

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 7851-EG

Project Agreement

(Cairo Airport Development Project – TB2)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

EGYPTIAN HOLDING COMPANY FOR AIRPORTS
AND AIR NAVIGATION

Dated March 25, 2010

LOAN NUMBER 7851-EG

PROJECT AGREEMENT

Agreement dated March 25, 2010, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and EGYPTIAN HOLDING COMPANY FOR AIRPORTS AND AIR NAVIGATION (the “Project Implementing Entity, “EHCAAN” as herein defined) (“Project Agreement”) in connection with the Loan Agreement (“Loan Agreement”) of same date between 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 and the General Conditions, and in the Appendix to this Agreement.

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 Board of the Egyptian Holding Company for Airports and Air Navigation.

- 4.02. The Bank's Address is:

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

Facsimile:

+1 202-477-6391

- 4.03. The Project Implementing Entity's Address is:

Egyptian Holding Company for
Airports and Air Navigation
Cairo Airport Road,
Cairo, Egypt

Facsimile:

+202-22670666

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

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Shamshad Akhtar

Authorized Representative

EGYPTIAN HOLDING COMPANY FOR
AIRPORTS AND AIR NAVIGATION

By /s/ Ibrahim Manna

Authorized Representative

SCHEDULE

Execution of the Project

Section I. Project Implementation

A. Institutional Arrangements

Overall Project Implementation and Coordination

1. The Project Implementing Entity shall maintain its Steering Committee established on September 7, 2009, throughout the duration of the Project, with membership and terms of reference acceptable to the Bank. The Steering Committee shall have responsibility for Project oversight and coordination.

2. The Project Implementing Entity shall maintain its existing PMU throughout the duration of the Project with organization, staffing and terms of reference at all times acceptable to the Bank and shall confirm by April 30, 2010, that all key staff are in place. The Project Implementing Entity shall cause the PMU to: (a) maintain arrangements acceptable to the Bank for the overall management, coordination and supervision of the Project implementation in accordance with the Environmental Management Plan; (b) operate the Project financial management system in a manner acceptable to the Bank; (c) gather data to maintain Project indicators; (d) coordinate the procurement and disbursement process; and (e) prepare and submit progress reports and financial monitoring reports.

3. For the purpose of carrying out Part 1 of the Project, the Project Implementing Entity shall, by not later than June 30, 2010, enter into an appropriate contractual arrangement, acceptable to the Bank with Cairo Airport Company (CAC) (the CAC Agreement). The CAC Agreement shall stipulate, *inter alia*, that:

(a) on behalf of the Project Implementing Entity, CAC shall implement Part 1 of the Project;

(b) to this end CAC shall:

(i) appoint a procurement officer with qualifications, experience and terms of reference acceptable to the Bank, for the duration of the Project, to coordinate with the PMU and to ensure that the procurement of works under Part 1 the Project is conducted in accordance with the Bank's Procurement Guidelines and the Schedule to this Agreement;

(ii) enter into contracts with contractors for implementation of Part 1 of the Project;

- (iii) provide all information necessary to the PMU for it to prepare, maintain and submit quarterly, and annual progress reports;
- (iv) prepare annual project financial statements in accordance with consistently applied Accounting Standards acceptable to the Bank;
- (v) have its project accounts audited on an annual basis by independent auditors in accordance with International Standards on Auditing;
- (vi) submit annual audit reports to the Project Implementing Entity, six months from the end of each Fiscal Year;
- (vii) maintain a financial officer with qualifications, experience and terms of reference acceptable to the Bank, for the duration of the Project, to coordinate with the PMU and to ensure that documents, reports and information are promptly provided to the PMU;
- (viii) carry out its activities and obligations in accordance with sound administrative, engineering, accounting and environmental standards;
- (ix) for the duration of the Project, make available to the Project Implementing Entity, the auditors of the Project Implementing Entity and the Project auditors referred to in Section 5.09(b) of the General Conditions all documents, books, and records pertaining to the Project activities;
- (x) respond to queries, report findings and comments by the Project Implementing Entity, auditors of the Project Implementing Entity and the Project auditors referred to in Section 5.09(b) of the General Conditions; and
- (xi) implement its respective parts of the Project in accordance with the Environmental Management Plan; and

(c) the Project Implementing Entity on behalf of CAC shall arrange to pay the contractors referred to in paragraph (b) (ii) of this Section.

4. The Project Implementing Entity shall ensure that an environmental management unit is maintained within CAC throughout Project implementation. The environmental management unit shall oversee, monitor and participate in the implementation of the

EMP and provide, for the purposes of the Project progress reports and mid-term review referred to in Section II paragraph C of this Schedule, noise and air quality monitoring data and appropriate mitigating measures in accordance with the EMP.

