

CONFORMED COPY

CREDIT NUMBER 2276 EGT

(Social Fund for Development Project)

between

ARAB REPUBLIC OF EGYPT

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 26, 1991

CREDIT NUMBER 2276 EGT

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated September 26, 1991, between ARAB REPUBLIC OF EGYPT (the Borrower) and 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 and in mobilizing resources for it;

(B) to assist in financing the Project, the Borrower intends to contract:

- (1) a grant from the European Economic Community in an amount equivalent to about \$140,000,000;
- (2) a loan on concessionary terms from the Arab Fund for Social and Economic Development in an amount equivalent to about \$50,000,000;
- (3) a loan on concessionary terms from the Kuwait Fund for Arab Economic Development in an amount

equivalent to about \$50,000,000;

- (4) a non-reimbursable contribution from the Government of the Swiss Confederation (Switzerland) in an amount equivalent to \$30,000,000;
- (5) a grant from the United Nations Development Program in an amount of about \$4,000,000;
- (6) a grant from the Government of Kingdom of Norway in an amount equivalent to about \$2,000,000; and
- (7) a grant from the Government of the Kingdom of Denmark in an amount equivalent to about \$1,500,000;

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;

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, with the last sentence of Section 3.02 deleted (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 have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "SFD" means the Social Fund for Development, an agency established under the Borrower's Presidential Decree No. 40 of 1991;

(b) "Sub-project" means a project for public works under Part A of the Project;

(c) "EA" means a local government body, or any other agency, approved by SFD as an executing agency for a Sub-project under Part A of the Project;

(d) "CTA" means the Cairo Transport Authority, referred to in Part B of the Project, a public authority operating under the Borrower's Law No. 61 of 1963;

(e) "ATA" means the Alexandria Transport Authority, referred to in Part B of the Project, a public authority operating under the Borrower's Law No. 61 of 1963;

(f) "NASCO" means the Nasr Automotive Services Company, a public company operating under the Borrower's Law No. 97 of 1983, or any law successor thereto;

(g) "Community Activity" means a productive or social development activity under Part C of the Project;

(h) "CA" means a community agency, namely, a private, non-profit organization operating under the Borrower's Law No. 32 of 1964 (or any other agency of the Borrower) whose proposal for the carrying out of Community Activities under Part C of the Project has been approved by SFD;

(i) "SA" means a sponsoring agency, namely, a banking institution or other agency of the Borrower's whose proposal for the provision of credit under Part D of the Project has been approved by SFD;

(j) "CAPMAS" means the Central Authority for Public Mobilization and Statistics of the Borrower;

(k) "LE" means the currency of the Borrower;

(l) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(m) "Cofinanciers" means the entities listed in Preamble (B) to this Agreement;

(n) "Co-financing Agreements" means the agreements to be entered into between the Borrower and each of the Cofinanciers;

(o) "Cofinancing Amount" means the loans and grants provided under the Cofinancing Agreements; and

(p) "Framework Agreement" means any agreement to be entered into by SFD, pursuant to the provisions of Schedule 4 to this Agreement, with an EA, a CA, a SA, CTA or ATA for the purposes of carrying out activities included in the Project.

## 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 one hundred five million Special Drawing Rights (SDR 105,000,000).

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 expenditures made (or, if the Association 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 Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special deposit account (the Special Account) in the Central Bank of Egypt on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement. Interest earned on amounts in deposit in the Special Account shall be used by SFD for purposes of its activities, in the manner determined by its Board.

Section 2.03. The Closing Date shall be June 30, 1997, 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 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 cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or 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 payment 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) and (c) 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, 2001 and ending March 1, 2026. Each installment to and including the installment payable on March 1, 2011, shall be one and one-fourth percent (1.25%) of such principal amount, and each installment thereafter shall be two and one-half percent (2.50%) of such principal amount.

(b) Whenever (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years; 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 terms of repayment of installments under paragraph (a) above by 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. If so requested by the Borrower, the Association may revise such modification 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.

