

CONFORMED COPY

LOAN NUMBER 3605 EGT

Loan Agreement

(Private Sector Tourism Infrastructure  
and Environmental Management Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

and

TOURISM DEVELOPMENT AUTHORITY

Dated September 28, 1993

LOAN NUMBER 3605 EGT

LOAN AGREEMENT

AGREEMENT, dated September 28, 1993, between TOURISM DEVELOPMENT AUTHORITY (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) Arab Republic of Egypt (the Guarantor) and the Borrower, having been satisfied as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, have requested the Bank to assist in the financing of the Project;

(B) by an agreement (the Guarantee Agreement) of even date herewith between the Guarantor and the Bank, the Guarantor has agreed to guarantee the obligations of the Borrower in respect of the Loan and to undertake such other obligations as set forth in the Guarantee Agreement;

(C) as part of its economic reform program, the Guarantor is currently implementing measures for privatization of public hotel holdings and for restructuring the functions of public enterprises operating in the tourism sector; and

(D) by an agreement (the Global Environment Trust Fund Grant Agreement) dated January 26, 1993 between the Guarantor and the Bank, acting as Trustee of the trust fund for the Global Environment Facility (GET) established pursuant to Resolution No. 91-5 of the Bank's Executive Directors, the Bank has agreed to make a grant (the GET Grant) to the Guarantor in the amount of SDR3,400,000 to assist in financing Part E of the Project and to undertake other environmental protection measures;

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;

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Single Currency Loan and Guarantee Agreements" of the Bank, dated February 9, 1993, (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) "MOT" means the Guarantor's Ministry of Tourism;
- (b) "ASD" means the Abu Soma Development Company, a joint-stock company incorporated under the Guarantor's Law No. 230 of 1989;
- (c) "Abu Soma Contract" means the contract, dated December 11, 1990, between MOT and ASD whereby the area located in the Abu Soma Bay on the Red Sea Coast, and to be developed under Part B (1) of the Project, was sold/leased by MOT to ASD;
- (d) "SHBD" means the Sahl Hasheesh Bay Development Company, a joint-stock company, incorporated under the Guarantor's Law No. 230 of 1989;
- (e) "Sahl Hasheesh Contract" means the Contract, dated January 8, 1991, between MOT and SHBD whereby the area located in the Sahl Hasheesh Bay on the Red Sea Coast, and to be developed under Part B (2) of the Project, was sold/leased by MOT to SHBD;
- (f) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;
- (g) "ASD Loan Agreement" means the agreement to be entered into pursuant to the provision of Part A of Schedule 6 to this Agreement, between the Borrower and ASD;
- (h) "SHBD Loan Agreement" means the agreement to be entered into, pursuant to the provisions of Part A of Schedule 6 to this Agreement, between the Borrower and SHBD;
- (i) "Private Investors" means ASD and SHBD with respect to Part B of the Project, and all other private investors who may be contracted by TDA for the purposes of carrying out Part C of the Project;
- (j) "Category" means any of the categories set forth in the table in Schedule 1 to this Agreement;
- (k) "Abu Soma Phase I" means the infrastructure and

superstructure facilities described in Part B (1) of the Project for an area of about 1,500,000 square meters and "Abu Soma Phase II" means the construction of the remainder of facilities referred to in said Part B (1) of the Project; and

(1) "Sahl Hasheesh Phase I" means the infrastructure and superstructure facilities described in Part B (2) of the Project for an area of about 2,000,000 square meters and "Sahl Hasheesh Phase II" means the construction of the remainder of facilities referred to in said Part B (2) of the Project.

## 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 one hundred thirty million dollars (\$130,000,000).

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 and in respect of interest and other charges on the Loan.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special account in a commercial bank or in the Central Bank of the Guarantor on terms and conditions satisfactory to the Bank, 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 7 to this Agreement.

(c) On each of the semi-annual interest payment dates specified in Section 2.06 of this Agreement, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount required to pay, on such date, interest and other charges on the Loan accrued and payable on or before such date, and up to the amount allocated, in Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Bank.

