
CONFORMED COPY

LOAN NUMBER 7656-EG

Project Agreement

(Egypt National Railways Restructuring Project)

between

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

and

EGYPTIAN NATIONAL RAILWAYS

Dated August 2, 2009

PROJECT AGREEMENT

Agreement dated August 2, 2009, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and EGYPTIAN NATIONAL RAILWAYS (“Project Implementing Entity”) (“Project Agreement”) in connection with the Loan Agreement (“Loan Agreement”) of same date between the Arab Republic of Egypt (“Borrower”) and the Bank. The Bank and the Project Implementing Entity hereby agree as follows:

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Loan Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Loan Agreement or the General Conditions.

ARTICLE II - PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article V of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III - EFFECTIVE DATE; TERMINATION

- 3.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.
- 3.02. This Agreement and all obligations of the Bank and of the Project Implementing Entity thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify the Project Implementing Entity thereof.
- 3.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE IV - REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity's Representative is the Chairman of the Egyptian National Railways.

4.02. The Bank's Address is:

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

Cable:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

4.03. The Project Implementing Entity's Address is:

Egyptian National Railways
6 Ramsis Square
Cairo, Egypt

Facsimile:

(202) 2977 1604

AGREED at Cairo, Arab Republic of Egypt, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCITON AND DEVELOPMENT

By: /s/ Emmanuel Mbi
Authorized Representative

EGYPTIAN NATIONAL RAILWAYS

By: /s/ Mahmoud Samy Ahmad Eiweis
Authorized Representative

SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall, by no later than April 30, 2009 establish the PMU and appoint the director and procurement specialist for the said PMU, with terms of reference and qualifications satisfactory to the Bank. The PMU shall be maintained, throughout the duration of the Project, with organization, functions, staff and terms of reference satisfactory to the Bank. Key staff of the PMU shall include the following: a procurement specialist, a financial management specialist, an environment specialist and a reporting specialist and such other key personnel as may be agreed with the Bank from time to time. The Project Implementing Entity shall cause the PMU to: (a) have key staff in place by no later than June 30, 2009; (b) maintain arrangements satisfactory to the Bank for the overall management, coordination and supervision of the Project implementation in accordance with the ESIA and the EMP; (c) operate the Project financial management system in a manner satisfactory to the Bank; (d) gather data to maintain Project indicators; (e) coordinate the procurement and disbursement process; and (f) prepare and submit progress reports and financial monitoring reports.
2. For the purpose of carrying out the Project, the Project Implementing Entity shall adopt procedures satisfactory to the Bank to ensure that the consultants selected to carry out services under the Project have the necessary professional qualifications and shall carry out their assignments in a timely manner and that the scope of their services is consistent with the needs of the Project.
3. The Project Implementing Entity shall enter into:
 - (a) by no later than June 30, 2009, a contract, on terms and conditions satisfactory to the Bank, for supervision of signaling modernization works under Part A of the Project;
 - (b) by no later than June 30, 2009, a contract, on terms and conditions satisfactory to the Bank, regarding the supervision of track renewal works under Part B of the Project; and
 - (c) by no later than June 30, 2009, a two year contract, on terms and conditions satisfactory to the Bank, regarding the provision of technical assistance to the PMU.

B. Anti-Corruption

The Project Implementing Entity shall ensure that the Project is carried out in accordance with the provisions of the Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants, dated October 15, 2006.

C. Safeguards

1. The Project Implementing Entity shall ensure that remedial measures are taken during the implementation and operation of the Project to offset or reduce adverse environmental impacts to levels set forth in the ESIA and the EMP.
2. The Project Implementing Entity shall enter into a contract for the implementation of capacity strengthening measures under the EMP with a qualified firm and on terms of reference all as acceptable to the Bank.

Section II. Project Monitoring, Reporting and Evaluation.**A. Project Reports**

1. The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports for the Project in accordance with the provisions of Section 5.08 (b) of the General Conditions and on the basis of the indicators agreed with the Bank. Each such Project Report shall cover the period of one calendar quarter, and shall be furnished to the Borrower not later than two weeks after the end of the period covered by such report for incorporation and forwarding by the Borrower to the Bank of the overall Project Report.
2. The Project Implementing Entity shall prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, prior to August 15 of each year, an annual consolidated Project Report integrating the results of the quarterly reports referred to in paragraph (1) of this Section, on the progress achieved in the carrying out of the Project during the year 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.
3. Without limitation on any of its other obligations in respect of the Project, the Project Implementing Entity, together with the Borrower and at its request, shall carry out a review ("Midterm Review"):
 - (a) by no later than March 31, 2012, together with the Bank, being a Midterm Review of the progress made in carrying out the Project; the Midterm Review shall cover, amongst other things:

- (i) progress made in meeting the Project's objectives; and
- (ii) overall Project performance against Project performance indicators.

(b) the Project Implementing Entity, together with the Borrower, shall prepare, and at least three (3) month prior to the Midterm Review, furnish to the Bank, a separate report describing the status of implementation of each component of the Project and a summary report of Project implementation generally (the "Mid-term Report").

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare Financial Statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.
2. The Project Implementing Entity shall have the Financial Statements referred to above reflecting its operations and financial condition audited by the Central Auditing Organization and the Financial Statements reflecting the operations, resources and expenditures related to the Project audited by independent auditors acceptable to the Bank, both in accordance with consistently applied auditing standards acceptable to the Bank. Each audit of the Financial Statements shall cover the period of one fiscal year of the Project Implementing Entity. The audited Financial Statements for each period shall be furnished by the Project Implementing Entity to the Borrower and the Bank not later than six (6) months after the end of the period.
3. The Project Implementing Entity shall have its Financial Statements and the Financial Statements reflecting the operations, resources and expenditures related to the Project audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Project Implementing Entity. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

Section III. Procurement

All goods and works required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement.

