MIDDLE EAST AND NORTH AFRICA TRANSITION FUND

Grant Agreement

EQUAL ACCESS AND SIMPLIFIED ENVIRONMENT FOR INVESTMENT (EASE) PROJECT

between

ARAB REPUBLIC OF EGYPT

and

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

Dated March 29, 2016
GRANT NUMBER TF0A1553

TRANSITION FUND

GRANT AGREEMENT

AGREEMENT dated March 29, 2016, entered into between:

THE ARAB REPUBLIC OF EGYPT ("Recipient"); and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AND INTERNATIONAL DEVELOPMENT ASSOCIATION ("World Bank"), acting as Implementation Support Agency (ISA) of 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 (as defined in Appendix I to this Agreement), with the modification set forth in Appendix II 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.

Article II

The Project

2.01. The Recipient declares its commitment to the objective of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall cause Part I of the Project to be carried out by GAFI, and Parts II and III of the Project by IDA, 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 five million United States Dollars (US$5,000,000) ("Grant") to assist in financing the Project.

3.02. The Recipient through GAFI and IDA 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 formal notification satisfactory to the World Bank of a competent official of the Recipient, showing that the Recipient has duly entered into this Agreement and that the terms and conditions of this Agreement 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 formal notification sent in accordance with Section 4.01 of this Agreement ("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 one hundred eighty (180) 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
Cable address: Cairo, Arab Republic of Egypt
Facsimile: (202) 2391-5167

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

ARAB REPUBLIC OF EGYPT

By

Authorized Representative

Name:

Title: WORK OF INTEREST

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

By

Authorized Representative

Name: ASAD ALAM

Title: COUNTRY DIRECTOR
SCHEDULE 1

Project Description

The development objective of the Project is to improve the regulatory environment for investors through simplified licensing and transparent industrial land allocation processes.

The Project consists of the following parts:

Part I: Facilitating Accessible and Transparent Investor Services (GAFI)

Providing technical support to GAFI to become the national platform for business entry, licensing, and access to investor information at the sub-national level through its One Stop Shops (OSSs) and GAFI information portal in the following areas:

A. Developing and Implementing Online System for Investor Servicing at GAFI including: (i) mapping of the business entry procedures; (ii) procurement, configuration and deployment of a Customer Relationship Management (CRM) system at GAFI headquarters and its four OSSs; and (iii) developing and enhancing the GAFI information portal to provide comprehensive investor information.

B. GAFI Capacity Building and ICT Upgrading including: (i) upgrading IT system for GAFI and the OSSs and capacity building of staff; (ii) e-integration of the OSS network, e-archiving and electronic connectivity between OSS branches; (iii) supporting required upgrades to GAFI's ICT infrastructure to support deployment and operation of the two systems; and (iv) training of GAFI staff in the use of the CRM system.

C. Project Management: Establishment and operations of a Project Implementation Unit at GAFI to manage day-to-day implementation of the Project.

Part II: Supporting Industrial Sector Transformational Reforms (IDA)

Providing technical support to IDA for developing its strategic roles of regulation and transforming its approach to implement risk based regulation principles focusing on the following:
A. **Process Re-engineering and Automation of Industrial Licensing:**
   (i) completing the assessment of the process, diagnosing bottlenecks, and re-engineering the processes involved in producing an industrial license; (ii) developing and establishing the accreditation system of private sector entities to perform industrial technical evaluations on a risk-management basis; (iii) re-designing the industrial registration process to its original policy objective as a data collection function, and delinking import/export and other permits from the industrial register; and (iv) developing the software systems and equipment and installation of a new industrial licensing administration system (ILAS) to be deployed in the IDA headquarters, branch offices as well as in GAFI's headquarters and regional offices.

B. **Implementing a New Approach to Industrial Land Management and an Online Land Allocation System:** (i) adopting a transparent wholesale industrial land allocation process by setting and administering policies and procedures for industrial land allocation; (ii) introducing best practice contracting instruments with private developers; (iii) helping the land owners to compile and maintain on-line information of land available for industrial development; (iv) designing the approach for wholesale land allocation and developer concession agreements and supporting implementation of reformed system; (v) developing the software and information system for industrial land allocation; (vi) developing and deployment of a land allocation system with information on all undeveloped commercial and industrial land parcels in industrial zones and new economic communities.

