

CONFORMED COPY

CREDIT NUMBER 3127-EGT

Development Credit Agreement

(Sohag Rural Development Project)

between

ARAB REPUBLIC OF EGYPT

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 4, 1998

CREDIT NUMBER 3127-EGT

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated November 4, 1998, between ARAB REPUBLIC OF EGYPT (the Borrower) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) Part A of the Project will be carried out by the Borrower through its Governorate of Sohag.

(C) Part B of the Project will be carried out by the Principal Bank for Development and Agricultural Credit (PBDAC) with the Borrower's assistance, and as part of such assistance, the Borrower will make available to the PBDAC part of the proceeds of the Credit as provided in this Agreement;

(D) Part C of the Project will be carried out by the Local Development Fund (LDF) with the Borrower's assistance, and as part of such assistance, the

Borrower will make available to the LDF through the National Investment Bank (NIB) part of the proceeds of the Credit as provided in this Agreement;

(E) the Borrower intends to contract from the International Fund for Agricultural Development (IFAD) a loan (the IFAD Loan) in an aggregate principal amount equivalent to \$25,000,000 to assist in financing the Project on the terms and conditions set forth in an agreement (the IFAD Loan Agreement) to be entered into between the Borrower and IFAD;

(F) the Borrower intends to contract from the other sources of finance (the Other Cofinanciers) grants in an aggregate principal amount equivalent to \$3,000,000 to assist in financing the Project on the terms and conditions set forth in agreements (the Other Cofinanciers Agreements) to be entered into between the Borrower and each of the other Cofinanciers; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the PBDAC Project Agreement and the LDF Project Agreement both of even date herewith between the Association and PBDAC and LDF, respectively;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, as amended through December 2, 1997 (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) "Special Accounts" means the accounts referred to in Section 2.02 (b) of this Agreement;

(b) "PBDAC Statutes" means Presidential Decree No. 117 of 1976, pertaining to the establishment and operations of PBDAC, as amended to the date of this Agreement;

(c) LDF "Statutes" means Presidential Decree No. 310 of 1978, pertaining to the establishment and operations of LDF, as amended to the date of this Agreement;

(d) "PBDAC Project Agreement" means the agreement between the Association and PBDAC, of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(e) "LDF Project Agreement" means the agreement between the Association and LDF, of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(f) "PBDAC Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and PBDAC pursuant to Section 3.01 (b) of this

Agreement, as the same may be amended from time to time, and such term includes all schedules to the PBDAC Subsidiary Loan Agreement;

(g) "NIB" means the Borrower's National Investment Bank established and operating pursuant to Presidential Decree No. 119 of 1980, as amended to the date of this Agreement;

(h) "NIB" Subsidiary Loan Agreement" means the agreement to be entered between the Borrower and NIB, pursuant to Section 3.01 (d) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the NIB Subsidiary Loan Agreement.

(i) "LDF Subsidiary Loan Agreement" means the agreement to be entered into between NIB and LDF, pursuant to Section 3.01 (e) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the LDF Subsidiary Loan Agreement;

(j) "Beneficiary" means a farmer, a rural dweller, or a rural enterprise, to which PBDAC or LDF, directly or through a non-governmental organization, proposes to make or has made a Subloan;

(k) "Sub-project" means a specific development project to be carried out by a Beneficiary utilizing the proceeds of a Subloan;

(l) "Subloan" means a loan made or proposed to be made by PBDAC or LDF, directly or through a non-governmental organization, to a Beneficiary for a Sub-project out of the equivalent of the proceeds of the Credit made available under the relevant Subsidiary Loan Agreement; and

(m) "Part A Operations Manual" means the Borrower's Governorate of Sohag manual, agreed with the Association, for the carrying out of Part A of the Project, as the same may be amended from time to time with the agreement of the Association;

(n) "Part B Operations Manual" means PBDAC's manual, agreed with the Association, for the carrying out of Part B of the Project, as the same may be amended from time to time with the agreement of the Association; and

(o) "Part C Operations Manual" means LDF's manual, agreed with the Association, for the carrying out of Part C of the Project, as the same may be amended from time to time with the agreement of the Association.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to eighteen million six hundred thousand Special Drawing Rights (SDR 18,600,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for (i) expenditures made (or if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for Parts A and B (1) of the Project and to be financed out of the proceeds of the Credit; and (ii) amounts paid (or, if the Association shall so agree, amounts to be paid) by PBDAC and LDF on account of withdrawals made by a Beneficiary under a Sub-loan to meet the reasonable cost of goods and services required for the Sub-project

in respect of which the withdrawal from the Credit Account is requested.

