EU Grant Agreement

(Egypt Emergency Employment Investment Project (EEIP))

Between

ARAB REPUBLIC OF EGYPT

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
acting as administrator of European Union Trust Fund for Egypt Emergency Employment Investment Project

Dated September 11, 2014
EU GRANT NUMBER TF017007

EGYPT EMERGENCY EMPLOYMENT INVESTMENT PROJECT

GRANT AGREEMENT

AGREEMENT dated [September 11], 2014, entered into between:

ARAB REPUBLIC OF EGYPT ("Recipient") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("World Bank"), acting as administrator of European Union Trust Fund for Egypt Emergency Employment Investment Project (the "Trust Fund").

The Recipient and the World Bank hereby agree as follows:

Article I

Standard Conditions; Definitions


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 objectives of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall carry out the Project through the Social Fund for Development ("SFD" or "Project Implementing Entity") in accordance with the provisions of Article II of the Standard Conditions and the Project Agreement.

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 sixty seven million six hundred and twenty six thousand Euros (EUR 67,626,000) ("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 abovementioned Trust Fund for which the World Bank receives periodic contributions from the European Union (the “Donor”) to 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 Donor under the abovementioned trust fund, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds.

Article IV
Additional Remedies

4.01. The Additional Event of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the following, namely, that:

The Project Implementing Entity’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.

Article V
Effectiveness; Termination

5.01. For the purpose of effectiveness of this Agreement, the Recipient shall furnish evidence satisfactory to the World Bank that all necessary governmental procedures have been taken by the Recipient with respect to the Grant.

5.02. For the purposes of effectiveness of this Agreement, the Project Agreement, and the Subsidiary Grant Agreement, there shall be furnished to the World Bank an opinion from the Recipient's State Council and the Ministry of Justice showing that each said Agreement has been duly authorized or ratified by each respective party thereto and is legally binding upon each such party in accordance with its terms, in a manner agreeable to the World Bank.
5.03. Except as the Recipient and the World Bank shall otherwise agree, this Agreement, the Project Agreement, and the Subsidiary Grant Agreement, shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 and 5.02 ("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.

5.04. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date 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 VI
Recipient's Representative; Addresses

6.01. 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 of the Recipient are severally designated as the Recipient's Representative referred to in Section 7.02 of the Standard Conditions.

6.02. 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: Facsimile:
Ministry of International Cooperation (202) 2391-2815
Cairo, Arab Republic of Egypt (202) 2391-5167

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

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America
AGREED at Cairo, Arab Republic of Egypt, as of the day and year first above written.

ARAB REPUBLIC OF EGYPT

By Naglaa El Ehwany

Authorized Representative

Name: Naglaa El Ehwany
Title: Minister of International Cooperation

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
acting as administrator of European Union Trust Fund for Egypt Emergency Employment Investment Project

By Inger Andersen

Authorized Representative

Name: Inger Andersen
Title: Regional Vice President
SCHEDULE I

Project Description

The objectives of the Project are to: (i) create short-term employment opportunities for the unemployed, unskilled and semi-skilled workers in selected locations in Egypt; (ii) contribute to the creation and/or maintenance of community infrastructure and services; (iii) improve access to basic infrastructure and community services among target population; and (iv) improve the employability of young men and women through short-term training or other support services to facilitate transitions to wage and self-employment.

The Project consists of the following parts:

Part A: Employment-intensive Small-scale Infrastructure Sub-projects

Financing of employment-intensive small infrastructure employment creation programs through the carrying out at the governorate and local levels of Sub-projects consisting of, inter alia: canal weed reduction; Nile River bank protection; pavement of rural roads; and school rehabilitation.

Part B: Labor-intensive Community Service and Youth Employment Sub-projects

Financing of labor-intensive community service programs through the provision of grants to Sponsoring Agencies (NGOs and CBOs) for the carrying out, by local communities, of Sub-projects consisting, inter alia, of: solid waste management/collection and environmental cleaning campaigns in villages and local areas; early childhood education; mother and child health awareness home visits programs; illiteracy eradication activities; and youth engagement in community activities in rural and urban areas.

Part C: Improving Workers' Employability

Carrying out of pilot youth employment support activities in urban and rural areas to facilitate transitions into wage- or self-employment, through the provision of a comprehensive package of: training; job-search assistance; and wage or training subsidies.

Part D: Project Implementation Support and Capacity Building

Carrying out of a program to support Project implementation, including: (i) provision of training and consultants to support Project management, financial management and procurement; (ii) financing of public information activities, including providing visibility to European Union support to the Project, communication and social mobilization strategy development and implementation; (iii) carrying out of technical verification and quality assurance for the design and implementation of the Project; (iv)
carrying out of capacity building activities for SFD and governorate staff, as well as for the implementing NGOs; and (v) providing national and international training to SFD, governorate and implementing NGOs’ staff.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Recipient shall cause the Project Implementing Entity to maintain and implement the Project in accordance with the requirements, criteria, organizational arrangements, and operational procedures set forth in the Operational Manual, the Maintenance Manuals and the ESSAF, and shall ensure that the Project Implementing Entity does not assign, amend, abrogate or waive any provisions of the Operational Manual, the Maintenance Manuals, or the ESSAF except as mutually agreed between the Recipient and the World Bank.