Section 2.03. The Closing Date shall be December 31, 2000 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 percent (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 for each Interest Period equal to Single Currency LIBOR, plus one-half of one percent (1/2 of 1%), plus or minus the Average Margin as provided in paragraph (b) (iv) below.

(b) For the purposes of this Section:

(i) "Interest Period" means the initial period from and including the date of this Agreement to but not including the first Interest Payment Date and thereafter the period from and including any Interest Payment Date to but not including the next

Interest Payment Date.

- (ii) "Interest Payment Date" means any date specified in Section 2.06 of this Agreement.
- (iii) "Single Currency LIBOR" means the London interbank offered rate for dollar, expressed as a percentage per annum, reasonably determined by the Bank in accordance with Schedule 4 to this Agreement for the January 15 or July 15 on which an Interest Period commences (or, for the initial Interest Period, the January 15 or July 15 preceding the date of this Agreement or on which such Interest Period commences).
- (iv) "Average Margin" means, for any Interest Period, the weighted average margin, for the Semester preceding the relevant January 15 or July 15, between: (A) the cost of the outstanding borrowings of the Bank or portions thereof allocated to the funding of single currency loans in all currencies, and (B) the specific London and, for French francs, Paris interbank offered rates or other such reference rates attributable to such borrowings in each such currency, all as reasonably determined by the Bank and expressed as a percentage per annum. For any Interest Period in which (A) exceeds (B), the Average Margin shall be added under paragraph (a) above. For any Interest Period in which (B) exceeds (A), the Average Margin shall be subtracted under paragraph (a) above. Notwithstanding the foregoing, the Average Margin for the Interest Period ending July 14, 1993 shall be minus 0.28%.
- (v) "Semester" means the first six months or second six months of a calendar year.

(c) After the Bank shall have determined Single Currency LIBOR and the Average Margin for any Interest Period, the Bank shall promptly notify the Guarantor and the Borrower of such determination.

Section 2.06. Interest and other charges shall be payable January 15 and July 15 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.

### ARTICLE III

#### Execution of the Project

Section 3.01. 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 upon any of its other obligations under the Loan Agreement, shall:

(a) make arrangements, satisfactory to the Guarantor and the Bank, for the carrying out of Part A (1) of the Project through MOT, and carry out Part E of the Project in coordination with EAA and the Red Sea Governorate of the Guarantor, with due diligence and efficiency and in accordance with the arrangements set forth in Global Environment Trust Fund Grant Agreement; and

(b) carry out Parts A (2) and (3), B and C of the Project

in accordance with the Implementation Program set forth in Schedule 6 to this Agreement.

Section 3.02. The Borrower shall exercise its rights and discharge its responsibilities under arrangements it has concluded with Private Investors for purposes of Parts B and C of the Project, including the ASD Loan Agreement and the SHBD Loan Agreement, in such manner as to protect the interests of the Borrower and the Bank and to achieve the objectives of the Project.

Section 3.03. The Borrower shall prepare and furnish to the Bank quarterly reports on the progress in carrying out the Project, expenditures incurred in connection therewith, the sources of financing such expenditures and compliance by Private Investors with the financial terms of their contracts with the Borrower.

Section 3.04. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 5 to this Agreement.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower shall maintain records and accounts (including separate records and accounts for the Project) adequate to reflect in accordance with sound accounting practices its operations, resources and expenditures, and financial condition.

(b) The Borrower shall:

- (i) have its records and accounts including the separate records and accounts for the Project referred to in paragraph (a) above and 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; and
- (iii) furnish to the Bank such other information concerning said records, accounts and the audit thereof as the Bank shall from time to time reasonably request.

Section 4.02. (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.