(c) 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. The Borrower represents that it has designated its Ministry of Finance for the purpose 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, shall carry out the Project through SFD with due diligence and efficiency and in conformity with appropriate financial, engineering and administrative practices, and shall provide, promptly as needed, the funds, currently estimated at LE 200,000,000, 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 Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in

accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project (other than for credit provided under Parts C and D thereof) and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

#### ARTICLE IV

##### Financial Covenants

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

(b) The Borrower shall cause SFD:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than 6 months after the end of each such year, a certified copy of 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, 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 cause SFD to:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special 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.

Section 4.02. The Borrower shall cause SFD to prepare, for submission to the Borrower's Ministry of Finance and to the Association, plans and arrangements as to the methodology for recovering the costs of its activities from beneficiaries and the extent to which such recovery would be justified.

#### ARTICLE V

##### Remedies of the Association

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

(a) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution of SFD or for the suspension of its operations; and

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

(A) the right of the Borrower to withdraw the proceeds of any loan or grant made to the Borrower for the financing of the Project shall have been suspended, cancelled 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 prematuring 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 (d) of the General Conditions, the following additional events are specified:

(a) any event specified in paragraph (a) of Section 5.01 of this Agreement shall occur; and

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

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely, that all conditions precedent to the effectiveness of Co-financing Agreements providing for a total Cofinancing Amount of not less than \$100,000,000 equivalent (other than conditions related to the effectiveness of this Agreement) have been fulfilled.

Section 6.02. The date ninety (90) 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. The Borrower's Minister of State for International Cooperation or the First Undersecretary for International Finance of said Ministry 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:

Ministry of International Cooperation  
(International Finance Sector)  
8 Adly Street  
Cairo, Egypt

Cable address:

MINISTRY OF INTERNATIONAL  
COOPERATION CAIRO

Telex:

927-23348

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 (RCA),  
82987 (FTCC),  
64145 (WUI) or  
197688 (TRT)

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.

ARAB REPUBLIC OF EGYPT

By /s/ Erfan Shafey  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Michael H. Wiehen  
Acting Regional Vice President  
Europe, 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 under Part A of the Project	30,000,000	25% of amounts disbursed by SFD under the relevant Framework Agreements
(2) Spare parts and equipment under Part B of the Project	10,500,000	25% of amounts disbursed by SFD under the relevant Framework Agreements
(3) Community activities under Part C of the Project	7,500,000	25% of amounts disbursed by SFD under the relevant Framework Agreements
(4) Credit under Part D of the Project	33,000,000	25% of amounts disbursed by SFD under the relevant Framework Agreements

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(5) Training, equipment, tools and financial assistance under Part E of the Project	18,000,000	25%
(6) Technical assistance	3,000,000	25%
(7) Unallocated	3,000,000	
TOTAL	105,000,000 =====	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made: (a) in respect of payments made for expenditures prior to the date of this Agreement; and (b) in respect of payments made for expenditures in respect of Category (4) until SFD has concluded, in accordance with the provisions of Part 4 (b) of Schedule 4 to this Agreement, Framework Agreements with at least two SAs for the provision of credit under Part D of the Project.

#### SCHEDULE 2

##### Description of the Project

The objectives of the Project are: (a) to launch a program of actions that would facilitate the social transition associated with Egypt's economic adjustment program, through provisions of municipal and community services and of credit for the establishment of small private businesses, the improvement of mass transport services and the carrying out of labor mobility measures; and (b) to establish mechanisms to protect the most affected population groups.

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 objectives:



Part A: Municipal Services (Public Works)

Implementation of labor intensive public works Sub-projects, including Sub-projects for improvement of rural roads and of water supply and sewerage services, and for maintenance works such as landscaping, dredging and cleaning of irrigation canals, solid waste management and refurbishing of buildings.

Part B: Public Transport

- (1) Provisions of spare parts to CTA and for ATA for the rehabilitation and overhaul of public transport buses.
- (2) The manufacture/assembly by NASCO of about 250 new buses.