2. The Project Implementing Entity shall have overall responsibility for Project oversight, coordination, and implementation. The responsibilities of the Project Implementing Entity include: (i) preparation and approval of the Sub-project pipelines in accordance with the Operational Manual; (ii) supervision of Intermediary Agencies; (iii) oversight of Sub-project implementation, including ensuring the compliance with the technical, economic, financial, managerial, environmental and social standards and practices set out in the Operational Manual, the Maintenance Manuals and the ESSAF; and (iv) monitoring and evaluation.

B. Subsidiary Grant Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Grant available to the Project Implementing Entity under a Subsidiary Grant Agreement between the Recipient and the Project Implementing Entity, under terms and conditions mutually agreed between the Recipient and the World Bank, which shall include the following: the amount of the Grant shall be on-granted in total to the Project Implementing Entity (“Subsidiary Grant Agreement”).

2. The Recipient shall exercise its rights under the Subsidiary Grant Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as mutually agreed upon between the Recipient and the World Bank, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Grant Agreement or any of its provisions.
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. Donor Visibility and Visit

1. The Recipient shall cause the Project Implementing Entity to take all such measures as the World Bank may reasonably request to identify publicly the Donor’s 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 Donor 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 the Project Implementing Entity 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 agreed to with 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 forty-five (45) days after the end of the period covered by such report.

2. The Recipient shall cause the Independent Verification Expert (IVE), through the Project Implementing Entity, to prepare and furnish to the World Bank not later than forty-five (45) days after the end of each calendar semester, independent technical verification reports (ITV Reports), covering the period of such semester, and based on terms of reference mutually acceptable to the World Bank. The first such ITV report by the IVE shall be due to the World Bank not later than forty-five (45) days after the end of the first calendar semester following the appointment of the IVE.

3. The Recipient shall cause the Project Implementing Entity 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 months after the Closing Date.
B. Financial Management; Financial Reports; Audits

1. The Recipient shall cause the Project Implementing Entity to 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 cause the Project Implementing Entity to ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of the Project Report not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in substance acceptable to the World Bank, and prepared in accordance with a form agreed to with the World Bank.

3. The Recipient shall cause the Project Implementing Entity to 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.

Section III. Procurement

Except as mutually agreed between the World Bank and the Recipient, procurement of goods, works, consultants, and non-consultant services required for the Project and to be financed out of the proceeds of the Grant shall be governed by the provisions of the Schedule to the Project Agreement.

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient through the Project Implementing Entity, 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:
Withdrawal Schedule

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in Euro)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, consultant services, and non-consulting services for Sub-projects under Parts A of the Project</td>
<td>980,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, consultant services, non-consulting services, Training, and Incremental Operating Costs under Parts B, C and D of the Project</td>
<td>66,176,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Unallocated</td>
<td>470,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>67,626,000</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:

   (a) for payments prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed twenty seven million fifty thousand and four hundred Euros (Euro27,050,400) equivalent may be made for payments made prior to this date but on or after November 15, 2013, for Eligible Expenditures.

   (b) under Category (1) in the event that the ESSAF requires the preparation of a Sector-specific EIA/EMP, and/or Environmental Safeguard Guidelines, unless the Project Implementing Entity has accordingly prepared, held consultations on, adopted and disclosed the aforementioned Sector-specific EIA/EMP, and, where required under the ESSAF, has prepared and adopted, Environmental Safeguard Guidelines for the particular Sub-project for which the application for withdrawal is required, all in substance acceptable to the World Bank.

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

Definitions


2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


4. “Egyptian Pounds” means the legal currency of the Recipient.

5. “Environmental Safeguard Guidelines” means the environmental safeguard guidelines to be prepared by the Project Implementing Entity, pursuant to paragraph 1(c)(D) of Section I.D to the Project Agreement and paragraph 1(b) of Section IV.B of Schedule 2 of this Agreement, which shall guide regional offices of the Project Implementing Entity in the implementation of the ESSAF.

6. “ESSAF” means the Recipient’s updated environmental and social screening and assessment framework for the Project, dated January 13, 2014, as such framework may be further updated from time to time by mutual agreement between the Recipient and the World Bank, setting forth the mitigating, monitoring and institutional measures to be taken during the implementation and operation of Part A of the Project to offset or reduce potential adverse environmental and social impacts to levels acceptable to the World Bank, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, its terms.

7. “Excluded Activities” means, collectively: (a) a Sub-project that is classified as a category A Sub-project; (b) a Sub-project that entails Resettlement; and (c) a Sub-project that involves the use or potential pollution of international waterways.