#### ARTICLE V

##### Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

- (a) Presidential Decree No. 374 of 1991 of the Guarantor, regulating the Borrower, shall have been amended, suspended or repealed so as to affect materially and adversely the Borrower's ability to carry out its obligations under this Agreement.
- (b) (i) Subject to subparagraph (ii) of this paragraph, the right of the Guarantor to withdraw the proceeds of the GET Grant shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the Global Environment Trust Fund Grant Agreement.
- (ii) Subparagraph (i) of this paragraph shall not apply if the Guarantor or the Borrower establishes to the satisfaction of the Bank that such suspension, cancellation or termination is not caused by the failure of the Guarantor to perform its obligations under the Global Environment Trust Fund Grant Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely, that the event specified in paragraph (a) 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) the Borrower has furnished to the Bank evidence demonstrating that the action referred to in Part A(1) of the Project has been taken; and

(b) all conditions precedent to the effectiveness of the Global Environment Trust Fund Grant Agreement, except for conditions related to the effectiveness of this Loan Agreement, have been fulfilled.

Section 6.02. 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 Chief Executive Officer 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:

Tourism Development Authority  
Nile Tower - 21 Giza Street  
Cairo, Egypt

Cable address:

TOURISM DEVELOPMENT  
AUTHORITY  
Cairo

Telex:

5703492-98

For the Bank:

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 the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Ram Chopra

Regional Vice President  
Middle East and North Africa

TOURISM DEVELOPMENT AUTHORITY

By /s/ Ahmed Maher El Sayed

Authorized Representative

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 Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Works for infrastructure facilities (including the supply of equipment and associated services) under Part B of the Project:		100%
(a) Part B (1)	40,000,000	
(b) Part B (2)	40,000,000	
(2) Works for infrastructure facilities under Parts C (1), (2) and (3) of the Project (including the supply of equipment and associated services)	12,000,000	50%
(3) Works for infrastructure facilities under Part C (4) of the Project (including the supply of equipment and associated services)	13,000,000	40%
(4) Consultants' services under Part D of the Project	3,000,000	100% of foreign expenditures
(5) Interest and other charges on the Loan accrued on or before August 1, 1998	22,000,000	Amounts due pursuant to Section 2.02 of this Agreement
<b>TOTAL</b>	<b>130,000,000</b> =====	



2. For the purposes of this Schedule the term "foreign expenditures" means expenditures in the currency of any country other than that of the Guarantor for goods or services supplied from the territory of any country other than that of the Guarantor.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement, and (b) payments under Category (1)(a) or Category (1)(b) unless ASD or SHBD, as the case may be, shall have satisfied the disbursement condition stated in paragraph A(1)(i) of Part A of Schedule 6 to this Agreement.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are (a) to support the Guarantor's policy of deregulation and further privatization of the tourism sector, (b) to provide catalytical financial support for infrastructure and superstructure development by the private sector in major tourist areas in the Red Sea, (c) to improve the Nile cruise ship operations, (d) to provide appropriate arrangements for proper environmental management of the Red Sea Coast, and (e) to strengthen the capacity of TDA and EAA.

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: Reform of the Operational Environment for the Tourism Sector

1. Preparation and adoption of regulations for the hotel industry whereby (a) MOT shall continue to be responsible for grading hotels and for supervising their adherence to safety and quality and other regulatory standards, and (b) management of hotels shall be empowered to set hotel rates and the prices for services pursuant to guidelines to be developed from within the hotel industry.

2. A study by the Borrower of the priorities, modalities and conditions for allocation of public land in areas designated as tourist zones, and the preparation on the basis of the findings thereof of related regulations.

3. Preparation by the Borrower of a plan for improving safety regulations for Nile cruises.

#### Part B: Area Development

1. Development, for touristic purposes, of the land sold or leased to ASD under the Abu Soma Contract in the Ras Abu Soma Bay area 40 km south of Hurghada, including:

(a) construction of infrastructure facilities comprising (i) roads, (ii) water desalination plants and associated storage and distribution network, (iii) sewage treatment plants, (iv) sewage network and irrigation network for landscaping, (v) electric power generators, and (vi) electrical and telecommunications networks; and

(b) construction, in phases, of superstructure facilities comprising (i) hotels, (ii) villas and condominiums, (iii) marinas, (iv) commercial and recreational facilities, and (v) housing facilities for employees.

