RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING

OF THE

CAIRO AIRPORT DEVELOPMENT PROJECT – TB2

LOAN 7851-EG

FEBRUARY 23, 2010

TO THE

ARAB REPUBLIC OF EGYPT

MAY 28, 2014

Sustainable Development Department
Middle East and North Africa Region

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ABBREVIATIONS AND ACRONYMS

CAI Cairo International Airport
CAC Cairo Airport Company
CADP Cairo Airport Development Project
EHCAAN Egyptian Holding Company for Airports and Air Navigation
GoE Government of Egypt
IBRD International Bank for Reconstruction and Development
IATA International Air Transport Association
ICAO International Civil Aviation Organization
LA Loan Agreement
MoCA Ministry of Civil Aviation
PDO Project Development Objective
TB2 Terminal Building 2

Regional Vice President: Inger Andersen
Country Director: Hartwig Schafer
Sector Manager: Patricia Veevers-Carter
Task Team Leader: Olivier Le Ber
EGYPT, ARAB REPUBLIC OF
CAIRO AIRPORT DEVELOPMENT PROJECT – TB2

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# DATA SHEET

*Egypt, Arab Republic of*

*Cairo Airport Development Project-TB2 (P101201)*

**MIDDLE EAST AND NORTH AFRICA**

**MNSTI**

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**Report No:** RES14453

## Basic Information

<table>
<thead>
<tr>
<th>Project ID:</th>
<th>P101201</th>
<th>Lending Instrument: Specific Investment Loan</th>
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</thead>
<tbody>
<tr>
<td>Regional Vice President:</td>
<td>Inger Andersen</td>
<td>Original EA Category: Partial Assessment (B)</td>
</tr>
<tr>
<td>Country Director:</td>
<td>Hartwig Schafer</td>
<td>Current EA Category: Partial Assessment (B)</td>
</tr>
<tr>
<td>Sector Director:</td>
<td>Junaid Kamal Ahmad</td>
<td>Original Approval Date: 23-Feb-2010</td>
</tr>
<tr>
<td>Sector Manager:</td>
<td>Patricia Veevers-Carter</td>
<td>Current Closing Date: 30-Nov-2015</td>
</tr>
<tr>
<td>Team Leader:</td>
<td>Olivier P. Le Ber</td>
<td></td>
</tr>
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</table>

**Borrower:** Arab Republic of Egypt

**Responsible Agency:** Egyptian Holding Company for Airports and Air Navigation (EHCAAN)

## Restructuring Type

<table>
<thead>
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<th>Form Type:</th>
<th>Full Restructuring Paper</th>
<th>Decision Authority: Board Approval</th>
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<tbody>
<tr>
<td>Restructuring Level:</td>
<td>Level 1</td>
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</tbody>
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## Financing (as of 28-Apr-2014)

<table>
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<th>Project Ln/Cr/TF:</th>
<th>Status: Effective</th>
<th>Approval Date: 23-Feb-2010</th>
<th>Signing Date: 25-Mar-2010</th>
<th>Effectiveness Date: 12-Aug-2010</th>
<th>Original Closing Date: 30-Nov-2015</th>
<th>Revised Closing Date: 30-Nov-2015</th>
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</table>

### Disbursements (in Millions)

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<th>Currency: USD</th>
<th>Original: 280.00</th>
<th>Revised: 280.00</th>
<th>Cancelled: 0.00</th>
<th>Disbursed: 57.57</th>
<th>Undisbursed: 222.43</th>
<th>% Disbursed: 21</th>
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</thead>
<tbody>
<tr>
<td>P101201 IBRD-78510</td>
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</table>

## Policy Waivers

- **Does the project depart from the CAS in content or in other significant respects?**
  - Yes [ ]
  - No [X ]

- **Does the project require any policy waiver(s)?**
  - Yes [ ]
  - No [X ]
**A. Summary of Proposed Changes**

The following changes are proposed under the Level I restructuring: (i) amend the Project Development Objectives (PDO), (ii) revise the Results Framework, and (iii) revise the disbursement estimates. There are no changes in the financial management arrangements and environmental and social safeguards of the project. There are no changes in the risk ratings and the overall implementation risk remains moderate. This restructuring paper follows a project implementation support mission that was conducted in May 2014 during which the Government of Egypt (GoE) agreed on the need to introduce the above proposed changes through a project restructuring.