5. The Project Implementing Entity shall prepare and provide to the Bank, procurement documents in accordance with the Procurement Plan.

B. The Project Implementing Entity shall ensure and shall cause CAC to 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. 1. The Project Implementing Entity shall maintain arrangements, acceptable to the Bank, for the carrying out of the Project in accordance with the ESIA and Environment Management Plan. Except as the Bank shall otherwise agree, the Project Implementing Entity shall not amend or waive any provision of the ESIA and Environment Management Plan if, in the opinion of the Borrower or the Bank, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.

2. The Project Implementing Entity shall ensure that no land shall be acquired and no activity shall be undertaken involving resettlement in carrying out the Project.

D. Financial Sustainability

The Project Implementing Entity shall, and shall cause CAC, to take the agreed actions required and necessary to ensure their financial well being and sustainability throughout Project implementation.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports and Completion Report

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 one month 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 provide to the Borrower not later than three months after the closing date, for incorporation in the report referred to in Section 5.08(c) of the General Conditions (the Completion Report) all such

information as the Borrower or the Bank shall reasonably request for the purposes of that Section.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare its financial statements and the Project financial statements in accordance with consistently applied accounting standards acceptable to the Bank. These financial statements shall be prepared in a manner adequate to reflect their respective operations and financial condition.
2. The Project Implementing Entity shall have the Project financial statements for each fiscal year, audited, by independent auditors, in accordance with consistently applied auditing standards, both such auditors and standards to be acceptable to the Bank. The above audited financial statements for each fiscal year shall be furnished to the Bank not later than six (6) months after the end of the period.
3. The Project Implementing Entity shall prepare interim un-audited financial reports for the Project covering the semester, in form and substance acceptable to the Bank and shall furnish to the Bank such reports not later than forty five (45) days after the end of each calendar semester.

C. Progress Reports and Mid-Term Review

The Project Implementing Entity shall:

- (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Bank, the carrying out of the Project and the achievement of the objectives thereof;
- (b) prepare, under terms of reference acceptable to the Bank, and furnish to the Bank not later than one month after the end of the first calendar quarter after the Effective Date, a quarterly 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;
- (c) prepare, under terms of reference acceptable to the Bank, and furnish to the Bank, prior to August 15 of each year, an annual consolidated report integrating the results of the quarterly reports referred to in paragraph (b) 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;

(d) prepare, under terms of reference acceptable to the Bank, and furnish to the Bank, on or about June 30, 2012, a report (the 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

(e) review with the Bank, by September 30, 2012 or such later date as the Bank shall request (the Mid-Term Review), the report referred to in paragraph (d) 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 Mid-Term Review and the Mid-Term Report and the Bank's views on the matter.

Section III. Procurement

A. General

1. **Works.** All works required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Technical Assistance and Studies.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Works

International Competitive Bidding. Works shall be procured under contracts awarded on the basis of International Competitive Bidding procedures.

C. Particular Methods of Procurement of Consultants' Services

Quality- and Cost-based Selection. Consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

D. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

APPENDIX

Definitions

(a) “CAC” means the Cairo Airport Company, a joint stock company, wholly owned by EHCAAN, established and operating pursuant to Presidential Decree No. 156 of 2002, or any successor thereof.

(b) “CAC Agreement” means the agreement entered into between EHCAAN and CAC pursuant to the provisions of Section I.A.3 of the Schedule to this Agreement.

(c) “Environmental Management Plan” or “EMP” means EHCAAN’s environmental management plan for the Project furnished to the Bank on November 6, 2009 as such EMP may be updated from time to time by agreement between EHCAAN and the Bank, setting forth the measures to be taken during the implementation and operation of the Project to offset or reduce adverse environmental impacts, including air pollution, noise and traffic to levels acceptable to the Bank.

(d) “ESIA” means the EHCAAN’s environmental and social impact assessment for the Project provided to the Bank on November 6, 2009, setting forth the matters to be addressed in the EMP regarding mitigating, monitoring and institutional measures to be taken during the implementation and operation of the Project to offset or reduce adverse environmental impacts to levels acceptable to the Bank.

(e) “PMU” means the Project Management Unit, referred to in Section I.A.2 of the Schedule to this Agreement.

(f) “Procurement Plan” means the Project Implementing Entity’s procurement plan for the Project, dated November 22, 2009, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time.

(g) “Project Agreement” means the agreement between the Bank and Egyptian Holding Company for Airports and Air Navigation 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.

(h) “Steering Committee” means the committee to be maintained in accordance with the provisions of Section 1.A paragraph 1 of the Schedule to this Agreement.