

**CONFORMED COPY**



**LOAN NUMBER 7189-EGT**

# **Loan Agreement**

**(Skills Development Project)**

**between**

**ARAB REPUBLIC OF EGYPT**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT**

**Dated September 16, 2003**



**LOAN NUMBER 7189-EGT**

**LOAN AGREEMENT**

AGREEMENT, dated September 16, 2003, between the ARAB REPUBLIC OF EGYPT (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested the Bank to assist in the financing of the Project; and

(B) the Bank has agreed, on the basis, *inter alia*, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

**ARTICLE I**

**General Conditions; Definitions**

Section 1.01. (a) The "General Conditions Applicable to Loan and Guarantee Agreements for Fixed-Spread Loans" of the Bank dated September 1, 1999, with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement.

(b) Paragraph 22 of Section 2.01 of the General Conditions shall be modified as follows:

"22. "Fixed Spread" means the Bank's fixed spread of 0.50% in respect of the initial Loan Currency, provided, that upon a Currency Conversion of all or any portion of the unwithdrawn principal amount of the Loan, such fixed spread shall be adjusted on the Execution Date in the manner specified in the Conversion Guidelines."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Beneficiary Firms" means private sector firms referred to in paragraph B of Schedule 5 to this Agreement and selected in accordance with the eligibility criteria set forth in the Operational Manual (as this term is hereinafter defined);

(b) "BOT" means the Board of Trustees established and maintained in accordance with paragraph A.1 of Schedule 5 to this Agreement;

(c) "Financial Monitoring Report" or "FMR" means each report prepared in accordance with Section 4.02 of this Agreement;

(d) "MITD" means the Borrower's Ministry of Industry and Technological Development, or any successor thereof;

(e) "MOF" means the Borrower's Ministry of Finance, or any successor thereof;

(f) "Operational Manual" means the Project Operational Manual, dated May 6, 2003, setting forth the procedures, guidelines, criteria, terms of references and formats acceptable to the Bank and required for carrying out the Project, as such manual may be updated from time to time by agreement of the Borrower's MITD and the Bank;

(g) "PIs" means Project intermediaries including, *inter alia*, departments or units of businessmen/investors associations, federations, or chambers related to the selected sectors involved in providing or managing training and/or training related services, referred to in paragraph B of Schedule 5 to this Agreement and selected in accordance with the eligibility criteria set forth in this Agreement and the Operational Manual;

(h) "PMU" means the Project Management Unit, referred to in paragraph A.2 of Schedule 5 to this Agreement;

(i) "Special Account" means the account referred to in Section 2.02(a) of this Agreement;

(j) "Training Providers" means the entities involved in providing training referred to in paragraph B of Schedule 5 to this Agreement and selected in accordance with the eligibility criteria set forth in the Operational Manual; and

(k) "Training Sub-projects" means any activity under Part B of the Project for the provision of training to be financed out of the proceeds of the Loan.

## ARTICLE II

### The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount equal to five million five hundred thousand United States dollars (US\$5,500,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for amounts paid (or, if the Bank shall so agree, amounts to be paid) on account of withdrawals made by the Borrower under a Training Sub-project, to meet the reasonable cost of goods and services required for such Sub-project in respect of which the withdrawal from the Loan Account is requested, and in respect of interest and other charges in respect of the Loan, the front-end fee referred to in Section 2.04 of this Agreement and any premium in respect of an Interest Rate Cap or Interest Rate Collar referred to in Section 2.09 of this Agreement payable by the Borrower in accordance with Section 4.04(c) of the General Conditions.

(b) The Borrower may through MITD, for the purposes of the Project open and maintain in United States dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2008 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a front-end fee in an amount equal to one percent (1%) of the amount of the Loan. The Borrower agrees that on or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of such fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (i) eighty five one-hundredths of one per cent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions to but not including the fourth anniversary of such date; and (ii) seventy five one-hundredths of one per cent (0.75%) per annum thereafter.

Section 2.06. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, in respect of each Interest Period

at the Variable Rate as defined in paragraph 47 of Section 2.01 of the General Conditions; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the Borrower shall, during the Conversion Period, pay interest on such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and commitment charges shall be payable semiannually in arrears on February 15<sup>th</sup> and August 15<sup>th</sup> in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.09. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Variable Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in Section 2.01(7) of the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar in respect of which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.04(c) of the General Conditions up to the amount allocated from time to time for such purpose in the table in paragraph 1 of Schedule 1 to this Agreement.