(b) The Borrower may, through its Governorate of Sohag, PBDAC and NIB, respectively, for the purposes of each of Parts A, B, and C of the Project, open and maintain in Dollars three separate special deposit accounts, each in a bank, acceptable to the Association, on terms and conditions satisfactory to the Association. Deposits into, and payments out of, each respective Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2005, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty (60) days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on March 1 and September 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each March 1 and September 1 commencing September 1, 2008, and ending March 1, 2033. Each installment to and including the installment payable on March 1, 2018 shall be one and one-fourth percent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2-1/2%) of such principal amount.

(b) Whenever (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six (6) months or more after the date on which the

Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five (5) years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

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

Section 2.09. For the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions: (a) the borrower's Governorate of Sohag is designated as representative of the Borrower in respect of the proceeds of the Credit allocated from time to time to Category (1) of the table set forth in paragraph 1 of Schedule 1 to this Agreement; and (b) PBDAC is designated as representative of the Borrower in respect of the proceeds of the Credit allocated from time to time to Category (2) of said table; and (c) NIB is designated as representative of the Borrower in respect of the proceeds of the Credit allocated from time to time to Category 3 of said table.

Section 2.10. The Borrower represents that it has designated its Ministry of Finance for the purposes of handling, on behalf of the Borrower, debt service payments with respect to the Credit.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, (i) shall, through its Governorate of Sohag, carry out Part A of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, environmental, and technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose; and (ii) without any limitation or restriction upon any of its other obligations under this Agreement, shall cause PBDAC to carry out Part B of the Project and LDF to carry out Part C of the Project, all with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, environmental, and technical practices, and shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable PBDAC and LDF to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out Part A of the Project through its Governorate of Sohag and coordinate and supervise the carrying out by PBDAC of Part B of the Project and by LDF of Part C of the Project, in accordance with the

Implementation Program set forth in Schedule 4 to this Agreement.

(c) For the purposes of Part B of the Project, the Borrower shall relend the proceeds of the Credit allocated from time to time to Category (2) of the table set forth in paragraph 1 of Schedule 1 to this Agreement to PBDAC under a subsidiary loan agreement to be entered into between the Borrower and PBDAC under terms and conditions which shall have been approved by the Association. Except as the Association shall otherwise agree, such terms and conditions shall include the following:

(i) the principal amount of the subsidiary loan shall be repaid by PBDAC to the Borrower over thirty-five (35) years, including a grace period of ten (10) years;

(ii) the principal amount of the subsidiary loan repayable to the Borrower shall be the equivalent (determined as of the respective dates of repayment) of the value of the currency or currencies withdrawn from the Credit Account in respect of the above-mentioned Category, expressed in terms of Special Drawing Rights as of the respective dates of withdrawals; and

(iii) the subsidiary loan shall be charged (A) interest on the outstanding balance thereof at a rate of 0.875% per annum, and (B) commitment charge on the unwithdrawn balance thereof at the same rate applicable to the Credit pursuant to Section 2.04 (a) of this Agreement.

(d) For the purposes of Part C of the Project, the Borrower shall relend, to NIB, for further on-lending to LDF pursuant to paragraph (e) of this Section 3.01, the proceeds of the Credit allocated from time to time to Category (3) of the table set forth in paragraph 1 of Schedule 1 to this Agreement under a subsidiary loan agreement to be entered into between the Borrower and NIB under terms and conditions which shall have been approved by the Association. Except as the Association shall otherwise agree, such terms and conditions shall include the following:

(i) the principal amount of the subsidiary loan shall be repaid by NIB to the Borrower over sixteen (16) years, including a grace period of six (6) years;

(ii) the principal amount of the subsidiary loan repayable by NIB to the Borrower shall be the equivalent in dollars (determined as of the respective dates of repayment) of the value of the currency or currencies withdrawn from the Credit Account in respect of the above-mentioned Category; and

(iii) the subsidiary loan shall be charged (A) interest on the outstanding balance thereof at a rate of 0.875% per annum, and (B) commitment charge on the unwithdrawn balance thereof at the same rate applicable to the Credit pursuant to Section 2.04 (a) of this agreement.