8. “Incremental Operating Costs” means the reasonable expenditures incurred for the implementation of the Project and includes expenditures on account of office rental, utility charges, office supplies, operation and maintenance of office equipment, advertisements, banking charges, communication services, vehicle rental, local travel costs and per diem, and support staff excluding salaries of officials of the Recipient’s civil service and the purchase of vehicles.
9. "Intermediary Agency" means an agency responsible for implementing a Sub-project under Parts B of the Project pursuant to an Intermediary Agency Agreement, and includes, *inter alia*, community development associations at the local level; and “Intermediary Agencies” means more than one such “Intermediary Agency”.

10. “Intermediary Agency Agreement” means the agreement required pursuant to Section I.E.2 (b) (i) (i) of the Schedule to the Project Agreement, between a Sponsoring Agency responsible for implementing a Sub-project under Part B of the Project, and an Intermediary Agency.

11. “IVE” means the independent verification expert appointed pursuant to Section I.C of the Schedule to the Project Agreement to independently assess and verify: (i) that Project outcomes have been met; (ii) the quality of works undertaken in carrying out Sub-projects; and (iii) whether Sub-projects are implemented and maintained in accordance with the requirements of the Maintenance Manuals of the Project Implementing Entity, the ESSAF and the Operational Manual.

12. “Maintenance Manuals” means, together, the procurement manual and the financial management manual of the Project Implementing Entity, updated on January 30, 2014, as such manuals may be amended from time to time with the prior mutual approval of the World Bank and the Project Implementing Entity.

13. Operational Manual” means the Project Implementing Entity’s updated operational manual to be followed by the Project Implementing Entity, setting out, *inter alia*, the description of: (i) the implementation arrangements; (ii) the procurement procedures and standard procurement documentation; (iii) the reporting requirements, financial management and audit procedures; (iv) the monitoring and evaluation arrangements; (v) the eligibility criteria for identifying, selecting, and evaluating Sub-project proposals; (vi) selection criteria of NGOs/CDAs; (vii) criteria for the provision of Sub-Project Grants; and (viii) criteria, terms and conditions for the selection of beneficiaries, as such operational manual may be amended from time to time in a manner acceptable to the World Bank.


15. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 4, 2014, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
16. "Project Agreement" means the agreement between Social Fund for Development and the International Bank of Reconstruction and Development relating to implementation of the Project, of even date herewith.

17. "Project Implementing Entity" means the Social Fund for Development or any successor thereto.


19. "Resettlement" means: (i) the involuntary taking of land, including anything growing on or permanently affixed to such land, such as buildings and crops, resulting in: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not the displaced persons must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of the displaced persons, and encompassing restrictions on the use of resources imposed on people living outside a park or protected area, or on those who continue living inside the park or protected area during and after Project implementation.

20. "Sector-specific EIA/EMP" means the sector-specific environmental impact assessment or the sector-specific environmental management plan, as the case may be, prepared or to be prepared as required under the ESSAF, pursuant to paragraph 1(c)(C) of Section I.D of the Schedule to the Project Agreement, and satisfactory to the World Bank, for Sub-projects under Part A of the Project, defining details of measures to manage potential environmental risks and mitigate, reduce and/or offset adverse environmental impacts associated with the implementation of activities under the Sub-project, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, its terms, as the same may be amended and supplemented from time to time with mutual agreement of the World Bank and the Recipient; and "Sector-specific EIA/EMP's" refers to more than one such Sector-specific EIA/EMP.

21. "Sponsoring Agency" means: (i) an agency participating with the Project Implementing Entity in implementing small scale local infrastructure public works Sub-projects under Part A of the Project, and consists of local and governorate authorities; and (ii) an agency responsible for implementing community services and youth employment Sub-projects under Part B of the Project, and consists of non-governmental organizations and community development associations, and "Sponsoring Agencies" means more than one such "Sponsoring Agency".
22. "Sponsoring Agency Grant" means a grant made to a Sponsoring Agency for implementing community services and youth employment Sub-project under Part B of the Project under a Sponsoring Agency Grant Agreement; "Sponsoring Agency Grants" means more than one such Sponsoring Agency Grant.

23. "Sponsoring Agency Grant Agreement", sometimes known as a framework agreement, means the grant agreement between the Project Implementing Entity and a Sponsoring Agency responsible for implementing a community services Sub-project under Part B of the Project.

24. "Sub-project" means a specific sub-project to be carried out: (i) under Part A of the Project by the Project Implementing Entity with the participation and support of a local or governorate authority of the Recipient acting as a Sponsoring Agency for small scale local infrastructure public works; and (ii) under Part B of the Project by a non-governmental organization or community development association acting as a Sponsoring Agency for community services and youth employment activities under a Sponsoring Agency Grant Agreement and where required pursuant to Section I.E.2 (b) (i) of the Schedule to the Project Agreement, an Intermediary Agency Agreement; and "Sub-projects" means more than one such Sub-project.

25. "Subsidiary Grant Agreement" means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Grant available to the Project Implementing Entity.


27. "Withdrawal Schedule" means the table of eligible expenditures in paragraph 2 of Section IV.A of Schedule 2 to this Agreement.