Section 2.10. The Borrower represents that it has designated its Ministry of Finance for the purpose of handling on behalf of the Borrower, debt service payments with respect to the Loan.

Section 2.11. MITD is designated as the representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

### **ARTICLE III**

#### **Execution of the Project**

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project, and, to this end, shall through MITD, carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, economic, engineering, environmental, financial, management and technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower shall, through MITD, carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement and with the Operational Manual.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall, through MITD:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for the continued achievement of the objectives of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.04. The Borrower shall, through MITD, ensure that Training Subprojects are appraised and implemented in accordance with the provisions of the Operational Manual.

### **ARTICLE IV**

#### **Financial Covenants**

Section 4.01. (a) The Borrower shall, through MITD, maintain a financial management system, including records and accounts, and prepare financial statements in a

format acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall, through MITD:

- (i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Accounts for each fiscal year audited, in accordance with auditing standards acceptable to the Bank, consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank 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 the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Bank may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall, through MITD:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;
- (ii) retain, until at least one (1) year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls



involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the Borrower's MITD progress reporting obligations set out in Schedule 5 to this Agreement, the Borrower shall, through MITD, prepare and furnish to the Bank a Financial Monitoring Report, in form and substance satisfactory to the Bank, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than forty-five (45) days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Bank not later than forty-five (45) days after each subsequent calendar quarter, and shall cover such calendar quarter.

## **ARTICLE V**

### **Effective Date; Termination**

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement in accordance with Article XII of the General Conditions:

(a) for the purposes of the financial management system referred to under Article IV of this Agreement, the Borrower has through MITD, retained a financial management firm with qualifications and terms of reference acceptable to the Bank and the said firm has commenced the implementation of the financial management system; and

(b) the Borrower has through MITD, established the PMU referred to in paragraph A.2 of Schedule 5 to this Agreement, with staff in adequate numbers and with qualifications, experience and terms of reference satisfactory to the Bank.

Section 5.02. The date one hundred and eighty (180) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

## ARTICLE VI

### Representative of the Borrower; Addresses

Section 6.01. The Minister of State for Foreign Affairs of the Borrower and the Under Secretary of State for International, Regional and Arab Financing Organizations, International Cooperation Sector of said Ministry of the Borrower, are severally designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Foreign Affairs  
(International Cooperation Sector)  
8 Adly Street  
Cairo, Egypt

Cable Address:

Ministry of Foreign Affairs  
(International Cooperation Sector)  
Cairo, Arab Republic of Egypt

Facsimile:

(202) 391 2815  
(202) 391 5167

For the Bank:

International Bank for  
Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable Address:

INTBAFRAD  
Washington, D.C.

Telex:

248423 (MCI) or  
64145 (MCI)

Facsimile:

(202) 477-6391

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.

ARAB REPUBLIC OF EGYPT

By /s/ Fayza Abounaga

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Christiaan Poortman

Regional Vice President  
Middle East and North Africa

**SCHEDULE 1**

**Withdrawal of the Proceeds of the Loan**

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in United States dollars</u>	<u>% of Expenditures to be Financed</u>
(1) Training Sub-projects	4,895,000	85%
(2) Front-end fee	55,000	Amount due under Section 2.04 of this Agreement
(3) Premia for Interest Rate Caps and Interest Rate Collars	0	Amount due under Section 2.09(c) of this Agreement
(4) Unallocated	550,000	
TOTAL	<u>5,500,000</u>	

2. Notwithstanding the provisions of paragraph I above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

3. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for Training Sub-projects costing less than US\$50,000 equivalent each, under such terms and conditions as the Bank shall specify by notice to the Borrower.

## SCHEDULE 2

### Description of the Project

The objective of the Project is to assist the Borrower in carrying out a pilot program to stimulate the private sector demand for skills training development through a demand-driven and competitively-based mechanism.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

Part A: Awareness Program and Monitoring and Evaluation

Provision of technical advisory services to: (i) carry out an awareness, promotion and outreach program to acquaint selected targeted private sector small and medium enterprises, training providers, businessmen/investors associations, federations and chambers with training opportunities available under the Project; (ii) carry out surveys, studies and assessments to monitor and evaluate the Project outcomes; (iii) enable eligible Beneficiary Firms for developing training needs assessment and training plans; (iv) enable eligible Training Providers for developing training proposals; and (v) enable eligible Pls for developing aggregated training proposals.

