

Conformed Copy

CREDIT NUMBER 2866 EGT

Project Agreement

(Pollution Abatement Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

NATIONAL BANK OF EGYPT

Dated July 1, 1996

CREDIT NUMBER 2866 EGT

PROJECT AGREEMENT

AGREEMENT, dated July 1, 1996, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and NATIONAL BANK OF EGYPT (NBE).

WHEREAS (A) by an agreement (the Development Credit Agreement) of even date herewith between the Arab Republic of Egypt (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to ten million three hundred thousand Special Drawing Rights (SDR10,300,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that NBE agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by an agreement (the Subsidiary Financing Agreement) to be entered into between the Borrower and NBE, the proceeds of the Credit provided for under the Development Credit Agreement will be made available to NBE on the terms and conditions set forth in the Subsidiary Financing Agreement; and

WHEREAS NBE, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several

terms defined in the Development Credit Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

## ARTICLE II

### Execution of Part B of the Project; Management and Operations of NBE

Section 2.01. (a) NBE declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out Part B of the Project and conduct its operations and affairs, in accordance with sound financial standards and practices, with qualified management and staff, and in accordance with the Statutes and the Statement of Policy.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association shall otherwise agree, NBE shall carry out Part B of the Project in accordance with the Implementation Program set forth in Schedule 1 to this Agreement.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods and consultants' services required for Part B of the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 2 to this Agreement.

Section 2.03. NBE shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of Article IX 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 the Project Agreement and Part B of the Project.

Section 2.04. NBE shall duly perform all its obligations under the Subsidiary Financing Agreement. Except as the Association shall otherwise agree, NBE shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Financing Agreement or any provision thereof.

Section 2.05. (a) NBE shall, at the request of the Association, exchange views with the Association with regard to the progress of Part B of the Project, the performance of its obligations under this Agreement and under the Subsidiary Financing Agreement, and other matters relating to the purposes of the Credit.

(b) NBE shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of Part B of the Project, the accomplishment of the purposes of the Credit, or the performance by NBE of its obligations under this Agreement and under the Subsidiary Financing Agreement.

## ARTICLE III

### Financial Covenants

Section 3.01. (a) NBE shall maintain records and accounts adequate to monitor and record the progress of Part B of the Project and to reflect in accordance with sound accounting practices the operations and financial condition of NBE.

(b) NBE shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) 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 months after the end of each such year: (A) certified copies

of its financial statements for such year as so audited; and (B) 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 financial statements as well as the audit thereof, as the Association shall from time to time reasonably request.

#### ARTICLE IV

Effective Date; Termination;  
Cancellation and Suspension

Section 4.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 4.02. (a) This Agreement and all obligations of the Association and of NBE thereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) the date 20 years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with the terms thereof before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify NBE of this event.

Section 4.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

#### ARTICLE V

Miscellaneous Provisions

Section 5.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

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 (MCI) or  
64145 (MCI)

For NBE:

National Bank of Egypt  
NBE Tower  
1187 Corniche El-Nile  
Boulak, Cairo

Telex:

574.8755

Section 5.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of NBE may be taken or executed by the Chairman of the Board of NBE or such other person or persons as said Chairman shall designate in writing, and NBE shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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.

INTERNATIONAL DEVELOPMENT  
ASSOCIATION

By /s/ Kemal Dervis  
Regional Vice President  
Middle East and North Africa

NATIONAL BANK OF EGYPT

By /s/ Sami El Halawani  
Authorized Representative

SCHEDULE 1

Implementation Program

The provisions of this Schedule shall apply for the purposes of Section 2.01 (b) of this Agreement.

1. NBE undertakes that, unless the Association shall otherwise agree:

(a) The proceeds of the Subsidiary Finance, made available to NBE out 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 the Development Credit Agreement, shall be utilized by NBE exclusively in the granting of Sub-loans to Beneficiaries, either:

- (i) through the Participating Banks under Subsidiary Participating Agreements to be entered into between NBE and each such Participating Bank on terms and conditions which shall have been approved by the Association and which shall include those set forth in Annex A to this Schedule, or
- (ii) directly by NBE on the terms and conditions set forth in Annex B to this Schedule; and

(b) The proceeds of the Subsidiary Finance, made available to NBE out of the proceeds of the Credit allocated from time to time to Category (2) of the table set forth in paragraph 1 of Schedule 1 of the Development Credit Agreement, shall be utilized by NBE exclusively in the granting of Sub-grants to Beneficiaries on the terms and conditions set forth in Annex B to this Schedule.