2. Development, for touristic purposes, of the land sold or released to SHBD under the Sahl Hasheesh Contract in the Sahl Hasheesh area 20 km south of Hurghada, including:

(a) construction of infrastructure facilities comprising: (i) roads, (ii) water desalination plants and associated storage and distribution network, (iii) sewage treatment plants, (iv) sewage and irrigation network, (v) electric power generators, and (vi) electrical and telecommunications networks; and

(b) construction, in phases, of superstructure facilities comprising: (i) hotels, (ii) tourist villages, (iii) marinas, (iv) villas and chalets, and (v) a commercial center.

#### Part C: Infrastructure Improvement in Existing Tourism Areas

Infrastructure facilities to be constructed, operated and managed by the private sector, including:

1. Improvement of water supply service in south Hurghada through the construction of desalination plants, water reservoirs, distribution mains, pumping stations, related electric facilities for the above desalination plants and pumping stations, in addition to an administration building and a maintenance facility.
2. Improvement of waste water service in south Hurghada through the construction of stabilization ponds, pumping stations, a gravity collector, force mains and irrigation pipes.
3. Improvement of solid waste service in south Hurghada, including the areas to be developed under Part B of the Project, through the construction of a sanitary landfill and the provision of compactor trucks and equipment.
4. Improvement of Nile cruise operations, through (a) constructing and equipping of additional berths at Aswan, Luxor, Dandara, Isna, Edfu and Kom Ombu, (b) establishment of a traffic and navigation control center, comprising a traffic control system, fire fighting and medical services and facilities for inspection and licensing, and (c) upgrading of tourist areas, including improvement of access roads from the Nile to the antiquity sites and provisions of food and parking facilities.

#### Part D: Institutional Strengthening

Provision of technical assistance and training (a) for the Borrower to strengthen its capacity in tourism planning and marketing, procurement and financial management, (b) for the Borrower and EAA to strengthen their capacity in the development of environmental guidelines for tourism zones and the monitoring and enforcement thereof, and (c) for the Borrower to assist in the preparation of tourism projects.

#### Part E: Environmental Management

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 the Borrower 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 program to ensure the achievement of its objectives.

The Project is expected to be completed by June 30, 2000.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in dollars)*
January 15, 1999	3,275,000
July 15, 1999	3,335,000
January 15, 2000	3,400,000
July 15, 2000	3,460,000
January 15, 2001	3,525,000
July 15, 2001	3,590,000
January 15, 2002	3,660,000
July 15, 2002	3,725,000
January 15, 2003	3,795,000
July 15, 2003	3,865,000
January 15, 2004	3,940,000
July 15, 2004	4,010,000
January 15, 2005	4,085,000
July 15, 2005	4,160,000
January 15, 2006	4,240,000
July 15, 2006	4,320,000
January 15, 2007	4,400,000
July 15, 2007	4,480,000
January 15, 2008	4,565,000
July 15, 2008	4,650,000
January 15, 2009	4,735,000
July 15, 2009	4,825,000
January 15, 2010	4,915,000
July 15, 2010	5,005,000
January 15, 2011	5,095,000
July 15, 2011	5,190,000
January 15, 2012	5,290,000
July 15, 2012	5,385,000
January 15, 2013	5,485,000
July 15, 2013	5,595,000

\* The figures in this column represent the amount in dollars to be repaid, except as provided in Section 4.04 (d) of the General Conditions.

SCHEDULE 4

Single Currency LIBOR Determination

1. Single Currency LIBOR for any Interest Period shall be the offered rate for deposits in dollar for a period of six months which appears on the display designated as page "3750" on the Telerate monitor (or such other page or service as may replace it for the purpose of displaying London interbank offered rates of major banks for dollar deposits), as of 11:00 a.m. (London time) on the second day on which banks and foreign exchange markets are open for business in London prior to the relevant January 15 or July 15 (the Interest Determination Date).

2. If such rate does not appear on the Telerate monitor or on such service as may replace it, the Bank shall request the London offices of four major banks to provide the Bank with the rate at which deposits in dollar are offered by such banks on the Interest Determination Date to leading banks in the London interbank market for a period of six months ending on the last day of such Interest Period. Single Currency LIBOR for such interest Period shall be the arithmetic mean (rounded upwards if necessary to the fifth decimal place) of such offered quotations as determined by the Bank.

