GRANT NUMBER: TF016152

MIDDLE EAST AND NORTH AFRICA
TRANSITION FUND

Grant Agreement

ENERGY/SOCIAL SAFETY NETS SECTOR REFORMS TECHNICAL
ASSISTANCE PROJECT

between

ARAB REPUBLIC OF EGYPT And

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AND
INTERNATIONAL DEVELOPMENT ASSOCIATION

acting as Implementation Support Agency of the Transition Fund

Dated December 4, 2013
LOAN NUMBER TF016152

TRANSITION FUND

GRANT AGREEMENT

AGREEMENT dated December 4, 2013, entered into between:

ARAB REPUBLIC OF EGYPT ("Recipient"); and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AND INTERNATIONAL DEVELOPMENT ASSOCIATION ("World Bank"), acting as Implementation Support Agency (ISA) for the Trust Fund (TF072021) for the Transition Fund (the "Trust Fund).  

The World Bank and the Recipient hereby agree as follows:

Article I

Standard Conditions; Definitions

1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012 ("Standard Conditions"), with the modifications set forth in Appendix 2 to this Agreement, constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement, or in the Appendix I to this Agreement.

Article II

The Project

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule I to this Agreement ("Project"). To this end, the Recipient shall carry out the Project in accordance with the provisions of Article II of the Standard Conditions.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

Article III

The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to six million five hundred thousand United States Dollars (US$6,500,000) ("Grant") to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.
3.03. The Grant is funded out of the Trust Fund for which the World Bank receives periodic contributions from the Trustee of the Trust Fund, in accordance with the Financial Procedures Arrangement (FPA) between the International Bank for Reconstruction and Development and International Development Association, acting jointly as Implementation Support Agency (ISA), and the International Bank for Reconstruction and Development, as Trustee, dated November 21, 2012, concerning the Trust Fund. In accordance with Section 3.02 of the Standard Conditions, the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Trustee under the abovementioned Trust Fund, in accordance with the FPA, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

Article IV
Effectiveness; Termination

4.01. This Agreement shall not become effective until the World Bank receives from the Recipient a formal notification satisfactory to the World Bank that the Recipient has duly entered into this Agreement and its terms and conditions are fully valid and binding and all the necessary internal procedures have been completed by the Recipient.

4.02. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the notification sent in accordance with Section 4.01 (“Effective Date”). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

4.03. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.
Article V
Recipient’s Representative; Addresses

5.01. The Minister of International Cooperation of the Recipient and the Assistant to the Minister for International, Regional and Arab Financing Organizations of the Ministry of International Cooperation are severally designated as the Recipient’s Representative referred to in Section 7.02 of the Standard Conditions.

5.02. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of International Cooperation
8 Adly Street,
Cairo, Arab Republic of Egypt

Cable address: Ministry of International Cooperation
Facsimile: (202) 2391-2815

5.03. The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable: INTBAFRAD
Telex: INDEVAS 248423 (MCI) or 1-202-477-6391
Facsimile: 64145 (MCI)
AGREED at Cairo, Arab Republic of Egypt, as of the day and year first above written.

ARAB REPUBLIC OF EGYPT

By

[Signature]

Authorized Representative

Name: H.E. Dr. Ziad Baba-Eldin

Title: Deputy Prime Minister and
Minister of International Cooperation

INTERNATIONAL BANK FOR RECONSTRUCTION AND
DEVELOPMENT AND INTERNATIONAL DEVELOPMENT
ASSOCIATION
acting as Implementation Support Agency of the Transition Fund Trust Fund

By

[Signature]

Authorized Representative

Name: Hartwig Schofer

Title: Country Director
SCHEDULE I

Project Description

The objective of the project is to strengthen the Recipient’s capacity to: (i) design a comprehensive fuel subsidy reform strategy; (ii) establish concrete measures for improved financial viability of key energy sector actors; and (iii) identify households that would be most vulnerable to the impacts of the fuel subsidy reform.