C. **IDA Capacity Building and ICT Upgrading:** (i) developing IDA's technical and administrative capacity at the governorates' level to enable decentralization of regulatory decision making and deployment of the ILAS; (ii) upgrading ICT's Infrastructure, including upgrade of existing LAN infrastructure in IDA headquarters, dedicated internet connections to the branch offices, and purchase of computers and other equipment; and (iii) providing training to IDA staff in the use of the ILAS and to support decentralization of decision-making.

D. **Project Management:** Establishment and operations of a Project Implementation Unit at IDA to manage day to day implementation of the Project.
Part III: Capacity Building for Managing Regulatory Reform (ERRADA)

Providing technical assistance to ERRADA for establishing an appropriate institutional framework, empowerment of the ERRADA central unit, and supporting the existing regulatory reform units at selected ministries, including:

A. Preparing a strategy and action plan for the ERRADA central unit to meet its mission, objectives and goals;

B. completing a comprehensive inventory of business related formalities/ administrative procedures;

C. conducting process mapping and re-engineering of the most relevant/ frequent formalities/ administrative procedures with the objective of streamlining and simplifying them;

D. establishing an informational portal of business related administrative procedures rendering all information related to the requirements of these procedures accessible to the general public in a simple and comprehensive manner;

E. building appropriate capacity within the unit through technical assistance, training and study tours;

F. putting in place a public consultation and review mechanism to secure that all business related legislative proposals are properly reviewed and consulted with the stakeholders, including the private sector; and

G. supporting the development of the ERRADA central unit’s methodology, including the application of Regulatory Impact Assessments.
Section I. Institutional and Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall carry out Part I of the Project through GAFI, and Parts II and III of the Project through IDA, both GAFI and IDA being responsible for Project management and implementation of their respective activities including, administrative and financial management, disbursement and procurement, and monitoring and evaluation.

2. The Recipient shall cause GAFI, not later than two (2) months after the Effective Date, to establish, and thereafter maintain throughout the period of Project implementation a Project Implementation Unit (GAFI PIU), with qualified staff in adequate numbers and with qualifications and experience and terms of reference acceptable to the World Bank.

3. The Recipient shall cause IDA, not later than two (2) months after the Effective Date, to establish, and thereafter maintain throughout the period of Project implementation a Project Implementation Unit (IDA PIU), with qualified staff in adequate numbers and with qualifications and experience and terms of reference acceptable to the World Bank.

4. Without limitation to the provisions of paragraphs 2 and 3 of this Part A, each PIU shall be: (i) responsible for managing the day-to-day implementation of the Project; and (ii) recruitment of qualified staff including a financial management specialist, procurement specialist, and monitoring and evaluation specialist for the Project.

5. The Recipient through the MOI shall, not later than three (3) months after the Effective Date, establish a Project Steering Committee (PSC), comprised, inter alia, of representatives from the GAFI, IDA, ERRADA, MOIC, MOI, and MITSI, to review and advise on project performance at the levels of output and outcome and issues related to inter-governmental, public-private dialogue and donor coordination.

B. Implementation Arrangements

1. In carrying out the Project, the Recipient shall cause GAFI and IDA, not later than two (2) months after the Effective Date, to prepare, adopt and thereafter implement a joint Project Operational Manual, in a form and substance acceptable to the World Bank. Such manual shall include description of, inter alia: (i) implementation arrangements; (ii) the procurement procedures and standard
procurement documentation; (iii) reporting requirements, financial management and audit procedures; and (iv) monitoring and evaluation arrangements.

2. The Recipient shall cause GAFI and IDA not to assign, amend, abrogate or waive the Project Operational Manual or any provisions thereof without 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 cause GAFI and IDA to carry out the Project in accordance with the provisions of the 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 or cause to be taken 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 cause GAFI and IDA to 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 reflected in the Project Operational Manual, acceptable to the World Bank. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.

2. The Recipient shall cause GAFI and IDA to 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 (6) months after the Closing Date.
B. Financial Management; Financial Reports; Audits

1. The Recipient shall cause GAFI and IDA to maintain a financial management system in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. Without any limitation to the provision of Part A of this Section, the Recipient shall ensure that GAFI and IDA prepare interim unaudited financial reports for the Project covering each calendar semester during implementation of the Project, in form agreed with the World Bank and substance satisfactory to the World Bank, and the Recipient shall ensure that GAFI and IDA furnish such reports to the World Bank not later than forty-five (45) days after the end of each calendar semester.