Part B: Training Sub-projects

Provision of financial support for carrying out a demand-driven training program on a cost-sharing basis; and strengthening the institutional capacity of eligible Pls.

Part C: Project Management

Provision of goods and technical advisory services for: (i) strengthening the institutional capacity of the PMU; and (ii) conducting the monitoring and evaluation of the Project inputs, processes and outputs.

\* \* \*

The Project is expected to be completed by December 31, 2007.

### SCHEDULE 3

#### Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Payment Date</u>	<u>Installment Share (Expressed as a %)</u>
On each February 15 <sup>th</sup> and August 15 <sup>th</sup> Beginning August 15 <sup>th</sup> , 2008 through August 15 <sup>th</sup> , 2019	4.17%
On February 15 <sup>th</sup> , 2020	4.09%

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Withdrawals made within two (2) calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable

on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph 3, if at any time the Bank shall adopt a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such subparagraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

## **SCHEDULE 4**

### **Procurement**

#### 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 and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of this Section I.

##### 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.

##### Part C: Other Procurement Procedures

###### 1. National Shopping

Goods estimated to cost less than US\$100,000 equivalent per contract, up to an aggregate amount not to exceed US\$200,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures, all in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

##### Part D: Review by the Bank of Procurement Decisions

###### 1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

###### 2. Prior Review

(a) With respect to each contract for goods to be procured in accordance with the procedures referred to in paragraph 1 under Part B of this Section, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.



(b) With respect to each contract for the first two (2) contracts for goods to be procured in accordance with the procedures referred to in paragraph 1 under Part C of this Section, the following procedures shall apply:

- (i) prior to the selection of any supplier under shopping procedures, the Borrower shall provide to the Bank a report on the comparison and evaluation of quotations received;
- (ii) prior to the execution of any contract procured under shopping procedures, the Borrower shall provide to the Bank a copy of the specifications and the draft contract; and
- (iii) the procedures set forth in paragraphs 2(f), 2(g) and 3 of Appendix 1 to the Guidelines shall apply.

### 3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix I to the Guidelines shall apply.

## Section II. Employment of Consultants

### Part A: General

1. Consultants' services shall be procured in accordance with the provisions of Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines), paragraph I of Appendix 1 thereto, Appendix 2 thereto and the following provisions of of this Section II.

### Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provision shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph: the short list of consultants for services estimated to cost less than US\$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 and footnote 8 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Single Source Selection

Services for the implementation of Training Sub-projects under Part B of the Project, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

2. Individual Consultants

Services of individual consultants for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines, subject to prior approval of the Bank.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Bank for its review and approval prior to the issuance to consultants of any requests for proposals. Such plan shall be updated every 12 months during the execution of the Project, and each such updating shall be furnished to the Bank for its review and approval. Selection of all consultants' services shall be undertaken in accordance with such selection plan (as updated from time to time) as shall have been approved by the Bank.

2. Prior Review

(a) With respect to: (i) each contract for the employment of consulting firms estimated to cost the equivalent of US\$200,000 or more; and (ii) each contract for the employment of consulting firms to be selected in accordance with the procedures referred to in paragraph 1 under Part C of this Section, the procedures set forth in paragraphs 2, 3 and 5 of Appendix I to the Consultant Guidelines shall apply

(b) With respect to each contract for employment of consulting firms estimated to cost less than US\$50,000 equivalent, terms of reference, short lists, cost estimates and the first five (5) contracts shall be furnished to the Bank for its prior review and approval.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of US\$50,000 or more, the report on the comparison of the qualifications and experience of candidates, the qualifications, experience, terms of reference, cost estimates and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given. The provisions of paragraph 3 of Appendix I to the

Consultant Guidelines shall also apply to such contracts.

(d) With respect to each contract for the employment of individual consultants estimated to cost less than US\$50,000 equivalent, terms of reference, short lists and contracts shall be furnished to the Bank for its prior review and approval.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix I to the Consultant Guidelines shall apply.

## SCHEDULE 5

### Implementation Program

#### A. Overall Project Implementation and Coordination

1. The Borrower shall vest MITD with the overall responsibility of the Project implementation. For the purpose of ensuring the proper coordination and overall management of the Project, the Borrower shall maintain within MITD, the BOT to be chaired by the Minister of Industry and Technological Development, and shall include representatives of all Project stakeholders as set forth in the Operational Manual.

2. (a) For the purpose of ensuring the proper execution of the Project, the Borrower shall cause MITD to maintain the PMU with organization, staffing and terms of reference satisfactory to the Bank.