The project consists of the following parts:

Part A: Power Sector Institutional Development and Financial Viability:

Provision of technical assistance to: (i) support the analysis of reform options by developing a concrete action plan to improve the financial viability and management of the electricity utilities in Egypt and their governance structure; (ii) develop effective strategies including implementation plans for fuel to power generation entities; (iii) develop an action plan to establish an energy efficiency unit housed at MoEE to implement the National Energy Efficiency Action Plan (NEEAP) for the electricity sector; and (iv) support the Project Management Team to carry out its functions.

Part B: Energy Pricing and Fuel Switching Reform Technical Assistance:

Provision of technical assistance to: (i) developing a comprehensive strategy for energy subsidy reform, and measures to mitigate impact of reforming energy subsidy; and (ii) developing a communication strategy for energy subsidy reform.

Part C: Strengthening Social Safety Nets (SSN) Technical Assistance:

Provision of technical assistance to: (i) develop database of the poor and vulnerable; (ii) undertake baseline survey of beneficiary families; and (iii) establish Technical Working Unit (TWU) to support social safety net reform.
SCHEDULE 2
Project Execution

Section 1. Institutional and Other Arrangements

A. General

1. The Recipient shall carry out the project through the MoEE that shall be responsible for Project management and implementation including, administrative and financial management, disbursement and procurement, and monitoring and evaluation.

2. The Recipient’s MoEE shall maintain throughout the implementation of the Project, a Project Steering Committee (PSC), chaired by the First Undersecretary of MoEE and participated by senior representatives nominated by stakeholder ministries, for the purposes of:
   (a) providing strategic direction for the technical assistance and support, coordinate, and make resources available for implementation of its components with various line ministries, government authorities and national programs; and
   (b) preparing the recommendations for the line ministries and government authorities for the implementation of recommendations and sector strategies that would be developed by the technical assistance.

3. The Recipient through MoEE shall maintain throughout the implementation of the Project a Project Management Team, headed by a Project Coordinator (PC) and comprising of appropriate staff with terms of reference acceptable to the World Bank. The PMT shall be responsible for handling all aspects of the project, including financial and procurement issues.

4. The Recipient through MoEE shall monitor and coordinate the implementation and progress of the project according to semi-annual work plans prepared by the Project Coordinator and approved by the PSC. The Recipient through MoEE shall furnish such plans to the World Bank at the end of each calendar semester, for its review and approval by the World Bank.

B. Implementation Arrangements

1. In carrying out the Project, the Recipient shall maintain the Project Operational Manual, in a form and substance acceptable to the World Bank and such manual shall include, inter alia, the description of: (i) implementation arrangements; (ii) the procurement procedures and standard procurement documentation; (iii) reporting requirements, financial management and audit procedures; (iv) monitoring and evaluation arrangements; and (v) arrangements for inter-ministerial coordination, organization, roles and responsibilities.

2. The Recipient shall not assign, amend, abrogate or waive the Project Operational Manual or any provisions thereof if, in the opinion of the World Bank, such assignment, amendment, abrogation or waiver will materially and adversely affect the implementation of the Project. Any amendments to the said manual shall be made with the prior agreement of the Recipient and the World Bank. In case of any conflict between the provisions of the Project Operational Manual and the provisions of this Agreement, the provisions of this Agreement shall govern.
3. Without any limitation to the provisions of Section 3.06 of the Standard Conditions, the Recipient shall ensure that the Grant funds are used exclusively for their intended purposes and not diverted to persons or entities, or utilized for activities, prohibited under the FPA, in particular under Section 4 of the FPA.

C. **Anti-Corruption**

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006, and revised in January 2011 (“Anti-Corruption Guidelines”).

D. **Donors Visibility and Visits**

1. The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Trust Fund donors' support for the Project.

2. For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank's request, take all measures required on its part to enable the representatives of the Trust Fund donors to visit any part of the Recipient's territory for purposes related to the Project.

**Section II. Project Monitoring, Reporting and Evaluation**

A. **Project Reports; Completion Report**

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth in the Project Operational Manual, acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than 45 days after the end of the period covered by such report.