2. NBE shall take all measures to ensure that the aggregate amount of any or all Sub-loans and Sub-grants to any one Beneficiary shall not exceed the equivalent of \$5,000,000, when added to any other amount financed or proposed to be financed by NBE or the Participating Banks out of the proceeds of the Credit and the proceeds of the Loan; provided, however, that such aggregate amount may be increased to the equivalent of \$8,000,000 in cases where the Steering Committee, referred to in paragraph 1 (a) (i) of Schedule 4 to the Development Credit Agreement, determines, and the Association agrees, that such an increase is required to finance urgent industrial pollution abatement investments to reduce high levels of toxic substances or heavy metals emissions in densely populated areas.

3. NBE shall exercise its rights under the Subsidiary Participating Agreements in such manner as to protect its interests and the interests of the Borrower and the Association and to achieve the purposes of Part B of the Project, and, except as the Association shall otherwise agree, not assign, amend, abrogate or waive any such Agreement.

4. NBE shall coordinate and monitor the overall execution of Part B of the Project, the carrying out by the Participating Banks of their obligations pursuant to their respective Subsidiary Participating Agreement and the carrying out by Beneficiaries of their obligations pursuant to their respective agreements with NBE and the Participating Banks providing for Sub-loans, in accordance with policies and procedures satisfactory to the Association.

#### Annex A to Schedule 1

##### Principal Terms and Conditions of Subsidiary Participating Agreements

The provisions of this Annex shall apply for the purposes of paragraph 1 (a) (i) of Schedule 1 to this Agreement.

1. The principal amount to be relented out of the proceeds of the Subsidiary Finance to a Participating Bank under its respective Subsidiary Participating Agreement shall be denominated in dollars and be the equivalent of the aggregate amount relented by NBE and utilized by such Participating Bank in the making of Sub-loans.

2. The Participating Finance shall be charged on the principal amount thereof withdrawn and outstanding from time to time, interest, during each six-months period commencing on January 15 and July 15 of each calendar year, at a rate equal to the rate applicable to the Loan pursuant to Section 2.05 of the Loan Agreement plus a margin of not more than 0.25% per annum, as such margin may be adjusted from time to time as agreed between the Bank and NBE.

3. The Participating Finance shall be repaid in accordance with an amortization schedule pursuant to which each portion thereof utilized in the making of a Sub-loan shall have a maturity calculated to conform to the amortization schedule applicable to such Sub-loan.

4. The right of a Participating Bank to the use of the proceeds of its respective Participating Finance shall be: (a) suspended upon failure of such Participating Bank to perform any of its obligations under its respective Subsidiary Participating Agreement; and (b) terminated if such right shall have been suspended pursuant to subparagraph (a) hereof for a continuous period of sixty (60) days.

5. Each respective Subsidiary Participating Agreement shall contain provisions pursuant to which each respective Participating Bank shall undertake to:

(a) carry out its activities under Part B of the Project and conduct its operations and affairs in accordance with appropriate financial standards and practices, with qualified staff and in accordance with appropriate investment and lending policies and procedures, and provide, promptly as needed, the funds, facilities, services and other resources required for the purpose;

(b) (i) make Sub-loans to Beneficiaries on the terms and

conditions set forth in Annex B to the Schedule to this Agreement; (ii) exercise its rights in relation to each such Sub-loan in such manner as to protect its interests and the interests of the Borrower, the Association and NBE, comply with its obligations under its respective Subsidiary Participating Agreement and achieve the purpose of Part B of the Project; (iii) not assign, amend, abrogate or waive any of its agreements providing for Sub-loans, or any provision thereof, without prior approval of NBE; and (iv) appraise Sub-projects and supervise, monitor and report on the carrying out by Beneficiaries of Sub-projects, in accordance with procedures satisfactory to the Association and NBE;

(c) (i) exchange views with, and furnish all such information to NBE, as may be, reasonably requested by the Association or NBE, with regard to the progress of its activities under Part B of the Project, the performance of its obligations under its respective Subsidiary Participating Agreement, and other matters relating to the purposes of Part B of the Project; and (ii) promptly inform NBE of any condition which interferes or threatens to interfere with the progress of its activities under its respective Subsidiary Participating Agreement; and

(d) (i) maintain records and accounts adequate to reflect, in accordance with sound accounting practices, its operations and financial condition; (ii) have its financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to NBE; (iii) furnish to NBE, as soon as available, but in any case not later than six (6) months after the end of each such year, certified copies of said financial statements and accounts for such year as so audited, and the report of such audit by said auditors in such scope and detail as the Association or NBE shall have reasonably requested; and (iv) furnish to NBE such other information concerning said records, accounts and financial statements, as well as the audit thereof, as the Association or NBE shall from time to time reasonably request.

