt

Cable address:

MINISTRY OF INTERNATIONAL

Telex:

927-23348

COOPERATION  
Cairo

For the Trustee:

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

Cable address:

INTBAFRAD  
Washington, D.C.

Telex:

197688 (TRT),  
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 Cairo, Arab Republic of  
Egypt, as of the day and year first above written.

ARAB REPUBLIC OF EGYPT

By /s/ M. Makramallah

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT as Trustee

By /s/ C. Koch-Weser

Regional Vice President  
Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the GET Grant

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

Category	Amount of the GET Grant Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Goods	700,000	100%
(2) Works	1,280,000	100%
(3) Technical assistance	1,420,000	100%
TOTAL	3,400,000 =====	

2. 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.

3. If the Trustee shall have determined at any time that any payment made from the GET Grant Account was used for any expenditure not consistent with the provisions of this Agreement, the Recipient shall, promptly upon notice from the Trustee, refund to the Trustee for deposit into the GET Grant Account, an amount equal to the amount so used or the portion thereof as specified by the Trustee.

## SCHEDULE 2

### Description of the Environmental Component

The Environmental Component provides for development and implementation of an integrated coastal zone management program on the portion of the Red Sea Coast between Ras Shukeir in the north and the Sudanese border in the south, comprising: (a) development of environmental impact assessment standards and practices for coastal tourism and oil and gas exploration, (b) training of the staff of EAA and TDA in the application of such standards and practices to relevant projects, (c) development of a capacity for monitoring and enforcing pollution control regulations, (d) establishment of standards for the construction, maintenance and management of recreational facilities so as to protect the marine/coastal environment, (e) designation of protected areas and preparation of plans for their management, and (f) establishment of a mechanism to review such coastal zone management to ensure the achievement of its objectives.

\* \* \*

The Environmental Component is expected to be completed by March 31, 1996.

## SCHEDULE 3

### Procurement and Consultants' Services

#### Section I. Procurement of Goods

##### Part A: Procurement Procedures

1. Items of equipment estimated to cost per contract the equivalent of more than \$50,000 and all items of works shall be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Trustee.

2. Items or groups of items estimated to cost the equivalent of \$50,000 or less per contract may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Trustee.

##### Part B: Review by the Trustee of Procurement Decisions

1. With respect to each contract, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, said procedures shall be modified to ensure that two conformed copies of the contract together with the other information required to be furnished to the Trustee pursuant to said paragraph 3 shall be furnished to the Trustee as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

2. The provisions of the preceding subparagraph (1) shall not apply to contracts on account of which withdrawals from the GET Grant Account are to be made on the basis of statements of expenditure.

## Section II. Employment of Consultants

In order to assist TDA, EAA and the Governorate in the carrying out of the Environmental Component, the Recipient shall cause TDA, EAA and the Governorate to employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Trustee. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Trustee on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

### SCHEDULE 4

#### Implementation Program

##### A. Management of the Environmental Component

1. The Recipient shall cause TDA, EAA and the Governorate to implement the Environmental Component under terms of reference and in accordance with work plans and time schedules satisfactory to the Trustee.

2. For the management of the Environmental Component, the Recipient shall cause TDA, EAA and the Governorate to ensure:  
(i) by April 30, 1993:

(a) the establishment of an office for such management in Cairo;

(b) the establishment of a Project Management Group for the Environmental Component, consisting of a high level representative from each of TDA, EAA and the Governorate to be responsible for (i) coordination and facilitation of work, (ii) approving work plans and budgets for the Environmental Component, (iii) appointing a Project Manager to be responsible for the day-to-day management of the Environmental Component, and an Operation Manager to be responsible for site activities at the Red Sea Coast, and (iv) appointing an advisory Committee of distinguished national scientists to provide technical support and guidance;

(c) the appointment, for the duration of the Environmental Component, of three advisors in the areas of coastal zone planning and management; marine pollution and marine park management; and (ii) by June 30, 1993:

(a) the preparation and furnishing to the Trustee of an inception report for the implementation of the Environmental Component;

(b) the appointment to TDA's Environmental Unit of four professionals with environmental, planning and natural science backgrounds; and

(c) the appointment by EAA of professionals to its water and coastal zone management with backgrounds in geography, oceanography, pollution science and pollution control, and to its Parks and Protected Areas Department with backgrounds in natural resources management and protected areas planning and management.

3. The Recipient shall ensure the assignment by TDA and EAA to the Project Management Group referred to in paragraph (2) (b) above of (a) a protected area manager and a recreation area manager, by September 30, 1993; and (b) a chief pollution control officer, by December 31, 1993.

4. By March 31, 1994, the Recipient shall ensure (a) the approval of the coastal zone management program provided under



the Environmental Component; (b) the establishment of the boundaries of coastal protected areas; and (c) the establishment of a Protected Areas Office, a Recreation Areas Management Unit and an Environmental Monitoring and Enforcement Unit, and the preparation of a first-year work plan and an operation budget for each.

#### B. Plans of Action and Reporting

In order to ensure timely implementation of the Environmental Component and assess the progress thereof, the Recipient shall ensure: (1) starting by the end of December, 1993, and on a semi-annual basis thereafter, the preparation jointly by TDA and EAA of semi-annual reports on progress in the carrying out of the Environmental Component, (2) the approval by December 31, 1993, by the Project Management Group, referred to in Part A.2 (b) of this Schedule, of a draft coastal zone management plan for submission to the Recipient's relevant authorities, (3) the approval, by June 30, 1994, by said Project Management Group, of a plan for recreation management and for protected areas management, and (4) the review by the Recipient's relevant authorities, by March 31, 1996, of the final report prepared under the Environmental Component, setting forth the arrangements for proper environmental management of the coastal zone and the institutional responsibilities for the implementation thereof.

#### SCHEDULE 5

##### Special Account

#### 1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2) and (3) 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 Environmental Component and to be financed out of the proceeds of the GET Grant 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 \$500,000 to be withdrawn from the GET Grant 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 Trustee 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 Recipient shall furnish to the Trustee 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 Trustee shall, on behalf of the Recipient, withdraw from the GET Grant Account and deposit in the Special Account such amount or amounts as the Recipient shall have requested.

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

- (ii) Prior to or at the time of each such request, the Recipient shall furnish to the Trustee 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 Trustee shall, on behalf of the Recipient, withdraw from the GET Grant Account and deposit into the Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Trustee from the GET Grant 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 Recipient out of the Special Account, the Recipient shall, at such time as the Trustee shall reasonably request, furnish to the Trustee 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 Trustee shall not be required to make further deposits into the Special Account:

- (a) if, at any time, the Trustee shall have determined that all further withdrawals should be made by the Recipient directly from the GET Grant 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 GET Grant allocated to the eligible Categories less the amount of any outstanding special commitment entered into by the Trustee 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 GET Grant Account of the remaining unwithdrawn amount of the GET Grant allocated to the eligible Categories shall follow such procedures as the Trustee shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Trustee 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 Trustee 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; or (ii) was not justified by the evidence furnished to the Trustee, the Recipient shall, promptly upon notice from the Trustee: (A) provide such additional evidence as the Trustee may request; or (B) deposit into the Special Account (or, if the Trustee shall so request, refund to the Trustee) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Trustee shall otherwise agree, no further deposit by the Trustee into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

- (b) If the Trustee 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 Recipient shall, promptly upon notice from the Trustee,

refund to the Trustee such outstanding amount.

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

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