| Change in Implementing Agency | Yes [ ] No [ X ] |
| Change in Project's Development Objectives | Yes [ X ] No [ ] |
| Change in Results Framework | Yes [ X ] No [ ] |
| Change in Safeguard Policies Triggered | Yes [ ] No [ X ] |
| Change of EA category | Yes [ ] No [ X ] |
| Other Changes to Safeguards | Yes [ ] No [ X ] |
| Change in Legal Covenants | Yes [ ] No [ X ] |
| Change in Loan Closing Date(s) | Yes [ ] No [ X ] |
| Cancellations Proposed | Yes [ ] No [ X ] |
| Change to Financing Plan | Yes [ ] No [ X ] |
| Change in Disbursement Arrangements | Yes [ ] No [ X ] |
| Reallocation between Disbursement Categories | Yes [ ] No [ X ] |
| Change in Disbursement Estimates | Yes [ X ] No [ ] |
| Change to Components and Cost | Yes [ ] No [ X ] |
| Change in Institutional Arrangements | Yes [ ] No [ X ] |
| Change in Financial Management | Yes [ ] No [ X ] |
| Change in Procurement | Yes [ ] No [ X ] |
| Change in Implementation Schedule | Yes [ ] No [ X ] |
| Other Change(s) | Yes [ ] No [ X ] |
| Appraisal Summary Change in Economic and Financial Analysis | Yes [ ] No [ X ] |
| Appraisal Summary Change in Technical Analysis | Yes [ ] No [ X ] |
| Appraisal Summary Change in Social Analysis | Yes [ ] No [ X ] |
| Appraisal Summary Change in Environmental Analysis | Yes [ ] No [ X ] |
| Appraisal Summary Change in Risk Assessment | Yes [ ] No [ X ] |

**B. Project Status**

The project was approved on February 23, 2010 and became effective on August 12, 2010. The project closing date is November 30, 2015. The total loan amounts to US$280 million. As of April 30, 2014, the project disbursed a total amount of US$58 million, representing about 21 percent of total loan amount. Implementation progress is rated moderately satisfactory due to the delay in implementing Component 1 (Rehabilitation and Expansion of the Terminal Building 2 (TB2) at Cairo International Airport) of the
The midterm review of June 2013 confirmed that the project is likely to achieve its development objectives by the project closing date. However, it was agreed with the GoE that the original PDO needs to be revised in order to be better aligned with the project-supported activities and be clearly attributable to the project as designed.

Under Component 1, Rehabilitation and Expansion of the Terminal Building 2 (TB2) at Cairo International Airport, significant progress was achieved in the rehabilitation and expansion works over the past few months, with the building now rising above the ground. However, a delay in works completion is still expected, due to significant delays related to revisions to the design of TB2. Completion of TB2 is now foreseen by October 2015, nine months behind the contractual completion date of January 28, 2015, but still before the closing date of the loan (November 30, 2015). Discussions have also been ongoing for the past few months between the Cairo Airport Company (CAC) and the Contractor regarding the contract amendment reflecting the changes in the design of TB2. A contract amendment is under Bank review and is expected to be signed before the end of FY14. The changes in design entail a 35 percent increase in the TB2 area and a total cost increase of the project by about 25 percent, for which the GoE is working on securing the funding. A revised construction schedule is under preparation and will take the current delays, design variations, and contractual aspects into account.

Component 2, Technical Assistance and Studies, finances the development of five studies covering a range of topics, namely: (1) air transport policy and strategic options; (2) development strategy of air traffic control and management; (3) compliance with ICAO standards concerning safety and security; (4) fee and tax structure of air transport sector; and (5) spatial planning of Cairo Airport's area. Three of these studies have already been completed and one is under execution and has produced immediate results. The procurement of the last study (Review of the Civil Aviation Authority’s compliance with ICAO standards and recommended practices concerning regulatory oversight of safety and security) has been delayed and might be financed under an EU Grant instead of the loan.

<table>
<thead>
<tr>
<th>Project Development Objectives</th>
</tr>
</thead>
</table>

**Original PDO**

The objectives of the project are to (i) enhance the quality of airport services through an increase in the capacity of Cairo International Airport, and (ii) strengthen air transport in Egypt.

