

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 7502-EGT

Project Agreement

(Natural Gas Connections Project)

between

INTERNATIONAL BANK

FOR

RECONSTRUCTION AND DEVELOPMENT

and

EGYPTIAN NATURAL GAS HOLDING COMPANY

Dated February 13, 2008

LOAN NUMBER 7502-EGT

PROJECT AGREEMENT

Agreement dated February 13, 2008, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and EGYPTIAN NATURAL GAS HOLDING COMPANY (“Project Implementing Entity”) (“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 or the General Conditions, and the following additional terms shall have the following meanings:
- (a) “Project Implementation Unit” or “PIU” means the Project Implementation Unit, referred to in Section I.A of the Schedule to the Project Agreement.
 - (b) “Town Gas” means the Egyptian Company for Natural Gas Distribution in Cities, an Egyptian joint stock company, established and operating pursuant to Law No. 159 of 1981, Law No. 95 of 1992, and Law No. 8 of 1997, or any successor thereof.
 - (c) “Town Gas Connection Agreement” is the agreement to be entered into between the Project Implementing Entity and Town Gas pursuant to the provisions of Section I.A of the Schedule to the Project 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 Natural Gas Holding Company.
- 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 NATURAL GAS HOLDING COMPANY
85 El Nasr Road, 1st District
Nasr City, Cairo
Arab Republic of Egypt

Facsimile:

(202) 240 55876

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

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Emmanuel Mbi

Authorized Representative

EGYPTIAN NATURAL GAS HOLDING
COMPANY

By /s/ Mahmoud Latif Amer

Authorized Representative

SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

For the purpose of carrying out of the Project, the Project Implementing Entity shall by no later than three (3) months as at the Effective Date, enter into appropriate contractual arrangements, whose terms and conditions shall be satisfactory to the Bank with Town Gas (the Town Gas Connection Agreement). The said agreement shall stipulate, *inter alia*, that: (a) Town Gas shall, on behalf of the Project Implementing Entity, implement the Project; and (b) to this end, Town Gas shall: (i) establish, not later than four (4) months as at the Effective Date, the PIU, with qualified staff in adequate numbers satisfactory to the Bank; (ii) employ contractors as may be needed to carry out its obligations under the Town Gas Connection Agreement; (iii) prepare and submit to the Project Implementing Entity quarterly, and annual progress reports, including quarterly financial reports, for subsequent forwarding to the Bank; (iv) prepare its annual financial statements as well as the Project-related financial statements in accordance with accounting standards acceptable to the Bank, for subsequent forwarding to the Bank; (v) ensure that the financial statements referred to in (iv) above are audited on an annual basis by independent auditors, acceptable to the Bank, in accordance with international auditing standards; (vi) submit the annual audit reports of such financial statements to the Project Implementing Entity, for subsequent forwarding to the Bank, not later than six (6) months from the end of each Fiscal Year until completion of the Project; (vii) carry out its activities in accordance with sound administrative, engineering, accounting and environmental standards; (viii) for the duration of the Project, make available to the Project Implementing Entity, the Bank and the auditors referred to in Section II.B of this Schedule all documents, books, and records pertaining to the activities financed under the Project; (ix) provide clarifications and report to the Project Implementing Entity findings and comments by the auditors referred in Section II.B of this Schedule; (x) prepare and submit, through the Project Implementing Entity, to the Bank the Project Implementation Manual, whose substance shall be satisfactory to the Bank, not later than two (2) months after the date of the Town Gas Connection Agreement; and (xi) implement the Project in accordance with the ESMMF, the RFP and the Project Implementation Manual.

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

The Project Implementing Entity shall ensure that: (i) 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 ESMMF; and (ii) all land acquisition required for the purposes of carrying out activities under the Project, and activities related to the resettlement and rehabilitation of Project affected people in connection with such activities, shall be completed prior to commencing the carrying out of such activities, and in accordance with the provisions set forth in the RPF.

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 semester, and shall be furnished to the Borrower not later 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 February 15, 2014, for incorporation in the report referred to in Section 5.08(c) of the General Conditions 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 cause Town Gas to maintain a financial management system and prepare its 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. (a) The Project Implementing Entity shall have its consolidated financial statements (balance sheets, statements of income and expenses and related statements), for each fiscal year, audited, by the Borrower's Central Auditing Organization in accordance with consistently applied auditing standards acceptable to the Bank. The 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.

- (b) The Project Implementing Entity shall cause Town Gas to have its financial statements and 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 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 cause Town Gas to prepare interim un-audited financial reports for the Project covering the quarter, 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 quarter.

Section III. Procurement

A. General

1. **Goods.** All goods 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. **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 Goods

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding procedures.
2. **Other Methods of Procurement of Goods.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods. The Procurement Plan shall specify the circumstances under which such methods may be used.

<u>Procurement Method</u>
(a) National Competitive Bidding
(b) Shopping

Goods may be procured under contracts awarded on the basis of National Competitive Bidding, subject to the additional provisions set forth in the Operations Manual, the Procurement Plan and the following additional procedures required to comply with the provisions of the Procurement Guidelines:

- (a) Any prospective bidder from a country eligible under the Guidelines who proposes to provide goods produced in, or services supplied from, any such country shall be eligible to bid for such contracts.
- (b) Tenders shall be advertised with no less than thirty (30) days for bid preparation.
- (c) Government-owned enterprises shall be eligible provided they are legally and financially autonomous, operate under commercial law, and are not selected or hired by the supervising or reporting authority, and shall be subject to the same bid and performance security requirements as other bidders.
- (d) Bidders shall be allowed to deliver their bid by hand or by mail.
- (e) Bids shall be opened in public; that is, bidders or their representatives shall be allowed to be present at the place where bids are to be opened and both envelopes, if two are submitted, shall be opened at the same time. The time for the bid opening shall be the same as for the deadline for receipt of bids or promptly thereafter; and shall be announced, together with the place for bid opening, in the invitation to bid.
- (f) Bids shall be evaluated based on price and on other criteria disclosed in the bid documents and quantified in monetary terms and no provision for preferential treatment for national companies shall be applied.
- (g) The contract shall be awarded to the bidder having submitted the lowest evaluated responsive bid, and no negotiation shall take place.
- (h) Arabic translation of the Bank's standard bidding documents may be used.

C. 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.