3. If not more than one major bank provides the Bank with such

quotations under paragraph 2 above, Single Currency LIBOR shall be arithmetic mean (rounded upwards if necessary to the fifth decimal place) determined by the Bank of the rates quoted by at least two major banks in New York City selected by the Bank on the Interest Determination Date for loans in dollar to leading European banks for a period of six months ending on the last day of such Interest Period. If fewer than two of the banks so selected are quoting such rates, Single Currency LIBOR shall be the single currency in effect for the last preceding Interest Period.

#### SCHEDULE 5

##### Procurement and Consultants' Services

##### Section I: Procurement of Goods and Works

##### Part A: International Competitive Bidding

1. Except as provided in Part D hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines).

2. To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost the equivalent of \$250,000 or more each.

##### Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Egypt may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

##### Part C: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A.1 hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

##### Part D: Other Procurement Procedures

1. Contracts for works estimated each to cost less than the equivalent of \$500,000 and contracts for goods estimated each to cost less than the equivalent of \$250,000 may be awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

2. Items or groups of items estimated to cost less than the equivalent of \$50,000 per contract, up to an aggregate amount not to exceed the equivalent of \$1,000,000, may be procured under contracts awarded on the basis of comparison of price quotation solicited from a list of at least three suppliers from at least two different countries eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

##### Part E: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for works estimated to cost the equivalent of \$500,000 or more or for goods estimated to cost the equivalent of \$250,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines

shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, 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, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 7 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Loan Account are to be made on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

## Section II: Employment of Consultants

In order to assist the Borrower in the carrying out of Part D of the Project, the Borrower, in conjunction with EAA, shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank 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 6

#### Implementation Program

##### A. Area Development under Part B of the Project

1. The Borrower shall onlend to ASD and SHBD the proceeds of the Loan allocated from time to time for Parts B (1) and B (2) of the Project under Categories (1) (a) and 1 (b), respectively, in addition to the corresponding amounts under Category (5), under two loan agreements the first to be concluded between the Borrower and ASD (the ASD Loan Agreement) and the second to be concluded between the Borrower and SHBD (the SHBD Loan Agreement), under terms and conditions which shall have been approved by the Bank, including provision whereby:

(a) the amounts so onlent to ASD and SHBD shall be denominated in dollars and all debt service payments with respect to such amounts shall be made in dollars;

(b) ASD and SHBD shall each repay the amount so onlent to it over a period of 15 years, including a grace period of 5 years;

(c) ASD and SHBD shall each pay: (i) on the unwithdrawn portion of the amount so onlent to it, commitment charge at the annual rate applicable from time to time to the loan pursuant to Section 2.04 of the Loan Agreement; and (ii) on the portion withdrawn and outstanding of such amount, interest at an annual rate which shall be equal to the interest rate applicable from time to time to the loan pursuant to Section 2.05 of the Loan Agreement, plus (i) 2 percentage points or (ii) 3 percentage

points in case the loan provided under the ASD Loan Agreement or the SHBD Loan Agreement is subordinated to other borrowing contracted by ASD or SHBD, as the case may be, for purposes of their activities under the Project;

(d) ASD and SHBD shall each: (i) obtain the Borrower's prior written consent to the terms of ASD's or SHBD's borrowing from other sources for purposes of the Project; (ii) maintain their capital, organization and management structures and obtain the consent of the Borrower to any material modification thereto; (iii) provide on its assets, in favor of the Borrower, security in a manner satisfactory to the Borrower and the Bank; (iv) furnish to the Borrower (A) quarterly financial statements, indicating the levels of expenditures under the Project and the sources thereof; and (B) quarterly reports on progress in the carrying out of its activities under the Project;

(e) ASD and SHBD shall each: (i) be required to ensure under the financial statements referred to in paragraph (d) above that not less than 40% of their capital expenditures under the Project shall be financed from equity contributed by its shareholders; and (ii) furnish to the Borrower evidence of adherence to such requirement in the audit of such financial statements referred to in paragraph (g) below;