(e) For the purpose of Part C of the Project, the Borrower shall cause NIB under the NIB Subsidiary Loan Agreement to on-lend the proceeds of the Credit, lent to it under said Agreement, to LDF under a Subsidiary Loan Agreement to be entered into between NIB and LDF under terms and conditions which shall have been approved by the Association. Except as the Association shall otherwise agree, such terms shall include the following:

(i) the principal of each amount of the subsidiary loan withdrawn by LDF shall be repaid by LDF to NIB over ten years,

including a grace period of two years;

(ii) the principal amount of the subsidiary loan repayable by LDF shall be the equivalent in the currency of the Borrower (determined as of the respective dates of withdrawal) of the value of the currency or currencies withdrawn from the Credit Account in respect of Category (3) of the table set forth in paragraph 1 of Schedule 1 of the Agreement; and

(iii) the subsidiary loan shall be charged (A) interest on the outstanding balance thereof at the rate of 0.875% per annum, (B) commitment charge at the same rate applicable to Subsidiary Loan pursuant to paragraph (d) (iii) (B) of this Section 3.01, and (C) a foreign exchange fee on the outstanding balance thereof at the rate of 3% per annum.

(f) The Borrower shall exercise its rights under the PBDAC Subsidiary Loan Agreement and the NIB Subsidiary Loan Agreement, and shall cause NIB to exercise its rights under the LDF Subsidiary Loan Agreement, in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and, except as the Association shall otherwise agree, shall not assign, amend, abrogate or waive the PBDAC Subsidiary Loan Agreement or the NIB Subsidiary Loan Agreement or any provision thereof, and shall cause NIB not to assign, amend, abrogate or waive the LDF Subsidiary Loan Agreement or any provision thereof.

Section 3.02. 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 3 to this Agreement.

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 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 Part B of the Project shall be carried out by PBDAC and in respect of Part C of the Project shall be carried out by LDF pursuant to Section 2.04 of the respective Project Agreement.

Section 3.04. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association and furnish to Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the future operation of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower 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 Part A of the Project of the departments or agencies of the Borrower responsible for carrying out said Part.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Accounts for each fiscal year audited, in accordance with appropriate auditing principles 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, the 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 said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower 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 (1) year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Association'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 Association

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

(a) The other Co-financiers Agreements shall have failed to become effective by December 31, 1999, or such other date as the Association may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that adequate funds for the project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(b) PBDAC shall have failed to perform any of its obligations under the

PBDAC Project Agreement.

(c) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that PBDAC will be able to perform its obligations under the PBDAC Project Agreement.

(d) LDF shall have failed to perform any of its obligations under the LDF Project Agreement.

(e) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that LDF will be able to perform its obligations under the LDF Project Agreement.

(f) The PBDAC Statutes or the LDF Statutes shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or financial condition of PBDAC or LDF or its ability to carry out the Project or to perform any of its obligations under the respective Project Agreement.

(g) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of PBDAC or LDF or for the suspension of their operations.

(h) (i) Subject to subparagraph (ii) of this paragraph:

- (A) the right of the Borrower to withdraw the proceeds of any grant or loan made to the Borrower for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, or
- (B) any such loan shall have become due and payable prior to the agreed maturity thereof.

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

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) any event specified in paragraphs (b) and (d) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Association to the Borrower, PBDAC, NIB and LDF;

(b) any event specified in paragraphs (f) and (g) of Section 5.01 of this Agreement shall occur; and

(c) the event specified in paragraph (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (g) (ii) of that Section.

ARTICLE VI

Effective Date; Termination

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

(a) The IFAD Loan Agreement has been executed and delivered and all conditions precedent to their effectiveness or to the right of the Borrower to make withdrawals thereunder, except only the effectiveness of this Agreement, have been fulfilled;

(b) The PBDAC Subsidiary Loan Agreement has been executed on behalf of the Borrower and PBDAC;

(c) The NIB Subsidiary Loan Agreement has been executed on behalf of the Borrower and NIB; and

(d) The LDF Subsidiary Loan Agreement has been executed on behalf of the NIB and LDF.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the PBDAC Project Agreement has been duly authorized or ratified by PBDAC, and is legally binding upon PBDAC in accordance with its terms;

(b) that the LDF Project Agreement has been duly authorized or ratified by LDF, and is legally binding upon LDF in accordance with its terms;

(c) that the PBDAC Subsidiary Loan Agreement has been duly authorized or ratified by and is legally binding upon the Borrower and PBDAC in accordance with its terms;

(d) the NIB Subsidiary Loan Agreement has been duly authorized or ratified by and is legally binding upon the Borrower and NIB in accordance with its terms; and

(e) that the LDF Subsidiary Loan Agreement has been duly authorized or ratified by and is legally binding upon NIB and LDF in accordance with its terms.