Part C: Community Development

- (1) Productive Activities: financing of working capital, training and equipment required to enable target beneficiaries to start income generating activities in areas such as handicrafts, consumer delivery services, food processing and small horticultural production.
- (2) Social Development: financing of social development activities primarily in the health and education sectors for specific target populations, including, among others: (a) provision of equipment and supplies for primary and child health care centers and for basic education program, and (b) carrying out of literacy, health and environmental awareness and protection programs.

Part D: Enterprise Development

Provision, through Sponsoring Agencies (SAs) of integrated packages of credit, technical assistance and training to assist in the creation of new businesses and the expansion of existing ones so as to generate employment and income earning opportunities.

Part E: Labor Mobility

The establishment within SFD of a technical unit for labor mobility to be responsible for (a) assessing the needs for workers' retraining, and (b) implementing programs for labor mobility which shall include the provision of financial assistance, re-training, counseling, placement and other support measures.

Part F: Institutional Development

- (1) The undertaking, in order to improve the targeting and monitoring system of SFD, through CAPMAS, of surveys of the living conditions of the population, the integration of the results of such survey into databases to be developed within a computerized management information system located within CAPMAS, and the establishment, on the basis thereof, of a mechanism for monitoring changes in social indicators.
- (2) The carrying out of studies of major social issues, including the targeting of subsidies and protection of essential public services for low-income groups.
- (3) Training for the staff of SFD and the SAs.
- (4) Financing of the operation of SFD throughout the period of Project implementation, including the provision of equipment and supplies.

\* \* \*

The Project is expected to be completed by December 31, 1996.

## Procurement and Consultants' Services

### Section I. Procurement of Goods and Works

#### Part A: International Competitive Bidding

1. Except as provided in Part C 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 1985 (the Guidelines).
2. To the extent practicable, contracts for goods shall be grouped into bid packages estimated to cost the equivalent to \$250,000 or more.

#### 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: Other Procurement Procedures

1. (a) Works under Part A of the Project estimated to cost the equivalent of \$500,000 or less per contract, and items of goods estimated to cost the equivalent of \$250,000 or less per contract, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.  
(b) SFD shall establish, on the basis of criteria satisfactory to the Association, a system for determining the eligibility of contractors to bid for works pursuant to the procedures referred to in paragraph (a) above.
2. Items of goods estimated to cost the equivalent of \$50,000 or less per contract, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers from countries eligible under the Guidelines, in accordance with procedures acceptable to the Association.

#### Part D: Review by the Association 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 and each contract 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 Association pursuant to said paragraph 2 (d) shall be furnished to the Association 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 Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.
  - (c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which the Association has

authorized withdrawals 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 SFD in the carrying out of the Project, the Borrower shall cause SFD to employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by The World Bank as Executing Agency" published by the Bank in August 1981.

### SCHEDULE 4

#### Implementation Program

The Borrower shall cause SFD to abide by the following arrangements in the carrying out of the Project:

#### 1. Part A of the Project (Municipal Services)

Public works under Part A of the Project shall be carried out as follows:

(a) SFD shall prepare and furnish to the Association, by October 31, 1991, on the basis of eligibility criteria satisfactory to the Borrower and the Association, an overall plan for the carrying out of Sub-projects under Part A of the Project in the various geographical regions of the Borrower.

(b) SFD shall assign the responsibility for implementation of each Sub-project (or Sub-projects) included in such plan, to an executing agency (EA) under a Framework Agreement to be entered into between SFD and the EA under terms and conditions satisfactory to the Association, including: (i) the obligation of the EA (A) to prepare a financing plan for the Sub-project, (B) to select contractors for the carrying out of works under the Sub-project in accordance with procedures satisfactory to SFD, (C) to prepare the invoices and other documents necessary to effect payments on account of works under the Sub-projects in accordance with the terms of the relevant Framework Agreement, (D) to maintain all accounts, records and documents relating to the Sub-project and to furnish copies of the same to SFD, and (E) to have such accounts for each fiscal year audited in accordance with appropriate auditing principles and to furnish a certified copy of the report of such audit to SFD, and (ii) the right of SFD to require, when it deems necessary, the appointment of engineering consultants to design and to supervise the execution of the sub-project.