#### Annex B to Schedule 1

##### Terms and Conditions of Sub-loans and Sub-grants

The provisions of this Annex shall apply for the purposes of paragraph 1 (a) (ii) of Schedule 1 to this Agreement and paragraph 5 (b) (i) of Annex A to said Schedule.

1. (a) The principal amount of each Sub-loan shall be denominated and be the equivalent in dollars or in the currency of the Borrower (determined as of the date or respective dates of withdrawal from the Credit account or payment out of the Special Account) of the value of the currency or currencies so withdrawn or paid out on account of the cost of goods and services financed out of such proceeds for the Sub-project.

(b) Each Sub-loan shall be: (a) charged interest, on the principal amount thereof withdrawn and outstanding from time to time, at a rate determined by NBE or the Participating Bank making such Sub-loan in accordance with the applicable investment and lending policies and practices of NBE or such Participating Bank; and (b) made for a period determined pursuant to said policies and practices and not exceeding eight (8) years, inclusive of a grace period of up to two (2) years.

2. Sub-grants shall be made by NBE only to Beneficiaries who shall have received Sub-loans from NBE or the Participating Banks, and only for Sub-projects financed through the provision of such Sub-loans, provided, however, that: (a) the Sub-project shall have been determined by NBE, pursuant to guidelines satisfactory to the Association, to have a simple payback period of at least two (2) years; and (b) the principal amount to be made available by NBE on a grant basis for such Sub-project shall not exceed the equivalent of 25% of the principal amount or amounts of the Sub-loan or Sub-loans financed or proposed to be financed out of the proceeds of the Credit and the proceeds of the Loan by NBE and the Participating Banks for such Sub-project; and (c)

NBE may retain for its own account up to the equivalent of 0.5% out of the amount of each Sub-grant to cover NBE's costs associated with the administration of such Sub-grant.

3. No expenditures for a Sub-project shall be eligible for financing out of the proceeds of a Sub-loan or a Sub-grant unless:

(a) such Sub-project shall have been determined by NBE or the Participating Bank, on the basis of an appraisal carried out in accordance with guidelines satisfactory to the Association: (i) to be cost effective and technically feasible and in conformity with environmental guidelines, satisfactory to the Association, and with all applicable laws and regulations of the Borrower relating to health, safety and environmental protection, established pursuant to an environmental audit and confirmed as such by the Project Implementation Unit referred to in paragraph 1 (a) (ii) of Schedule 3 to the Development Credit Agreement; (ii) to have been reviewed and recommended for financing out of the proceeds of the Credit by, as the case may be, said Project Implementation Unit or by the Steering Committee referred to in paragraph 1 (a) (i) of Schedule 3 to the Development Credit Agreement; and (iii) in respect of which the Beneficiary shall have entered into the Sub-project technical implementation agreement with said Project Implementation Unit as provided in paragraph 1 (a) (ii) of Schedule 3 to the Development Credit Agreement;

(b) the Sub-loan and the Sub-grant for such Sub-Project shall have been made or approved by NBE on the basis of information comprising: (i) a description of the Beneficiary and the appraisal of the Sub-project, including a description of the expenditures proposed to be financed out of the proceeds of the Credit; (ii) the proposed terms and conditions of the Sub-loan, including the schedule of amortization of the Sub-loan; and (iii) such other information as the Association may reasonably request; and

(c) the expenditure for such Sub-project shall have been made not earlier than one hundred twenty (120) days prior to the date on which the information referred to in subparagraph (b) hereof has been prepared by or furnished to NBE.