2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

B. **Financial Management; Financial Reports; Audits**

1. The Recipient shall, through MoEE, ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. The Recipient shall, through MoEE, ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than 45 days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

3. The Recipient shall, through MoEE, have the Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the
Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

C. Other Reports

Without any limitation to the provisions of Section II.A and Section II.B of this Schedule 2, the Recipient through MoEE shall, upon request from the World Bank, provide all information and reports, as reasonable, relating to the Project, and the use of the proceeds of the Grant, in order to enable the World Bank to fulfill its obligations under the FPA.

Section III. Procurement

A. General

1. Procurement and Consultant Guidelines. All goods and consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(a) Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”), in the case of goods and non-consulting services, and Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants’ services; and

(b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

2. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods

1. National Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of National Competitive Bidding, subject to the following additional procedures: Project Standard Bidding Documents, acceptable to the World Bank, will be used for procurement under National Competitive Bidding for packages to be entirely or partially financed under the Grant.

2. Other Methods of Procurement of Goods and Non-consulting Services. The following methods, other than National Competitive Bidding, may be used for procurement of goods for those contracts specified in the Procurement Plan: (a) Shopping; and (b) Direct Contracting.
C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services for those assignments which are specified in the Procurement Plan: (a) Selection under a Fixed Budget; (b) Least Cost Selection; (c) Single-source Selection of consulting firms; (d) Selection of Individual Consultants; and (e) Single-source procedures for the Selection of Individual Consultants.

D. Review by the World Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.
Section IV.  Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional arrangements as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such arrangements), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Consultant Services</td>
<td>5,500,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods</td>
<td>500,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Training</td>
<td>500,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>6,500,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 30, 2016.
APPENDIX 1

Definitions

(a) "Anti-Corruption Guidelines" means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006, and revised in January 2011.

(b) "MoEE" means the Recipient’s Ministry of Energy and Electricity or any successor thereto.

(c) "NEEAP" means National Energy Efficiency Action Plan.

(d) "PMT" means the Project Management Team, as referred to in paragraph A.3 of Schedule 2 to the Grant Agreement established and operating pursuant to a ministerial decree No. 107 of 2013, or any successor or successors thereof.

(e) "Procurement Plan" means the procurement plan dated November 13, 2013, prepared and updated from time to time by the Recipient through MoEE for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(f) "Project Operational Manual" means the manual dated November 13, 2013, acceptable to the World Bank, adopted by MoEE with the Recipient’s approval for the purposes of the Project and referred to in paragraph B.1 of Section I of Schedule 2 to the Grant Agreement, as the same may be amended from time to time with the prior agreement of the Recipient and the World Bank.

(g) "PSC" means Project Steering Committee, as referred to in paragraph A.2 of Schedule 2 to the Grant Agreement established and operating pursuant to a ministerial decree No. 106 of 2013, or any successor or successors thereof.

(h) "Steering Committee" or "SC" means the Transition Fund’s decision making body, established in accordance with the procedures set out in the Trust Fund Operations Manual.

(i) "Training" means the cost of training and workshops financed under the Project, attributable to in-country seminars, study tours, and workshops, along with the cost of domestic travel and subsistence for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to training preparation and implementation, including fees of educational or other institutions providing training.

(j) "Transition Fund Operations Manual" means the Manual approved by the Steering Committee, which sets out the detailed procedures applicable to the operation of the Trust Fund, as said Manual may be amended from time to time.
by the Steering Committee in accordance with procedures set out in the said Manual.

(k) "Trustee" means the International Bank for Reconstruction and Development in its capacity as a trustee of the Trust Fund.
APPENDIX 2

Modifications to the Standard Conditions

The Standard Conditions are modified as follows:

The first sentence of Section 4.05(a) of the Standard Conditions has been revised as follows: “If the World Bank or the SC (as defined in the Grant Agreement) determines or an audit conducted under the FPA (as defined in the Grant Agreement) indicates that an amount of the Grant has been used in a manner inconsistent with the provision of the Grant Agreement, the Standard Conditions, or the FPA, the Recipient shall, upon notice by the World Bank to the Recipient, promptly refund such amount to the World Bank.”