#### 2. Part B of the Project (Public Transport)

The following arrangements shall be followed in the carrying out of Part B of the Project:

(a) In order to enable CTA and ATA to procure the spare parts referred to in Part B (1) of the Project, SFD shall make available to CTA an amount equivalent to about \$43,000,000 and to ATA an amount equivalent to about \$10,000,000, under a Framework Agreement to be concluded between SFD and CTA and between SFD and ATA under terms and conditions satisfactory to the Association.

(b) SFD shall enter into a Framework Agreement with NASCO whereby (i) SFD shall provide a loan to NASCO in the amount of about LE 35,000,000, to be used exclusively by NASCO for financing the manufacture of about 250 buses, and (ii) NASCO shall repay the principal amount of such loan over a period of 7 years, including a grace period of 2 years, with interest at the annual rate prevailing for commercial loans in Egypt.

3. Part C of the Project (Community Development)

(a) SFD shall receive and evaluate, in accordance with criteria satisfactory to the Association, proposals of Community Agencies (CAs) for the carrying out of Community Activities under Part C of the Project.

(b) Upon approval by SFD of a proposal for Community Activities, SFD shall conclude with the proposing CA, a Framework Agreement, on terms and conditions satisfactory to the Association, including the obligation of the CA (i) to carry out the community activities with due diligence and efficiency and in accordance with the specifications provided in the Framework Agreement; (ii) to prepare the invoices and other documents necessary to effect payments on account of the Community Activities from the resources allocated by SFD therefor; (iii) to maintain all accounts, records and documents relating to the Community Activities and to furnish copies of the same to SFD; and (iv) to have such accounts for each fiscal year audited in accordance with appropriate auditing principles and to furnish a copy of the report of such audit to SFD.

(c) The Framework Agreement to be concluded between SFD and any CA shall provide for: (i) the terms of credit to be extended by the CA for financing productive activities under Part C (1) of the Project; and (ii) the extent to which amounts extended by SFD to the CA for purposes of financing Community Activities shall be repayable by the CA to SFD and the terms of such repayment.

4. Part D of the Project (Enterprise Development)

(a) SFD shall receive and solicit proposals from sponsoring Agencies (SAs) for the provision of credit under Part D of the Project. Such proposals shall be evaluated and approved on the basis of criteria, satisfactory to the Association, which shall include (i) the organization and administration capacity of the SA to carry out small enterprise lending; (ii) the willingness of the SA to lend at market rates and with simplified collateral requirements and to ensure equal access to credit for women; and (iii) the adequacy of the credit plan presented by the SA with respect to the targeting of beneficiaries of credit and the technical support to be provided to them, the implementation arrangements for such credit plan and the maintenance of records and accounts.

(b) After approval by SFD of a proposal evaluated pursuant to the provision of paragraph (a) above, SFD shall conclude a Framework Agreement, on terms and conditions satisfactory to the Association, with the concerned SA which shall include: (i) SFD's agreement to establish for the SA a revolving account in the amount and for the duration justified by the credit proposal approved by SFD, which the SA shall draw on to make disbursements under credits provided by it and into which it shall deposit all amounts received by it in debt service payments on account of such credits; (ii) authorization for the SA, in order to enable it to defray the administration cost and to cover the credit risk associated with its activities hereunder, to withdraw a fee amount, equivalent, on an annual basis, to 8% of the outstanding amount of credit extended by the SA (or such other percentage of such outstanding amount as SFD shall agree is appropriate to provide adequate incentives for the SA to continue with the extension of credit under Part D of the Project); and (iii) the SA's obligations (A) to abide, in extending credit to beneficiaries, by the credit plan approved by SFD pursuant to paragraph (a) above, and not to introduce any substantial modifications to said plan with respect to credits' objectives, beneficiaries or terms without the prior approval of SFD, (B) to require the beneficiaries of such credits to procure all goods, works and services to be financed thereunder under appropriate procedures, ensuring economy and efficiency, (C) to furnish to SFD quarterly reports on progress in carrying out said credit plan, and (D) except as SFD may otherwise agree, not to extend credit, the