(b) The Borrower shall, through MITD, cause the PMU to: (i) maintain arrangements satisfactory to the Bank for the overall coordination and supervision of Project implementation; (ii) appoint not later than February 29, 2004, consultants with qualifications and terms of reference satisfactory to the Bank and in accordance with the Operational Manual to assist in the carrying out of the Project; (iii) ensure that PIs are selected in accordance with the criteria set forth in the Operational Manual; and (iv) ensure that Training Sub-projects under Part B of the Project shall be made in accordance with the requirements and other details set forth in the Operational Manual.

(c) The Borrower shall, through MITD, ensure that the PMU shall: (i) prepare annual work plans, budgets and quarterly reports in accordance with the Operational Manual; (ii) furnish to the Bank not later than October 1st of each year, the proposed annual work plans and budget for the following year, and (iii) afford the Bank at the most one month thereafter to review such proposed annual work plans and budget.

#### B. Training Sub-projects

##### 1. Eligibility Criteria

(a) The Borrower shall cause MITD to ensure that the PIs, Training Providers and Beneficiary Firms are selected in accordance with the eligibility criteria set forth in the Operational Manual. Selecting PIs shall be made in accordance with criteria and procedures specified in the Operational Manual including, *inter alia*, that eligible PIs: (i) are legally registered as Egyptian non-profit non-governmental organizations governed by Law No. 84 of 2002; (ii) have experience in managing training activities for small and medium enterprises on both technical and soft skills; and (iii) have capacity to manage training programs financed on a cost-shared basis.

(b) The Borrower shall through MITD, ensure that no expenditures shall be made under Category (1), set out in the table in paragraph 1 of Schedule 1 to this Agreement, unless the Borrower's MITD is satisfied that the Training Sub-project sought to be financed meets the eligibility criteria specified in paragraph B.1(c) of this Schedule and the procedures, terms and conditions set forth in the Operational Manual.

(c) An eligible Training Sub-project shall: (i) support the provision of training to an eligible Beneficiary Firm, namely a small and medium enterprise, employing more than ten (10) but less than five hundred (500) employees and located within the service domain of an eligible PI; (ii) target employees whose work is directly related to the production process within an eligible Beneficiary Firm; (iii) support Beneficiary Firms providing a contribution to the training costs in accordance with the Operational Manual; and (iv) not finance any Training Sub-project proposal exceeding US\$400,000.

2. In carrying out Part B of the Project, the Borrower shall cause MITD to proceed according to the following procedures:

(a) The eligible Beneficiary Firms shall develop training needs assessments and shall submit same to the PIs for review in accordance with the Operational Manual.

(b) Based on the training needs assessments submitted by the eligible Beneficiary Firms, the selected PIs shall develop an aggregate needs assessment and submit requests for proposals to the eligible Training Providers.

(c) The eligible Training Providers shall, based on the demand driven requests for proposals, develop training program proposals for submission to the PIs.

(d) The PIs shall carry out an assessment of the training program proposals, and submit a request to the PMU for assessment in order to finance: (i) the selected training program to be carried out by the Training Providers; and (ii) the cost of managing the training program to be carried out by the PIs, in accordance with the Operational Manual.

(e) MITD shall, through the PMU: (i) ensure that Training Sub-projects are identified, appraised, furnished to the Bank for review, and approved in accordance with the criteria and procedures set forth in the Operational Manual; and (ii) ensure that appropriate contractual arrangements are made with the PIs selected in accordance with the Operational Manual for the carrying out of Training Sub-projects.

C. Progress Reports and Mid-Term Review

1. The Borrower shall, through MITD:

(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 satisfactory to the Bank, and furnish to the Bank, on or about September 30, 2005, a 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
- (c) review with the Bank, by December 31, 2005, or such later date as the Bank shall request, the report referred to in paragraph (b) 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 said report and the Bank's views on the matter.

## **SCHEDULE 6**

### **Special Account**

1. For the purposes of this Schedule:

(a) the term "eligible Category" means Category (1) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Category in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means the amount of US\$600,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to the amount of US\$300,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of US\$1,500,000.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall through MITD, furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower's MITD shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall through MITD, furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall through MITD, furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is

requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower's MITD shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Category, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower through MITD, out of the Special Account, the Borrower shall through MITD, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower's MITD shall have failed to furnish to the Bank, within the period of time specified in Section 4.01(b)(ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Category, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Category shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.



6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6(a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