**C. Change in Project's Development Objectives**

**Explanation**

The original PDO needs to be sharpened and to be clearly attributable to the project as designed. In particular, its second part and associated results indicators are not well linked with the project-supported activities. The project is primarily supporting the rehabilitation and expansion of TB2 in the Cairo International Airport, with a focus on enhancing the capacity and the quality of services of the airport. Accordingly, it is proposed to revise the PDO as follows: “(i) enhance the capacity and the quality of services of the Cairo International Airport and (ii) improve the capacity of key stakeholders (Ministry of Civil Aviation (MoCA) and EHCAAN) in the strategic planning of the air transport sector”. The revised PDO will thus consist of two parts: the primary objective of the project, with a weight of 90 percent assigned to it, and the secondary objective, with a weight of 10 percent assigned to it. This secondary objective would capture the expected outcomes of the technical studies which are financed under Component 2 of the project.

**Proposed New PDO**

The objectives of the project are to: (i) enhance the capacity and the quality of services of the Cairo
International Airport, and (ii) improve the capacity of key stakeholders (MoCA and EHCAAN) in the strategic planning of the air transport sector.

**Change in Results Framework**

**Explanation:**

The results framework will be revised to reflect the proposed change in the PDO. Four original PDO-level indicators will be dropped as they are not directly attributable to the project activities. Several PDO-level indicators will be revised, with one of these indicators restated as a core indicator on direct project beneficiaries. Three new PDO-level indicators will be added to better measure the impact of the project activities. There are no World Bank Core Sector Indicators for the air transport sector. The specific changes are detailed in the Annex 1.

Assessment of the second part of the PDO "improve the capacity of key stakeholders (MoCA and EHCAAN) in the strategic planning of the air transport sector" relies on the approval and implementation of the recommendations of the five above mentioned studies. It is important to note that implementation of some of the studies’ recommendations may expand far beyond the closing date of the loan. For example, the spatial planning of Cairo International Airport's area can be approved upon completion of the study but the implementation/construction phase may last 20 years or more. Therefore, the secondary PDO will be considered to be achieved even if some of the studies’ recommendations are partially implemented by the loan closing date (average implementation progress of the five studies weighed as follows: study approved gets 50 percent and study implemented - up to 100 percent if fully implemented).

### Financing

**Disbursement Estimates**

**Change in Disbursement Estimates**

**Explanation:**

The revised disbursement estimates are based on the expected implementation schedule of the TB2 rehabilitation and expansion contract.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Current (USD)</th>
<th>Proposed (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>2011</td>
<td>30,000,000.00</td>
<td>331,874.57</td>
</tr>
<tr>
<td>2012</td>
<td>60,000,000.00</td>
<td>21,708,607.41</td>
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<tr>
<td>2013</td>
<td>90,000,000.00</td>
<td>7,638,339.42</td>
</tr>
<tr>
<td>2014</td>
<td>70,000,000.00</td>
<td>72,321,178.60</td>
</tr>
<tr>
<td>2015</td>
<td>30,000,000.00</td>
<td>140,000,000.00</td>
</tr>
<tr>
<td>2016</td>
<td>0.00</td>
<td>38,000,000.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>280,000,000.00</td>
<td>280,000,000.00</td>
</tr>
</tbody>
</table>
### ANNEX 1: RESULTS FRAMEWORK