Section 6.03. The date one hundred twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.09 of this Agreement, the Minister of State for Planning and International Cooperation and the Head of the Sector for International and Regional Financing Organizations of the Ministry of International Cooperation of the Borrower are severally designated as representatives of the Borrower for the purposes of Section 11.03 of the General

Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of International Cooperation
(International and Regional Financing
Organizations Sector)
8 Adly Street
Cairo, Arab Republic of Egypt

Cable address:	Telex:
Ministry of International Cooperation, Cairo	390-5167

For the Association:

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

Cable address:	Telex:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)

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/ Zafer El-Bishry

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Khalid Ikram

Acting Regional Vice President
Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each

Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Works for Part A of the Project	3,680,000	17%
(2) Goods for Part A of foreign the Project 32.5% expenditures expenditures costs) local for other locally	1,480,000	32.5% of expenditures, of local (ex-factory and 28.5% of expenditures items procured
(3) Consultants' services and training for Part A of the Project	740,000	50%
(4) For Part B of the Project: paid (a) Sub-loans	4,460,000	23% of amounts by PBDAC
(b) Goods, works and training for subpart (1) thereof	740,000	60%
TOTAL	11,100,000	

2. For the purposes of this Schedule:

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

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

3. 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.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure: (a) for expenditures for Parts A and B (1) of the Project under contracts not exceeding (i) \$200,000 equivalent for goods and works, (ii) \$100,000 equivalent for services of consulting firms, and (iii) \$50,000 equivalent for services of individual consultants and training; and (b) for payments made by PBDAC and LDF under Parts B (2) and C (2) of the Project under such terms and conditions as the Association shall specify by

notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to promote sustainable rural development in the Borrower's Governorate of Sohag.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objective:

Part A:

1. Improving, through the provision of technical assistance, staff training, vehicles and office equipment, of the institutional capabilities of the Borrowers' departments and agencies involved in rural development in Sohag to, inter-alia, coordinate and supervise effectively the implementation within Sohag of the Borrowers' National Program for Integrated Rural Development.

2. Expansion of economic, municipal and social infrastructures and of services in Sohag, including the construction of and provision of equipment and materials for: (a) irrigation and drainage systems, potable water and sewage facilities, rural roads, canal covering, veterinary centers, slaughterhouses, and environmental projects; and (b) health centers, classrooms, literacy centers, youth and women centers and clubs.

Part B:

1. Development and carrying out by PBDAC of a program to strengthen its financial performance and institutional capability within the Governorate of Sohag and to support villagers access to PBDAC credit facilities offered in the Governorate of Sohag, including the provision therefor of technical assistance and training and office and field equipment and materials.

2. Provision by PBDAC of loans: (a) made by PBDAC directly to (i) farmers for the purchase of agricultural machinery, and (ii) enterprises for the establishment and expansion of rural business, excluding those involved in the formulation, packaging and repackaging of pesticides and other hazardous chemicals, and (b) made by PBDAC, directly or through non-governmental organizations, to farmers, micro-enterprises and rural dwellers for the development of income-generating activities.

Part C:

1. Carrying out by LDF of a program to strengthen its financial performance and institutional capability within the Governorate of Sohag and to support villagers access to LDF credit facilities offered therein, including the provision therefor of technical assistance and office and field equipment and materials.

2. Provision by LDF of loans, made by LDF directly or through non-governmental organizations, to farmers, micro-enterprises and rural dwellers for the development of income-generating activities, excluding those involved in the formulation, packaging or repackaging of pesticides and other hazardous chemicals.

* * *

The Project is expected to be completed by December 31, 2004.

SCHEDULE 3

Procurement

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 and September 1997 (the Guidelines) and the following provisions of this Section.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower, and to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$500,000 equivalent may, and works, except as provided in paragraph 3 of this part C, 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 \$ 20,000 equivalent per contract, up to an aggregate amount not to exceed \$250,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Community Participation

Works estimated to cost \$100,000 equivalent or less per contract, up to an aggregate amount not to exceed \$500,000 equivalent, may be procured in accordance with procedures acceptable to the Association.

