

Conformed Copy

CREDIT NUMBER 2865 EGT

Project Agreement

(Second Social Fund Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

SOCIAL FUND FOR DEVELOPMENT

Dated July 1, 1996

CREDIT NUMBER 2865 EGT

PROJECT AGREEMENT

AGREEMENT, dated July 1, 1996, between the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and SOCIAL FUND FOR DEVELOPMENT (SFD).

WHEREAS (A) by the Development Credit Agreement of even date herewith between Arab Republic of Egypt (the Borrower) and the Association, the Association has agreed to lend to the Borrower an amount in various currencies equivalent to eighty one million three hundred thousand Special Drawing Rights (SDR81,300,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that SFD agree to undertake such obligations toward the Association as are set forth in this Agreement; and

(B) by a subsidiary grant agreement (the Subsidiary Grant Agreement) to be entered into between the Borrower and SFD, the proceeds of the credit provided for under the Development Credit Agreement will be made available to SFD on terms and conditions set forth in said Subsidiary Grant Agreement; and

WHEREAS SFD, 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 and the following additional terms have the following meanings:

(a) "Operations Manual" means SFD's manual, agreed with the Association, for the carrying out of the Project, as the same may be amended from time to time with the agreement of the Association; and

(b) "Business Plan" means the plan, agreed with the Association, for achieving long-term sustainability of SFD's enterprise development programs, as the same may be amended from time to time with the agreement of the Association.

## ARTICLE II

### Execution of the Project; Management and Operations of SFD

Section 2.01. (a) SFD 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 the Project and conduct its operations and affairs, in accordance with sound financial standards and practices, with qualified and experienced management and in accordance with its Statutes and Statement of Policy.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and SFD shall otherwise agree, SFD shall carry out 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, works 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. (a) SFD 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) in respect of the Project Agreement.

(b) Without limitation upon the provisions of paragraph (a) of this Section, SFD shall: (i) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Association and SFD a plan designed to ensure the continued achievement of the Project's objectives; and (ii) afford the Association a reasonable opportunity to exchange views with SFD on said plan.

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

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

(b) SFD shall promptly inform the Association of any condition

which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by SFD of its obligations under this Agreement and under the Subsidiary Grant Agreement.

Section 2.06. SFD shall:

(a) carry out the Business Plan with due diligence and efficiency and at all times take all necessary action to achieve the objectives thereof; and

(b) review with the Association, at such regular intervals as the Association shall request, the carrying out of the same and the achievement of the objectives thereof.

### Article III

#### Financial and Other Covenants

Section 3.01. (a) SFD shall maintain procedures and records adequate to monitor and record the progress of the Project and of each Sub-project (including its cost and the benefits to be derived from it) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of SFD.

(b) SFD shall:

- (i) have its (A) records, accounts and financial statements (balance sheets, statements of income and expenses and related statements), and (B) administrative, technical and managerial performance as measured on the basis of indicators agreed with the Association, 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 (6) 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, financial statements and administrative, technical and managerial performance, as well as the audit thereof as the Association shall from time to time reasonably request.

Section 3.02.SFD shall:

(a) by December 31, 1997, carry out, under terms of reference satisfactory to the Association, and furnish to the Association, a study identifying the measures required to ensure the proper operations and maintenance of SFD's financed projects for the development of community infrastructure and the improvement of population health and literacy, including the Sub-projects under Part B (1) of the Project; and

(b) based on the conclusions and recommendations of said study and the Association's views on the matter, adopt and implement, by June 30, 1998, all such policies and procedures as are sufficient to ensure such proper operations and maintenance.

### 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 SFD thereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Development Credit Agreement shall terminate; or
- (ii) a date twenty (20) years after the date of this Agreement.

(b) If the Development Credit Agreement terminates before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify SFD 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 addresses 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 SFD:

Social Fund for Development  
Hussain Hegazy St.  
Cairo, Egypt

Fax:

3030891

Section 5.02. Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement on behalf of SFD or by SFD on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by its Managing Director, or by such other person or persons as said Managing Director shall designate in writing, and SFD 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 the 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

SOCIAL FUND FOR DEVELOPMENT

By /s/ Hussein El Gammal  
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. SFD shall: (a) maintain arrangements satisfactory to the Association, for the overall coordination and supervision of Project implementation; (b) employ consultants, with qualifications and terms of reference satisfactory to the Association, to assist in the carrying out of the Project; (c) ensure that Sub-grants and Sub-loans under Part B of the Project, including the arrangements for the making of Sub-loans under Part B (2) (a) thereof through commercial banks and under Part B (2) (b) thereof through non-governmental organizations, shall be made in accordance with the requirements and other details set forth in the Operations Manual; and (d) review with the Association, at such intervals as the Association or SFD shall request, the Operations Manual, and, based on such reviews, update the same as may be agreed between the Association and SFD.

2. SFD shall: (a) maintain procedures adequate to enable it to monitor and evaluate, on an ongoing basis, in accordance with indicators agreed with the Association, the carrying out of the Project and of each Sub-project, and the achievement of the objectives thereof; (b) prepare under terms of reference satisfactory to the Association, and furnish to the Association: (i) by March 31 of each year, a report, integrating the results of the monitoring and evaluation activities performed pursuant to subparagraph (a) above, on the progress achieved in the carrying out of the Project during the period of twelve (12) months preceding the date of such report; and (ii) on or about December 31, 1998, a mid-term report, integrating the data and other information contained in the reports prepared pursuant to subparagraph (b) (i) above, on the progress achieved in carrying out the Project during the period preceding the date thereof and setting out the measures recommended to ensure the efficient carrying out of the Project during the period following such date; and (c) review with the Association each such report and, thereafter, take all measures required to ensure the efficient carrying out of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of such report and the Association's views on the matter.

SCHEDULE 2

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods and works 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 and works 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 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.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Works estimated to cost less than \$3,000,000 equivalent per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. Community Participation

Works estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$3,000,000 equivalent, may be procured in accordance with procedures acceptable to the Association.

3. International Shopping

Goods estimated to cost less than \$300,000 equivalent per contract, up to an aggregate amount not to exceed \$5,000,000 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.

4. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$3,300,000 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.

5. Procurement from UN Agencies

Vehicles and computer goods may be procured from the United Nations Inter-Agency Procurement Services Organization (IAPSO), in accordance with the provisions of paragraph 3.9 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Prior Review

With respect to each contract for works and for goods estimated to cost the equivalent of \$250,000 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 Bank 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 thereto 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 individual consultants 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.

