

Public Disclosure Authorized

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**LOAN NUMBER 7359-EGT**

# **Project Agreement**

**(El-Tebbin Power Project)**

**between**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**and**

**EGYPTIAN ELECTRICITY HOLDING COMPANY**

**Dated March 2, 2006**

Public Disclosure Authorized



**LOAN NUMBER 7359- EGT**

**PROJECT AGREEMENT**

AGREEMENT dated March 2, 2006, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and EGYPTIAN ELECTRICITY HOLDING COMPANY (EEHC).

WHEREAS (A) by the Loan Agreement of even date herewith between the Arab Republic of Egypt (the Borrower) and the Bank, the Bank has agreed to make a loan to the Borrower in the amount of two hundred fifty nine million six hundred thousand United States dollars (US\$259,600,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that EEHC agree to undertake such obligations toward the Bank as are set forth in this Agreement;

(B) by a subsidiary loan agreement to be entered into between the Borrower and EEHC, the proceeds of the loan provided for under the Loan Agreement will be made available to EEHC on the terms and conditions set forth in said Subsidiary Loan Agreement; and

WHEREAS EEHC, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

**ARTICLE I**

**Definitions**

Section 1.01. Unless the context otherwise requires, the several terms defined in the Loan Agreement, the Preamble to this Agreement and the General Conditions (as so defined) have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Financial Management Manual" means CEPC's financial management manual which sets out detailed financial and accounting policies and procedures for the Project, as may be updated from time to time by the agreement of EEHC and the Bank;

(b) "Monitoring and Evaluation Committee" means the committee referred to in paragraph 3 of Schedule 2 to this Agreement;

(c) "PMU" means the Project Management Unit, referred to in paragraph 2 of Schedule 2 to this Agreement;

(d) “Procurement Implementation Manual” means CEPC’s procurement implementation manual, including the standard bidding documents for each procurement method and category, standard contracts, pre-qualification documents and standard evaluation reports to be used under the Project, as such manual may be updated from time to time by agreement of EEHC and the Bank; and

(e) “Procurement Plan” means CEPC’s procurement plan dated August 9, 2005, covering the initial eighteen (18) month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 2.02(b) of this Agreement, to cover succeeding eighteen (18) month periods (or longer) of Project implementation.

## **ARTICLE II**

### **Execution of the Project**

Section 2.01. (a) EEHC declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, engineering, environmental, financial, management and technical practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Bank and EEHC shall otherwise agree, EEHC shall carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement, Environmental Management Plan, Financial Management Manual and the Procurement Implementation Manual.

Section 2.02. (a) Except as the Bank shall otherwise agree, procurement of the goods and works required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 1 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) EEHC shall update the Procurement Plan in accordance with guidelines acceptable to the Bank, and furnish such update to the Bank not later than twelve (12) months after the date of the preceding Procurement Plan, for the Bank’s approval.

Section 2.03. (a) EEHC shall carry out the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement.

(b) For the purposes of Section 9.07 of the General Conditions and without limitation thereto, EEHC shall:

- (i) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Bank and EEHC, a plan for the future operation of the Project; and
- (ii) afford the Bank a reasonable opportunity to exchange views with EEHC on said plan.

Section 2.04. EEHC shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Bank shall otherwise agree, EEHC shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Loan Agreement or any provision thereof.

Section 2.05. (a) EEHC shall, at the request of the Bank, exchange views with the Bank with regard to progress of the Project, the performance of its obligations under this Agreement and under the Subsidiary Loan Agreement, and other matters relating to the purposes of the Loan.

(b) EEHC shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of Loan, or the performance by EEHC of its obligations under this Agreement and under the Subsidiary Loan Agreement.

### **ARTICLE III**

#### **Management and Operations of EEHC**

Section 3.01. EEHC shall carry on its operations and conduct its affairs in accordance with sound administrative, engineering, environmental, financial, management and technical practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. EEHC shall take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such Project-related risks and in such amounts as shall be consistent with appropriate practice.

### **ARTICLE IV**

#### **Financial Covenants**

Section 4.01. (a) EEHC shall cause CEPC to establish, and thereafter maintain, a Project financial management system, satisfactory to the Bank, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect operations and financial

condition and to register separately the operations, resources and expenditures related to the Project.

(b) EEHC shall:

- (i) (A) have its consolidated financial statements (balance sheets, statements of income and expenses and related statements), for each fiscal year, audited, by the Borrower's Central Auditing Organization in accordance with consistently applied auditing standards acceptable to the Bank;
- (B) through CEPC, have its Project-related financial statements (balance sheets, statements of income and expenses and related statements), for each fiscal year, audited, by independent auditors, in accordance with consistently applied auditing standards, both such auditors and standards to be acceptable to the Bank;
- (ii) (A) furnish to the Bank as soon as available, but in any case not later than eight (8) months after the end of each such year (or such other period proposed by EEHC and agreed to by the Bank), (x) certified copies of the financial statements referred to in paragraph (b)(i)(A) of this Section, for such year (or such other period proposed by EEHC and agreed to by the Bank), as so audited, and (y) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank;
- (B) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year (or such other period proposed by EEHC and agreed to by the Bank), (x) certified copies of the financial statements referred to in paragraph (b)(i)(B) of this Section, for such year (or such other period proposed by EEHC and agreed to by the Bank), as so audited, and (y) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and
- (iii) furnish to the Bank such other information concerning such records and accounts and the audits of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.

