

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 7222 - EGT

Project Agreement

(Airports Development Project)

between

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

and

**EGYPTIAN HOLDING COMPANY FOR AIRPORTS
AND AIR NAVIGATION**

Dated March 31, 2004

Public Disclosure Authorized



LOAN NUMBER 7222 -EGT

PROJECT AGREEMENT

AGREEMENT, dated March 31, 2004, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and the EGYPTIAN HOLDING COMPANY FOR AIRPORTS AND AIR NAVIGATION (EHCAAN).

WHEREAS (A) by the Loan Agreement of even date herewith between the Arab Republic of Egypt (the Borrower) and the Bank, the Bank has agreed to make a loan to the Borrower in the amount of three hundred thirty five million United States dollars (US\$335,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that EHCAAN agree to undertake such obligations toward the Bank as are set forth in this Agreement;

(B) by a Subsidiary Loan Agreement to be entered into between the Borrower and EHCAAN the proceeds of the Loan shall be on-lent to EHCAAN on the terms and conditions set forth in said Subsidiary Loan Agreement; and

WHEREAS EHCAAN, in consideration of the Borrower's entering into the Loan Agreement with the Bank, 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 Loan Agreement, the Preamble to this Agreement and the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) EHCAAN declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, engineering, environmental, financial, management and technical practices, and shall provide, or cause to be provided, 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 Bank and EHCAAN shall otherwise agree, EHCAAN shall carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement, the Environmental Management Plans and the PIP.

Section 2.02. Except as the Bank shall otherwise agree, procurement of the goods, works 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 1 to this Agreement.

Section 2.03. (a) EHCAAN shall carry out the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 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.

(b) For the purposes of Section 9.07 of the General Conditions and without limitation thereto, EHCAAN shall:

- (i) 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 Bank and EHCAAN, a plan designated to ensure the continued achievement of the objectives of the Project; and
- (ii) afford the Bank a reasonable opportunity to exchange views with EHCAAN on said plan.

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

Section 2.05. (a) EHCAAN shall exchange views with the Bank with regard to progress of the Project, the performance of its obligations under this Agreement and the Subsidiary Loan Agreement, and other matters relating to the purposes of the Loan, as the Bank shall reasonably request.

(b) EHCAAN shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Loan, or the performance by EHCAAN of its obligations under this Agreement and the Subsidiary Loan Agreement.

ARTICLE III

Management and Operations of EHCAAN

Section 3.01. EHCAAN shall carry on its operations and conduct its affairs in accordance with sound administrative, engineering, environmental, financial, management and technical practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. EHCAAN shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, environmental, financial, management and technical practices.

Section 3.03. EHCAAN shall take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE IV

Financial Covenants

Section 4.01. (a) EHCAAN shall establish no later than the Effective Date and thereafter maintain a Project financial management system, including records and accounts, and prepare financial statements, in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to the Project.

- (b) EHCAAN shall:
 - (i) have its financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year (or other period proposed by EHCAAN and agreed to by the Bank), audited, in accordance with consistently applied auditing standards acceptable to the Bank, by independent auditors acceptable to the Bank;
 - (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year (or such other period proposed by EHCAAN and agreed to by the Bank), (A) certified copies of the financial statements referred to in paragraph (a) of this Section, for such year (or such other period proposed by EHCAAN and agreed to by the Bank), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and

- (iii) furnish to the Bank such other information concerning such records and accounts and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.

Section 4.02. (a) Without limitation upon EHCAAN's reporting obligations set out in Schedule 2 to this Agreement, EHCAAN shall 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 the period not covered by the previous FMR until the end of such calendar quarter.

Section 4.03. EHCAAN shall cause CAC and EAC to duly appoint by no later than September 30, 2004, two financial officers with qualifications, experience and terms of reference acceptable to the Bank.

Section 4.04. EHCAAN shall no later than March 31, 2007 upgrade its financial management system and cause CAC and EAC to upgrade their respective financial management systems, in accordance with International Accounting Standards.

