

CONFORMED COPY

CREDIT NUMBER 3002 EGT

Project Agreement

(East Delta Newlands Agricultural Services Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

PRINCIPAL BANK FOR DEVELOPMENT AND AGRICULTURAL CREDIT

Dated February 12, 1998

CREDIT NUMBER 3002 EGT

PROJECT AGREEMENT

AGREEMENT, dated February 12, 1998, between the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and PRINCIPAL BANK FOR DEVELOPMENT AND AGRICULTURAL CREDIT (PBDAC).

WHEREAS (A) by the Development Credit Agreement of even date herewith between the 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 eleven million one hundred thousand Special Drawing Rights (SDR11,100,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that PBDAC agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a subsidiary loan agreement to be entered into between the Borrower and PBDAC, as provided in Section 3.01 (c) of the Loan Agreement, part of the proceeds of the Credit provided for under the Development Credit Agreement will be made available to PBDAC on the terms and conditions set forth in said subsidiary loan agreement; and

WHEREAS PBDAC, 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 the Project;
Management and Operations of PBDAC

Section 2.01. PBDAC 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 and experienced management and personnel, and in accordance with its Statutes and the Statement of Policy.

Section 2.02. (a) PBDAC undertakes that: (i) unless the Association shall otherwise agree, Subloans under Part B (2) of the Project will be made in accordance with the applicable lending policies and practices of PBDAC; and (ii) the training under Part B (1) of the Project will be carried out in accordance with guidelines agreed with the Association.

(b) PBDAC shall exercise its rights in relation to each Sub-project in such manner as to: (i) protect the interests of the Association and of PBDAC; (ii) comply with its obligations under this Agreement and the Subsidiary Loan Agreement; and (iii) achieve the purposes of the Project.

Section 2.03. Except as the Association shall otherwise agree, procurement of the goods and works required for Part B (1) of the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 4 to the Development Credit Agreement.

Section 2.04. (a) PBDAC shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 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 and Part B of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section, PBDAC shall:

(i) (A) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of Part B of the Project and the achievement of the objectives thereof,

(B) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about December 31, 2000, a report integrating the results of the monitoring and evaluation activities performed pursuant to subparagraph (b) (i) (A) of this Section, on the progress achieved in the carrying out of Part B 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 Part B of the Project and the achievement of the objectives thereof during the period following such date,

(C) review with the Association, by April 30, 2001, or such later date as the Association shall request, the report referred to in subparagraph (b) (i) (B) of this Section, and, thereafter, take all measures required to ensure the efficient completion of Part B of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the

Association views on the matter; and

(ii) (A) 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 PBDAC, a plan designed to ensure the continued achievement of the objectives of Part B of the Project, and

(B) afford the Association a reasonable opportunity to exchange views with PBDAC on said plan.

Section 2.05. PBDAC shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Association shall otherwise agree, PBDAC shall not take or concur in any action which would have the effect of assigning, amending, abrogating or waiving the Subsidiary Loan Agreement or any provision thereof.

Section 2.06. (a) PBDAC 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 Loan Agreement, and other matters relating to the purposes of the Credit.

(b) PBDAC 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 PBDAC of its obligations under this Agreement and under the Subsidiary Loan Agreement.

ARTICLE III

Financial Covenants

Section 3.01. (a) PBDAC shall maintain procedures and records adequate to monitor and record the progress of Part B 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 PBDAC.

(b) PBDAC 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 (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 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 PBDAC 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 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 PBDAC 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 PBDAC:

Principal Bank for Development
and Agricultural Credit
110 Kasr El-Eini Street
Cairo
Arab Republic of Egypt

Cable address:

TASLEEF BANK
Cairo

Telex:

3540940

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 PBDAC or by PBDAC on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by its Chairman, or by such other person or persons as the said Chairman shall designate in writing, and PBDAC 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/ Khalid Ikram

Acting Regional Vice President
Middle East and North Africa

PRINCIPAL BANK FOR DEVELOPMENT AND
AGRICULTURAL CREDIT

By /s/ E. Hassauna

Authorized Representative