4. Sub-loans and Sub-grants shall be made to Beneficiaries, who each shall have established to the satisfaction of NBE or the Participating Bank, on the basis of guidelines acceptable to the Association, that:

(a) it is creditworthy and has the resources required for the efficient carrying out of its operations, including the carrying out of the Sub-project, or has obtained a guarantee, acceptable to NBE or the participating Bank, from the holding company in control of the Beneficiary's shares, guaranteeing such Beneficiary's performance and payment obligations under its respective Sub-loan and Sub-grant; and

(b) it is able and has undertaken to contribute at least 10% of the estimated cost of the Sub-project.

5. Sub-loans and Sub-grants shall each be made on terms whereby NBE or the Participating Bank shall obtain, by written contract or other appropriate means, rights adequate to protect its interest and those of the Borrower and the Association, including, as appropriate, the right to:

(a) require the Beneficiary: (i) to carry out the Sub-project (A) in accordance with such Beneficiary's Sub-project technical implementation agreement referred to in paragraph 3 (a) (iv) of this Annex, and (B) with due diligence and efficiency and in conformity with appropriate technical, environmental, economical and financial practices; (ii) to maintain adequate records; and (iii) to provide, promptly as needed, the fund facilities and other resources required for the purpose;

(b) require that: (i) the goods and consultants' services to be financed out of the proceeds of the Credit shall be procured in accordance with the provisions of Schedule 2 to this Agreement; and

(ii) such goods and services shall be used exclusively in the carrying out of the Sub-project;

(c) inspect by itself or jointly with representatives of the Association, if the Association shall so request, the goods and the sites, works, plans and construction included in the Sub-project, the operation thereof, and any relevant records and documents;

(d) require that the Beneficiary shall take out and maintain such insurance, against such risks and in such amounts, as shall be consistent with sound business practice, including such insurance to cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Credit to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Beneficiary to replace or repair such goods;

(e) require the Beneficiary to: (i) have its financial statements for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to NBE or the Participating Bank; and (ii) furnish to NBE or the Participating Bank, as soon as available, but in any case not later than six (6) months after the end of each such year, certified copies of its financial statements for such year as so audited, and the report of such audit by said auditors, of such scope and in such detail as NBE or the Participating Bank shall have reasonably requested;

(f) obtain all such information as the Association shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Beneficiary and to the benefits to be derived from the Sub-project; and

(g) suspend or terminate the right of the Beneficiary to the use of the proceeds of the Sub-loan and the Sub-grant upon failure by such Beneficiary to perform its obligations under its contract with NBE or the Participating Bank, and, in respect of the Sub-grant, convert the Sub-grant into a Sub-loan upon such suspension or termination.

## SCHEDULE 2

### Procurement and Consultants' Services

#### Section I. Procurement of Goods

##### Part A: General

Goods 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 1996 (the Guidelines) and the following provisions of this Section, as applicable.

##### 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 following shall apply to goods to be procured under controls awarded in accordance with the provision of paragraph 1 of this Part B:

##### (a) Preference for Domestically Manufacture Goods

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.

##### (b) Notification and Advertising



The invitation to prequalify or bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

1. Limited International Bidding

Goods to be procured by purchasers required to follow the Borrower's public procurement procedures, which the Association agrees can only be purchased from a limited number of suppliers, may be procured under contracts awarded in accordance with the provisions of paragraph 3.2 of the Guidelines.

2. International Shopping

Goods to be procured by purchasers required to follow the Borrower's public procurement procedures, estimated to cost \$200,000 equivalent or less per contract, up to an aggregate amount not to exceed \$800,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. National Shopping

Goods to be procured by purchasers required to follow the Borrower's public procurement procedures, estimated to cost \$100,000 equivalent or less per contract, up to an aggregate amount not to exceed \$400,000 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.

4. Commercial Practice

Goods to be procured by purchasers not required to follow the Borrower's public procurement procedures, estimated to cost \$5,000,000 equivalent or less per contract, may be procured in accordance with the normal commercial practices of such purchasers at a reasonable price, account being taken also of other relevant factors such as time of delivery and efficiency and reliability of goods and availability of maintenance facilities and spare parts therefor.

Part D: Review by the Association of Procurement Decisions

1. Prior Review

With respect to each contract for goods estimated to cost the equivalent of \$5,000,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

2. 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

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Association in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Association shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section,

the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to: (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each; or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Association review shall not apply to: (a) the terms of reference for such contracts; (b) single-source selection of consulting firms; (c) assignments of a critical nature, as reasonably determined by the Association; (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above; or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