4. Commercial Practice

Goods to be procured by Beneficiaries may be procured in accordance with the normal commercial practices of such Beneficiaries at a reasonable price, account being taken also of other relevant factors such as time of delivery and reliability of the goods and availability of maintenance facilities and spare parts therefor.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 of the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to: (a) the first three contracts for works to be procured pursuant to paragraph 3 Part C of this Schedule, the procedures for such prior review set forth as part of the procedures referred to in said paragraph 3, shall apply; and (b) each contract for goods and works estimated to cost the equivalent of \$200,000 or more the procedures set forth in paragraphs 2 and 3 of Appendix 1 of the Guidelines shall apply.

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 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 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

1. 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.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services, estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants Qualifications

Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of

paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Single Source Selection

Services which are estimated to cost less than \$20,000 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.

3. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.01 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 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 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 (other than the third subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) 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 said approval shall have been given.

3. Post Review

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

SCHEDULE 4

Implementation Program

1. The Borrower shall maintain arrangements satisfactory to the Association for the coordination and supervision of Project implementation and for the carrying out of Part A thereof (a) in accordance with the requirements and other details set forth or referred to in Part A Operations Manual, as said Manual shall be reviewed with the Association at such intervals as the Borrower or the Association shall request, and as the same may be updated with the agreement of the Association; (b) under the overall direction of the Governor of Sohag; and (c) under the direct authority of the General Secretary of Sohag, who will be designated as Project manager and be assisted in the management of Project

implementation by a Technical Secretariat maintained with resources and terms of reference satisfactory to the Association.

2. The Borrower shall: (a) employ consultants with qualifications and terms of reference satisfactory to the Association, to assist in the carrying out of the Project, (b) develop under terms of reference agreed with the Bank, and adopt by December 31, 1998 policies and procedures, satisfactory to the Association, for ensuring suitable financial management of the operation and maintenance, at the village level, of infrastructure works and (c) ensure that all works under the Project are designed and carried out in conformity with health safety and environmental protection guidelines established pursuant to health, safety, and environmental management plans carried out in accordance with guidelines agreed with the Association.

3. The Borrower shall:

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

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about (i) December 31 of each year, a report on the progress achieved in the carrying out of the Project during the preceding year, including appropriate audits with respect to compliance with the requirements of the Operations Manual, and (ii) December 31, 2001, a mid-term 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 Association, by January 31 of each year, the reports referred to in paragraph (b) (i) of this Section, and by March 31, 2002, or such later date as the Association shall request, the mid-term report referred to in paragraph (b) (ii) 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 Association views on the matter.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means, in respect of Part A of the Project Category (1) set forth in the table in paragraph 1 of Schedule 1 to this Agreement; in respect of Part B of the Project Category (2) set forth in the said table; and in respect of Part C of the Project Category (3) set forth in the said table;

(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 Credit 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 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, equivalent, in respect of Part A of the

Project to \$800,000; in respect of Part B of the Project to \$800,000; and in respect of Part C of the Project to \$200,000; provided, however, that unless the Association shall otherwise agree, the Authorized Allocation for:

(i) in respect of Part A of the Project shall be limited to an amount equivalent to \$400,000 until the aggregate amount of withdrawals from the Credit Account allocated to Category (1) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Part A of the Project shall be equal to or exceed the equivalent of \$2,000,000;

(ii) in respect of Part B of the Project shall be limited to an amount equivalent to \$250,000 until the aggregate amount of withdrawals from the Credit Account allocated to Category (2) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Part B of the Project shall be equal to or exceed the equivalent of \$1,000,000; and

(iii) in respect of Part C of the Project shall be limited to an amount equivalent to \$100,000 until the aggregate amount of withdrawals from the Credit Account allocated to Category (3) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Part C of the Project shall be equal to or exceed the equivalent of \$500,000.

2. Payments out of the respective Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the respective Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the respective Special Account such amount or amounts as the Borrower shall have requested.

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association 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 Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the respective 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 respective Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit 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 respective Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association 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 Association shall not be required to make further deposits into any Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Accounts;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Category for the respective Special Account, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Part of the Project related to that Special Account, shall equal the equivalent of twice the amount of the Authorized Allocation for that Special Account. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Category for that Special Account shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the respective Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