Section 4.02. (a) Without limitation upon EEHC's reporting obligations set out in Schedule 2 of this Agreement, EEHC, through CEPC, shall prepare and furnish to the Bank a financial monitoring report, in form and substance satisfactory to the Bank, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than forty five (45) days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Bank not later than forty five (45) days after each subsequent calendar quarter, and shall cover the period not covered by the previous FMR until the end of such calendar quarter.

## **ARTICLE V**

### **Effective Date; Termination; Cancellation and Suspension**

Section 5.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.

Section 5.02. This Agreement and all obligations of the Bank and of EEHC thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify EEHC thereof.

Section 5.03. All this provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

**ARTICLE VI**

**Miscellaneous Provisions**

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telex or facsimile to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. Deliveries made by facsimile transmission shall also be confirmed by mail. The addresses so specified are:

For the Bank:

International Bank for  
Reconstruction and Development  
1818 H Street, NW  
Washington, DC 20433  
United States of America

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

For EEHC:

EGYPTIAN ELECTRICITY HOLDING COMPANY  
Ramsis Street, Extension Abbassia,  
Cairo, Arab Republic of Egypt

Facsimile:  
  
(202) 26165 12

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of EEHC, or by EEHC on behalf of the Borrower under the Loan Agreement, may be taken or executed by its Chairman or such other person or persons as said Chairman shall designate in



writing, and EEHC shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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.

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Emmanuel Mbi  
Acting Regional Vice President  
Middle East and North Africa

EGYPTIAN ELECTRICITY HOLDING  
COMPANY

By /s/ Fayaza Abounaga  
Authorized Representative

## **SCHEDULE 1**

### **Procurement**

#### Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Bank of particular contracts, have the meanings ascribed to them in the Procurement Guidelines.

#### Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

International Competitive Bidding. All contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower.

#### Section III. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts financed under the proceeds of the Loan shall be subject to Post Review by the Bank.

## SCHEDULE 2

### Implementation Program

#### A. Overall Project Implementation and Coordination

1. EEHC shall maintain arrangements, satisfactory to the Bank, for the carrying out of the Project in accordance with the Environmental Management Plan, the Financial Management Manual and the Procurement Implementation Manual. Except as the Bank shall otherwise agree, EEHC shall ensure not to amend or waive any provision of the Environmental Management Plan, Financial Management Manual and the Procurement Implementation Manual if, in the opinion of the Borrower or the Bank, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.

2. For the purpose of carrying out Part A of the Project, EEHC shall, not later than three (3) months after the Effective Date, enter, together with CEPC, into the CEPC Agreement, whose terms and conditions shall be satisfactory to the Bank, which agreement shall stipulate, *inter alia*, that: (a) CEPC shall, on behalf of EEHC, implement Part A of the Project; and (b) to this end, CEPC shall: (i) establish, not later than four (4) months after the Effective Date, the PMU, with qualified staff in adequate numbers; (ii) employ contractors as may be needed to carry out its obligations under the CEPC Agreement; (iii) prepare and submit to EEHC monthly, quarterly, and annual progress reports, including progress in the implementation of the Environmental Management Plan, together with quarterly Financial Monitoring Reports, for subsequent forwarding to the Bank; (iv) prepare annual Project financial statements in accordance with international accounting standards acceptable to the Bank; (v) ensure that its Project accounts are audited on an annual basis by independent auditors, acceptable to the Bank, in accordance with international auditing standards; (vi) submit annual audit reports to EEHC, for subsequent forwarding to the Bank, not later than six (6) months from the end of each Fiscal Year until completion of the Project; (vii) carry out its activities in accordance with sound administrative, engineering, accounting and environmental standards; (viii) for the duration of the Project, make available to EEHC, the Bank and the auditors referred to in Section 4.01 of the Project Agreement all documents, books, and records pertaining to the activities financed under the Project; (ix) respond to queries, and report to EEHC findings and comments by the auditors referred to in Section 4.01(b)(i)(B) of the Project Agreement; (x) prepare and submit, through EEHC, to the Bank the Procurement Implementation Manual and the Financial Management Manual, whose substance shall be satisfactory to the Bank, not later than two (2) months after the date of the CEPC Agreement and six (6) months after the date of the CEPC Agreement, respectively; and (xi) implement Part A of the Project in accordance with the Environmental Management Plan, Financial Management Manual and the Procurement Implementation Manual.

3. For the purpose of carrying out Part B of the Project, EEHC shall maintain a Monitoring and Evaluation Committee throughout the duration of the Project, with qualified staff in adequate numbers. The said Committee shall, *inter alia*, have responsibility for monitoring the implementation of Part B of the Project as well as the monitoring and evaluation of the performance indicators of the Project.

4. EEHC shall ensure that: (a) no activity shall be undertaken under the Project involving the involuntary acquisition of land or involuntary resettlement of occupants or owners of such land; and (b) any such land required for the purposes of the Project shall be acquired on a voluntary basis.

B. Progress Reports and Mid-Term Review

1. EEHC shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Bank, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about October 1, 2008, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by November 1, 2008, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.