debt services payment of which shall extend beyond the date for termination of such revolving account, and to transfer to SFD, promptly upon such termination, all amounts remaining therein.

(c) Individual credits provided by SAs under Part D of the Project shall not exceed LE 200,000 and shall be repayable over a period not exceeding four years (including a grace period of not more than one year) with interest at the prevailing annual rate charged by commercial banks in Egypt in their lending for activities similar to those financed under such credit.

#### 5. Part E of the Project (Labor Mobility)

SFD shall: (a) establish, by June 30, 1992, in accordance with terms of reference satisfactory to the Association, the technical unit for labor mobility referred to in Part E of the Project; (b) prepare through said unit and furnish to the Association, for its comments, by December 31, 1992, a model agreement for the carrying out of redeployment activities under Part E of the Project; and (c) review with the Association the first three redeployment program to be carried out under Part E of the Project.

#### 6. Part F of the Project (Institutional Development)

(a) SFD shall: (i) coordinate with CAPMAS in the carrying out of the surveys referred to in Part F(1) of the Project; and (ii) establish procedures to ensure its timely access to CAPMAS' updated data and analysis of changes in social indicators, and utilize such data and analysis in refining the targeting of areas and groups of population for its activities under the Project.

(b) SFD shall: (i) by October 31, 1991, prepare and furnish to the Association, for its comments, an outline of the objectives and scope of the studies to be undertaken under Part F(2) of the Project; (ii) thereafter carry out such studies, taking into account the Association's comments, and ensure their completion and the furnishing to the Association of their findings and recommendations in accordance with a time schedule satisfactory to the Association; and (iii) prepare, in consultation with the Association, a program of actions for implementation of such recommendations, for submission to the Borrower's relevant authorities.

#### 7. General Requirements

(a) Until the completion of the Project, SFD shall: (i) prepare and furnish to the Association: (A) an annual work plan describing the activities expected to be carried out during the year concerned under the various components of the Project, and the estimated cost thereof; (B) quarterly reports on progress in the carrying out the Project. Such reports shall deal with all aspects of Project implementation and shall include, in particular, an analysis of the levels of disbursement of funds available for SFD for purposes of the Project, the impact of activities undertaken under the Project, and their success in reaching their target population, and the adjustments to the allocation of funds or to Project components required to further the objectives of the Project; and (ii) review annually with the Association the activities to be carried out under the Project and the adjustment to be made to such activities in order to achieve the objectives of the Project.

(b) SFD shall: (i) prepare and furnish to the Association, by October 31, 1991 a brief report describing the activities under the Project where SFD would need the services of experts and the

dates by which SFD intends to contract such services; and (ii) after reviewing the Association's comments thereon, ensure that such services shall be secured by the dates specified in such report.

(c) SFD shall prepare and start to implement, not later than October 31, 1991, a promotional campaign aiming at (i) informing the public of its objectives and activities; and (ii) identifying and initiating contacts with all agencies, public or private and operating at the local or national levels, which may participate in the carrying out of activities included in the Project.

#### SCHEDULE 5

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means the Categories (except Category (7)) 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 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 equivalent to \$12,000,000 to be withdrawn from the Credit Account and deposited in 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 Association 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 Association 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 Association shall, on behalf of the Borrower, withdraw from the Credit 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 Association requests for deposits into the 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 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 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 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 the 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; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories 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 Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association 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 Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association 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 Association 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 Association, refund to the Association such outstanding amount.

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

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