(f) ASD and SHBD shall be required to award contracts to be financed from the proceeds of the loans provided under the ASD Loan Agreement and the SHBD Loan Agreement, respectively, in accordance with the provision of Schedule 4 to this Agreement;

(g) ASD and SHBD shall each:

- (i) maintain records and accounts adequate to reflect in accordance with sound accounting practices its operation and financial condition;
- (ii) have its records, accounts and financial statements (balance sheets, statement of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Borrower;
- (iii) furnish to the Borrower as soon as available, but in any case not later than five months after the end of each such year: (A) certified copies of its financial statements for such year as so audited; and (B) the report of such audit by said auditors of such scope and in such detail as the Borrower shall have reasonably requested; and
- (iv) furnish to the Borrower such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Borrower shall from time to time reasonably request;

(h) ASD and SHBD shall utilize the amounts lent to them under the ASD Loan Agreement and the SHBD Loan Agreement only for financing expenditures incurred for the carrying out of Part B (1) and Part B (2) of the Project, respectively;

(i) no disbursement shall be made by ASD under the ASD Loan Agreement or by SHBD under the SHBD Loan Agreement until each shall have:

- (A) concluded with commercial lenders the lending arrangements for infrastructure facilities

included in the Abu Soma Phase I or the Sahl Hasheesh Phase I, as the case may be; and

- (B) concluded (1) the contracts for the construction of all relevant infrastructure facilities and, where required, for the operation and management thereof, (2) the financial arrangements for not less than two hotels in each of the two areas covered by the Abu Soma Contract and the Sahl Hasheesh Contract, (3) the contracts for the sale of land required for the construction of such hotels, (4) the contracts for supply of utility services by ASD or SHBD, as the case may be, for the operation of such hotels, and (5) the contracts for the operation and management of such hotels with reputable operators;

(j) The Borrower shall retain the right to suspend disbursement under the ASD Loan Agreement or the SHBD Loan Agreement in the case of material violation by ASD or SHBD of their obligations thereunder or under the Abu Soma Contract or the Sahl Hasheesh Contract, as the case may be; and

(k) ASD or SHBD may not proceed with the execution of works included under the Abu Soma Phase II or the Sahl Hasheesh Phase II, respectively, unless (i) infrastructure and superstructure facilities included in the Abu Soma Phase I and the Sahl Hasheesh Phase I have been substantially completed, and (ii) the Borrower has concluded, with the Bank's concurrence, based on a review of the financial viability of ASD and SHBD, that such works under both Phases II may proceed.

B. Infrastructure Facilities under Part C of the Project

1. The Borrower shall formulate and furnish to the Bank, for its review and comment, not later than December 31, 1993, proposals for the assignment to private concerns of the responsibilities for the construction, operation and management of the infrastructure facilities included in Part C (1), (2), (3) and (4) (a) of the Project.

2. The Borrower may assume the responsibility for executing all or part of such infrastructure facilities provided, however, that the Borrower shall make arrangements, satisfactory to the Bank, for the operation and maintenance of such facilities with private concerns or with relevant local utility entities.

C. Part A (2) and (3) of the Project

1. The Borrower shall:

(a) undertake the study included in Part A (2) of the Project under terms of reference satisfactory to the Bank;

(b) ensure the completion of such study by December 31, 1993;

(c) exchange views with the Bank on the findings and recommendations thereof; and

(d) prepare on the basis thereof appropriate regulations and guidelines for allocation of land in tourist areas and arrange to inform investors of such regulations and guidelines.

2. The Borrower shall:

(a) prepare and discuss with the Bank, by December 31, 1993, the plan referred to in Part A (3) of the Project for improving the safety regulations for Nile cruises; and

(b) take thereafter appropriate measures for the

enforcement of such regulations, taking into account the Bank's comments thereon.

#### SCHEDULE 7

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3) and (4) 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 \$5,000,000 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 paid 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 allocated to the eligible Categories 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; or (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.