**Egypt, Arab Republic: Cairo Airport Development Project-TB2 (P101201)**

**Stage: Restructuring**

#### Results

Core sector indicators are considered: Yes

Results reporting level: Project Level

#### Project Development Objective Indicators

<table>
<thead>
<tr>
<th>Status</th>
<th>Indicator Name</th>
<th>Core</th>
<th>Unit of Measure</th>
<th>Baseline</th>
<th>Actual(Current)</th>
<th>End Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>New</td>
<td>Direct project beneficiaries</td>
<td>☒</td>
<td>Number</td>
<td>Value 14210000.00</td>
<td>15250000.00</td>
<td>15300000.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Date 30-Sep-2009</td>
<td>30-Jun-2013</td>
<td>30-Nov-2015</td>
</tr>
<tr>
<td></td>
<td></td>
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<td>Comment</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Total passenger traffic at CAI (former indicator but restated here as a core indicator). The project is expected to be gender-neutral (about 50% of beneficiaries are female).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New</td>
<td>Female beneficiaries</td>
<td>☒</td>
<td>Percentage</td>
<td>Value 50.00</td>
<td>50.00</td>
<td>50.00</td>
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<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Supplemental</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New</td>
<td>Number of passengers that can be served through TB2 in one</td>
<td>☐</td>
<td>Number</td>
<td>Value 9590.00</td>
<td>0.00</td>
<td>20000.00</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>Date 30-Sep-2009</td>
<td>31-Dec-2013</td>
<td>30-Nov-2015</td>
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<tr>
<td>New</td>
<td>Comment</td>
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<td>Date</td>
<td>Comment</td>
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<td>-------</td>
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<tr>
<td>TB2 reached the level B of IATA level of service</td>
<td>Yes/No</td>
<td>Yes</td>
<td>30-Sep-2009</td>
<td>No</td>
<td>31-Dec-2013</td>
<td>Yes</td>
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<td>Passenger processing time in the new TB2 (departing)</td>
<td>Minutes</td>
<td>45.00</td>
<td>30-Jun-2009</td>
<td>36.00</td>
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<td>30-Nov-2015</td>
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<td>Passenger processing time in the new TB2 (arriving)</td>
<td>Minutes</td>
<td>37.00</td>
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<td>30-Nov-2015</td>
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<td>Implementation of the strategic recommendations of the five studies by MoCA and EHCAAN</td>
<td>Percentage</td>
<td>0.00</td>
<td>30-Sep-2009</td>
<td>46.00</td>
<td>31-Dec-2013</td>
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(1) air transport policy and strategic options – approved (50%)
(2) development strategy of air traffic control and management – approved & under implementation
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<tr>
<th>Marked for Deletion</th>
<th>Total Passenger Traffic at CAI (millions)</th>
<th>Number</th>
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<th>Date</th>
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<td>14.21</td>
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<td>19.47</td>
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<table>
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<th>Connecting Passenger Traffic at CAI (millions)</th>
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<th>Commercial revenue per passenger at CAI</th>
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<td>5.50</td>
<td>7.10</td>
<td>30-Jun-2013</td>
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<td></td>
<td></td>
<td>7.10</td>
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<td>30-Jun-2016</td>
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<td>47.00</td>
<td>30-Jun-2009</td>
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<td>30-Jun-2013</td>
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<td></td>
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<td>67.00</td>
<td>30-Jun-2016</td>
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<td>Rate of compliance of Egypt's civil aviation in safety and security audits</td>
<td>□</td>
<td>Number</td>
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<td>Will be measured at the end of the project.</td>
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<td>--------------------</td>
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<td>---------</td>
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<td>Date</td>
<td>Comment</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>30-Jun-2009</td>
<td>There is no FY2009 baseline for comparison because ICAO (International Civil Aviation Organization) has changed its method to measure compliance since its last audit of Egypt.</td>
</tr>
<tr>
<td></td>
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<td>30-Jun-2016</td>
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**Intermediate Results Indicators**

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<th>Unit of Measure</th>
<th>Baseline</th>
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<tr>
<td>Revised</td>
<td>Percentage of completion of the new TB2</td>
<td>□</td>
<td>Percentage</td>
<td>0.00</td>
<td>8.70</td>
<td>100.00</td>
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<tr>
<td>Revised</td>
<td>Approved report on the air transport policy of Egypt and strategic options</td>
<td>□</td>
<td>Yes/No</td>
<td>Value No</td>
<td>Yes</td>
<td>Yes</td>
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<tr>
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<td></td>
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<td></td>
<td>Date</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revised</td>
<td>Approved report on development strategy of air</td>
<td>□</td>
<td>Yes/No</td>
<td>Value No</td>
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<td></td>
<td>Date</td>
<td></td>
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<td>Traffic control and air traffic management</td>
<td>Comment</td>
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</tr>
<tr>
<td>Revised</td>
<td>Approved report on civil aviation Authority's compliance with ICAO Standard and Recommended Practices concerning regulatory oversight of safety and security</td>
<td>Yes/No</td>
<td>Value</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
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<td></td>
<td>Date</td>
<td>30-Jun-2009</td>
<td>30-Jun-2013</td>
<td>30-Nov-2015</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Comment</td>
<td>Procurement of consultant is delayed. May be procured under a grant provided by the EU.</td>
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<td></td>
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</tr>
<tr>
<td>Revised</td>
<td>Approved report on fee and tax structure of the air transport sector</td>
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<td>Value</td>
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<td>Yes</td>
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<tr>
<td></td>
<td>Date</td>
<td>30-Jun-2009</td>
<td>30-Jun-2013</td>
<td>30-Nov-2015</td>
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<tr>
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<td>Approved report on spatial planning of Cairo airport's area</td>
<td>Yes/No</td>
<td>Value</td>
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