3. The Recipient shall ensure that GAFI and IDA shall 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 (1) fiscal year of the Recipient or any other period agreed upon with the World Bank. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) 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, upon request from the World Bank, the Recipient shall cause GAFI and IDA, within a reasonable time, to provide or cause to be provided all information and reports 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. Goods and Non-consulting Services. All goods and non-consulting 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 Section I of the Procurement Guidelines and with the provisions of this Section.

2. Consultants' Services. All 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 Sections I and IV of the Consultant Guidelines and with the provisions of this Section.

3. 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 and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods and Non-consulting Services. The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (a) Limited International Bidding; (b) National Competitive Bidding; (c) Shopping; (d) procurement under Framework Agreements in accordance with procedures which have been found acceptable to the World Bank; and (e) 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) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants’ Qualifications; (e) Single-source Selection of consulting firms; (f) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the World Bank; (g) Selection of Individual Consultants; and (h) 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. Goods, non-consulting services, consultants’ services, Training and Workshops, and Operating Costs under Part I of the Project</td>
<td>2,250,000</td>
<td>100%</td>
</tr>
<tr>
<td>2. Goods, non-consulting services, consultants’ services, Training and Workshops, and Operating Costs under Parts II and III of the Project</td>
<td>2,750,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>5,000,000</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 the payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $250,000 equivalent may be made for payments made prior to this date but on or after May 18, 2015, for Eligible Expenditures.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is July 1, 2018.
APPENDIX I
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.


(c) "ERRADA" means the Egyptian Regulatory Reform and Development Activity revived under Prime Ministerial Decree No. 1038 of 2014 reporting to the Ministry of Industry, Trade & Small Industries, to focus on industrial licensing, land allocation and construction permitting as priority focus areas for reform.

(d) "GAFI" means the General Authority for Investment under MOI, a principal government body regulating and facilitating investment, facilitation of business registration, licensing, and investment policy formulation.

(e) "GAFI PIU" means the project implementation unit of GAFI, as referred to in Section I.A.2 of Schedule 2 to the Grant Agreement.

(f) "IDA" means Industrial Development Authority, established by Presidential Decree No. 350 of 2005, as an agency of the Recipient reporting to the Ministry of Foreign Trade and Industry with the general mandate to execute industrial policies, stimulate and encourage investments in the industrial sector, devise and implement land development policies for industrial purposes, and to provide land and industrial licenses to investors.

(g) "IDA PIU" means the project implementation unit of IDA, as referred to in Section I.A.3 of Schedule 2 to the Grant Agreement.

(h) "MITSI" means Ministry of Industry, Trade & Small Industries of the Recipient or any successor thereto.

(i) "MOI" means Ministry of Investment of the Recipient or any successor thereto.

(j) "MOIC" means Ministry of International Cooperation of the Recipient or any successor thereto.

(k) "Operating Costs" means Project related incremental costs incurred by GAFI and IDA on account of communication, translation and interpretation, printing, procurement-related advertising, office supplies, banking charges, local transportation, and other miscellaneous costs directly associated with Project
implementation, subject to prior written approval by the World Bank, excluding salaries of the Recipient's civil servants.


(m) “Procurement Plan” means the procurement plan dated June 2, 2015, prepared and updated from time to time by GAFI and IDA for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines.

(n) “Project Operational Manual” means the manual for the Project to be prepared by the Recipient and approved by the World Bank, and referred to in Section 1.8.1 of Schedule 2 to the Grant Agreement.

(o) “Project Steering Committee” means a committee referred to in Section 1.4.5 of Schedule 2 to the Grant Agreement.


(q) “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.

(r) “Training and Workshops” means the expenditures incurred on account of Grant implementation such as training, workshops, transportation and per diem of trainers and trainees, rent of training facilities; preparation, acquisition, reproduction and distribution of training and workshop materials; and fees for trainers and other reasonable expenditures as agreed upon in writing with the World Bank.

(s) “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.

(t) “Trustee” means the International Bank for Reconstruction and Development in its capacity as a trustee of the Trust Fund.
APPENDIX II

Modifications to the Standard Conditions

The Standard Conditions are modified as follows:

The first sentence of Section 4.05(a) of the Standard Conditions have been revised as follows: "If the World Bank or the Steering Committee (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 any 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."