

CONFORMED COPY

CREDIT NUMBER 3230-EGT

Project Agreement

(Third Social Fund for Development Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

SOCIAL FUND FOR DEVELOPMENT

Dated August 9, 1999

CREDIT NUMBER 3230-EGT

PROJECT AGREEMENT

AGREEMENT, dated August 9, 1999, between the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and Social Fund for Development (SFD).

WHEREAS (A) by the Development Credit Agreement of even date herewith between Arab Republic of Egypt (the Borrower) and the Association, the Association has agreed to lend to the Borrower an amount in various currencies equivalent to thirty six million and nine hundred thousand Special Drawing Rights (SDR36,900,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that SFD agree to undertake such obligations toward the Association as are set forth in this Agreement; and

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

WHEREAS SFD, in consideration of the Association's entering into the Development Credit 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 Development Credit Agreement and in the General Conditions (as so defined) have

the respective meanings therein set forth and the following additional terms have the following meaning:

(a) "Operations Manual" means SFD's Manual, agreed with the Association, for the carrying out of the Project, as the same may be amended from time to time with the agreement of the Association;

(b) "Environmental Management Plan" means the action plan, agreed with the Association, for the mitigation of potential adverse environmental impact caused by the carrying out of Sub-projects, as the same may be amended from time to time with the agreement of the Association; and

(c) "Environmental and Development Unit" means the unit within the SFD, in charge of monitoring and supervising the implementation of the Environmental Management Plan.

ARTICLE II

Execution of the Project; Management and Operations of SFD

Section 2.01. (a) SFD declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out the Project and conduct its operations and affairs, in accordance with sound financial and environmental standards and practices, with qualified and experienced management and in accordance with its Statutes and Statement of Policy.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and SFD shall otherwise agree, SFD shall carry out the Project in accordance with the Implementation Program set forth in Schedule 1 to this Agreement.

Section 2.02. Except as the Association 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 Credit shall be governed by the provisions of Schedule 2 to this Agreement.

Section 2.03. (a) SFD shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of Article IX of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition) in respect of the Project Agreement.

(b) Without limitation upon the provisions of paragraph (a) of this Section, SFD shall (i) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Association and SFD a plan designed to ensure the continued achievement of the Project's objectives; and (ii) afford the Association a reasonable opportunity to exchange views with SFD on said plan.

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

Section 2.05. (a) SFD shall, at the request of the Association, exchange views with the Association with regard to the 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 Credit.

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

Article III

Financial and Other Covenants

Section 3.01. (a) SFD shall establish and thereafter at all times maintain a financial management system, including records and accounts, and prepare financial statements, all in accordance with accounting standards acceptable to the Association, consistently applied, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures for and in connection with the carrying out of the Project.

(b) SFD shall:

(i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) and the records and accounts for the Special Account for each Fiscal Year audited, in accordance with auditing standards acceptable to the Association, consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six (6) months after the end of each such year, (A) certified copies of its financial statements referred to in Paragraph (a) above for such year as so audited, and (B) an opinion on such statements and a report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning such records, accounts and financial statements, and the audit thereof, and concerning said auditors, as the Association shall from time to time reasonably request.

Section 3.02. (a) Without limitation upon the provisions of Section 3.01 of this Agreement, SFD shall carry out a time-bound action plan, acceptable to the Association, for strengthening the financial management system referred to in Paragraph (a) of said Section 3.01 in order to enable SFD, not later than May 31, 2000, or such later date as the Association shall agree, to prepare quarterly a Project Management Report (the Project Management Report), acceptable to the Association, each of which:

(i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;

(ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, SFD shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter a Project Management Report for such period.

ARTICLE IV

Effective Date; Termination,
Cancellation and Suspension

Section 4.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 4.02. (a) This Agreement and all obligations of the Association and of SFD thereunder shall terminate on the earlier of the following two dates:

(i) the date on which the Development Credit Agreement shall terminate; or

(ii) a date twenty (20) years after the date of this Agreement.

(b) If the Development Credit Agreement terminates before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify SFD of this event.