ARTICLE V

Effective Date; Termination;

Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.

Section 5.02. This Agreement and all obligations of the Bank and of EHCAAN thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify EHCAAN thereof.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. 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, telex or facsimile 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. Deliveries made by facsimile transmission shall also be confirmed by mail. The addresses so specified are:

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America

Cable address:	Telex:	Facsimile:
INTBAFRAD	248423 (MCI) or	(202) 477-6391
Washington, D.C.	64145 (MCI)	

For EHCAAN:

EGYPTIAN HOLDING COMPANY FOR

AIRPORTS AND AIR NAVIGATION
Cairo Airport Road, beside the Ministry of Civil Aviation
Cairo, Egypt

Facsimile:

(202) 635 0933

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of EHCAAN, or by EHCAAN on behalf of the Borrower under the Loan Agreement, may be taken or executed by its Chairman, or such other person or persons as said Chairman shall designate in writing, and EHCAAN shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. 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 District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

Poortman By /s/ Christiaan J.
Regional Vice President
Middle East and North Africa

EGYPTIAN HOLDING COMPANY FOR
AIRPORTS AND AIR NAVIGATION

Manna By /s/ Ibrahim Ahmed
Authorized Representative

SCHEDULE 1**Procurement****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 and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

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. 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.
3. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraphs 1 and 2 of this Part B.

(a) **Pre-qualification**

Bidders for works shall be pre-qualified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

(b) **Preference for domestically manufactured 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.

(c) **Dispute Review Board**

Each contract for works estimated to cost \$50,000,000 equivalent or more shall include the provisions for a dispute review board set forth in the standard bidding documents for works referred to in paragraph 2.12 of the Guidelines.

(d) **Notification and Advertising**

The invitation to pre-qualify 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

International or National Shopping

Goods estimated to cost less than \$500,000 equivalent per contract, up to an aggregate amount not to exceed \$3,000,000 equivalent, and goods, which the Bank agrees can only be purchased from a limited number of suppliers, regardless of the cost thereof, may be procured under contracts awarded in accordance with the provisions of paragraph 3.2 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to pre-qualify for bidding or 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. Such plan shall be updated every twelve (12) months during the execution of the Project, and each such updating shall be furnished to the Bank for its review and approval. Procurement of all goods and works shall be undertaken in accordance with such selection plan (as updated from time to time) as shall have been approved by the Bank and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to: (i) each contract for works; and (ii) each contract for goods estimated to cost the equivalent of \$1,000,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract for goods to be procured in accordance with the procedures referred to in paragraph 1 under Part C of this Section above and estimated to cost the equivalent of \$100,000 or more, the following procedures shall apply:

- (i) prior to the selection of any supplier under shopping procedures, EHCAAN 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, EHCAAN 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 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

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 1 of Appendix 1 thereto, Appendix 2 thereto and the following provisions of this Section.

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 \$100,000 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

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 twelve (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 each contract for the employment of consulting firms estimated to cost \$100,000 or more, the procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants, estimated to cost the equivalent of \$50,000 or more, the report on the comparison of the qualifications and experience of candidates, the qualifications, experience, terms of reference 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 1 to the Consultant Guidelines shall also apply to such contracts.

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 1 to the Consultant Guidelines shall apply.

SCHEDULE 2

Implementation Program

A. Overall Project Implementation and Coordination

1. EHCAAN shall establish no later than June 1, 2004 and thereafter maintain a Steering Committee throughout the duration of the Project, with membership and terms of reference satisfactory to the Bank. The Steering Committee shall, *inter alia*, have responsibility for Project oversight and coordination.