Section 4.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE V

Miscellaneous Provisions

Section 5.01. 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, telegram, cable, telex or radiogram 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 addresses as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

For SFD:

Social Fund for Development
Hussain Hegazy St.
Cairo
Arab Republic of Egypt

Fax:

20-2-355-0628

Section 5.02. Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement on behalf of SFD or by SFD on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by its Managing Director, or by such other person or persons as said Managing Director shall designate in writing, and SFD shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. This Agreement may be executed in several copies, 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 DEVELOPMENT ASSOCIATION

By /s/ Khalid Ikram

Acting Regional Vice President
Middle East and North Africa

SOCIAL FUND FOR DEVELOPMENT

By /s/ H. El-Gammal

Authorized Representative

SCHEDULE 1

Implementation Program

The provisions of this Schedule shall apply for the purposes of Section 2.01 (b) of this Agreement.

1. SFD shall: (a) maintain arrangements satisfactory to the Association, for the overall coordination and supervision of Project implementation; (b) employ consultants, with qualifications and terms of reference satisfactory to the Association, to assist in the carrying out of the Project; (c) ensure that Sub-grants under the Project shall be made in accordance with the requirements and other details set forth in the Operations Manual; and (d) review with the Association, at such intervals as the Association or SFD shall request, the Operations Manual, and, based on such reviews, update the same as may be agreed between the Association and SFD.

2. SFD shall conduct operations in accordance with the Environmental Management Plan, including: (i) the development of an environmental screening process applicable to all components of Sub-projects to identify potential impacts and undertake mitigating measures; (ii) the preparation and implementation of mitigating and monitoring plans, in full consultation with the beneficiaries as appropriate to determine the effectiveness and timeliness of these interventions; (iii) the undertaking of capacity building and training activities aimed at improving environmental awareness among Project staff, implementing organizations' staff and beneficiaries; and (iv) the maintaining of an Environmental Development Unit with technical staff to screen, review and monitor all the environmental aspects of Sub-projects.

3. SFD shall: (a) maintain procedures adequate to enable it to monitor and evaluate, on an ongoing basis, in accordance with indicators agreed with the Association, the carrying out of the Project and of each Sub-project, and the achievement of the objectives thereof; (b) prepare under terms of reference satisfactory to the Association, and furnish to the Association (i) by March 31 of each year, a report, integrating the results of the monitoring and evaluation activities performed pursuant to subparagraph (a) and (b) above, on the progress achieved in the carrying out of the Project during the period of twelve (12) months preceding the date of such report; and (ii) on or about June 30, 2001, a mid-term report, integrating the data and other information contained in the reports prepared pursuant to subparagraph (b) (i) above, on the progress achieved in carrying out the Project during the period preceding the date thereof and setting out the measures recommended to ensure the efficient carrying out of the Project during the period following such date; and (c) review with the Association each such report and, thereafter, take all measures required to ensure the efficient carrying out of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of such report and the Association's views on the matter.

SCHEDULE 2

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule, as applicable.

Part B: Procurement Procedures

1. National Competitive Bidding

Except as otherwise provided for below, works and goods, shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods, estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$2,000,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraph 3.5 and 3.6 of the Guidelines.

3. Community Participation

Works estimated to cost less than \$20,000 equivalent per contract shall be procured in accordance with procedures acceptable to the Association.

4. Procurement from UN Agencies

Vehicles and computer goods may be procured from the United Nations Inter-Agency Procurement Services Organization (IAPSO), in accordance with the provisions of paragraph 3.9 of the Guidelines.

Part C: Review by the Association of Procurement Decisions

1. Prior Review

With respect to the first three (3) contracts for works and for goods and, thereafter, all contracts for works estimated to cost the equivalent of \$200,000 or more, and all contracts for goods estimated to cost \$100,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

2. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality-and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Quality Based Selection

Services under the Project estimated to cost the equivalent of \$50,000 per contract or more, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Single Source Selection

Services under the Project which are estimated to cost less than \$50,000 equivalent per contract, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to the first three (3) contracts for services the procedures set forth in paragraphs 1, 2 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 and (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$50,000 or more, but less than the equivalent of \$100,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(d) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