2. EHCAAN shall appoint the head of the PMU by no later than May 31, 2004 and maintain the PMU throughout the duration of the Project with organization, staffing and terms of reference at all times satisfactory to the Bank. EHCAAN shall cause the PMU to: (a) maintain arrangements satisfactory to the Bank for the overall management, coordination and supervision of the Project implementation in accordance with the PIP and the Environmental Management Plans; (b) operate the Project financial management system in a manner satisfactory to the Bank; (c) gather data to maintain Project indicators; (d) coordinate the procurement and disbursement process; and (e) prepare and submit progress reports and financial monitoring reports.

3. For the purpose of carrying out Parts A and B of the Project, EHCAAN shall by no later than June 30, 2004, enter into appropriate contractual arrangements, satisfactory to the Bank with: (a) CAC (the CAC Agreement); and (b) EAC (the EAC Agreement), respectively. The said agreements shall stipulate, *inter alia*, that: (a) CAC and EAC shall, on behalf of EHCAAN, implement Parts A and B of the Project, respectively; (b) to this end, CAC and EAC shall: (i) appoint a procurement officer with qualifications, experience and terms of reference acceptable to the Bank, for the duration of the Project, to coordinate with the PMU at EHCAAN and to ensure that the procurement of works under Parts A and B of the Project is conducted as per the Bank's Procurement Guidelines and Schedule 1 to the Project Agreement; (ii) enter into contracts with contractors; (iii) prepare, maintain and submit monthly, quarterly, and annual progress reports to EHCAAN and the PMU; (iv) prepare annual financial statements in accordance with International Accounting Standards; (v) have their respective accounts audited on an annual basis by independent auditors in accordance with International Standards on Auditing; (vi) submit annual audit reports to EHCAAN, six months from the end of each Fiscal Year; (vii) appoint a financial officer with qualifications, experience and terms of reference acceptable to the Bank, for the duration of the Project, to coordinate with the PMU at EHCAAN and to ensure that documents, reports and information are promptly provided to EHCAAN and the PMU; (viii) carry out their activities and obligations in accordance with sound administrative, engineering, accounting and environmental standards; (ix) for the duration of the Project, make available to EHCAAN, the auditors of EHCAAN and the Project auditors referred to in Section 4.01. of the Project Agreement all documents, books, and records pertaining to the Project activities; (x) respond to queries, report findings and comments by EHCAAN, auditors of EHCAAN

and the Project auditors referred to in Section 4.01. of the Project Agreement; and (xi) implement their respective parts of the Project in accordance with the Environmental Management Plans and the PIP; and (c) EHCAAN shall, on behalf of CAC and EAC, arrange to pay the said contractors respectively.

4. EHCAAN shall: (a) no later than July 1, 2004, establish and thereafter maintain an environmental management unit within CAC; and (b) no later than August 1, 2004, establish and thereafter maintain an environmental management unit within EAC. The said environmental management units shall oversee, monitor and participate in the implementation of the EMPs and provide, as part of the Project progress reports and mid-term review referred to in paragraph B of this Schedule, noise and air quality monitoring data and appropriate mitigating measures in accordance with the EMPs.

5. EHCAAN shall ensure that: (a) no activity shall be undertaken under the Project involving the involuntary acquisition of land or involuntary resettlement of occupants or owners of such land; and (b) any such land required for the purposes of the Project shall be acquired on a voluntary basis.

6. EHCAAN shall prepare and submit to the Bank, procurement reports in accordance with the PIP.

B. Progress Reports and Mid-Term Review

EHCAAN shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory 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 not later than twenty one (21) days after the end of the first month after the Effective Date, a monthly summary report on the progress of works under Part A and B of the Project;

(c) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank not later than forty five (45) days after the end of the first calendar quarter after the Effective Date, a quarterly 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;

(d) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, prior to August 15 of each year, an annual consolidated report integrating the results of the quarterly reports referred to in paragraph (c) of this Section, on the progress achieved in the carrying out of the Project during the year 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;

(e) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about June 30, 2006, a 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

(f) review with the Bank, by September 30, 2006 or such later date as the Bank shall request, the report referred to in paragraph (e) 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.