Project Agreement

(Catalyzing Entrepreneurship for Job Creation Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

MICRO SMALL AND MEDIUM ENTERPRISES DEVELOPMENT AGENCY
PROJECT AGREEMENT

AGREEMENT between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and the MICRO SMALL AND MEDIUM ENTERPRISES DEVELOPMENT AGENCY ("Project Implementing Entity" or "MSMEDA") ("Project Agreement") in connection with the Loan Agreement ("Loan Agreement") dated as of the Signature Date between the Arab Republic of Egypt ("Borrower") and the Bank, concerning Loan No. 8951-EG. The Bank and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to the Loan Agreement) apply to and form 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 Loan Agreement or the General Conditions.

ARTICLE II — PROJECT

2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article V of the General Conditions and the Schedule to this Agreement, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

ARTICLE III — EFFICITIVENESS; TERMINATION

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

3.02. For purposes of Section 9.05(c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is 20 years after the Signature Date.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. MSMEDA’s Representative is its Executive Director.
4.02. For purposes of Section 10.01 of the General Conditions:

(a) the Bank’s address is:

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

(b) the Bank’s Electronic Address is:

Telex: Facsimile:
248423(MCI) or 1-202-477-6391
64145(MCI)

4.03. For purposes of Section 10.01 of the General Conditions:

(a) MSMEDA’s address is:

120 Mohy El Din Abu El Ezz Street
Dokki
Giza
Arab Republic of Egypt; and

(b) MSMEDA’s Electronic Address is:

Facsimile:
(202) 33322303
AGREED as of the Signature Date.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
By:

[Signature]
Authorized Representative

Name: [Name]
Title: [Country Director]
Date: [May 5, 2019]

MICRO SMALL AND MEDIUM ENTERPRISES DEVELOPMENT AGENCY
By:

[Signature]
Authorized Representative

Name: [Name]
Title: [Title]
Date: [May 5, 2019]
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. MSMEDA shall:

   (a) maintain at all times during the implementation of the Project, a Project Implementation Unit (PIU) to run the day-to-day management of the Project, in form, function, composition, mandate, staffing, and adequate sources, satisfactory to the Bank, and as further described in the Project Operational Manual; and

   (b) establish and maintain throughout the life of the Project, an investment committee, with composition, mandate and terms of conditions satisfactory to the Bank ("Investment Committee"). To this end, the Investment Committee shall be comprised of seven (7) members that include at least four (4) independent representatives from the private sector, who shall be qualified professionals with experience in venture capital investments and entrepreneurial ecosystem, as further detailed in the Project Operational Manual. The Investment Committee shall be responsible for monitoring the implementation of Part 2 of the Project, including, inter alia: (i) selecting and monitoring the Equity and Quasi Equity Investments and the Eligible RCIs; (ii) adopting investment policies and guidelines applicable to Part 2 of the Project; and (iii) approving MSMEDA’s exits from Eligible RCIs in accordance with the respective Shareholder Agreement and as further detailed in the Project Operational Manual.

B. Project Operational Manual

1. MSMEDA shall, no later than one (1) month after the Effective Date, prepare and adopt a Project Operational Manual in form and substance satisfactory to the Bank ("POM"). To this end, the POM shall include provisions on the following matters: (a) arrangements on financial management, setting forth the detailed policies and procedures for financial management under the Project; (b) procurement management procedures; (c) institutional administration, coordination, and day-to-day execution of Project activities, including the respective roles and responsibilities of the PIU, Investment Committee and any other entity involved in Project implementation; (d) monitoring and evaluation; (e) reporting; (f) information, and communication of Project activities; (g) guidelines for assessing potential environmental and social impacts of the
Project and designing appropriate mitigation, management, and monitoring measures in respect of such impacts; (h) arrangements for the implementation of Part 1, Part 2 and Part 3 of the Project, including the criteria and pricing for FI loans, Sub-loans, Sub-projects, Equity and Quasi Equity Investments; and (i) such other technical and organizational arrangements and procedures as shall be required for the Project.

2. MSMEDA shall carry out the Project in accordance with the Project Operational Manual. To this end, MSMEDA shall not amend the Project Implementation Manual without the prior written approval of the Bank.

3. Notwithstanding the foregoing, if any of the provisions of the Project Implementation Manual is inconsistent with the provisions of this Agreement, the provisions of this Agreement shall prevail and govern.

C. Subsidiary Loan Agreement

1. MSMEDA shall enter into a subsidiary loan agreement with the Borrower ("Subsidiary Loan Agreement"), under terms and conditions approved by the Bank, which shall include the following:

   (a) MSMEDA shall carry out the Project in accordance with the provisions of this Agreement, the Loan Agreement, and the POM;

   (b) MSMEDA shall exercise its rights under the Subsidiary Agreement in such a manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan; and

   (c) except as the Bank shall otherwise agree, MSMEDA or the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any of its provisions.

2. MSMEDA shall exercise its rights and carry out their obligations under the Subsidiary Loan Agreement in such manner as to protect the interests of the MSMEDA and the Bank and to accomplish the purposes of the Loan.

D. Financial Intermediary Agreements

1. For purposes of carrying out Part 1 of the Project, MSMEDA shall select Participating Financial Intermediaries (PFIs) in accordance with the eligibility criteria set forth in the POM. Said eligibility criteria shall include at a minimum that each PFI: (a) has full compliance with the Borrower’s Central Bank of Egypt and/or the Financial Regulatory Authority’s regulations; and (b) has satisfactory staff capacity and managerial autonomy.
2. MSMEDA shall enter into a Financial Intermediary Agreement ("FI Agreement") with each PFI on the terms and conditions set forth in the POM and eligibility criteria and procedures acceptable to the Bank and monitor compliance of each PFI with the terms and conditions of their respective FI Agreement.

3. MSMEDA shall afford the Bank reasonable time to review and provide no objection to the FI Agreements, as requested, and ensure that all FI Agreements are on terms and conditions acceptable to the Bank.

4. Each FI Agreement shall include the following:

(a) The FI Loan:

(i) may be denominated and repayable in EGP. To this end, each PFI shall not receive an amount that exceeds 30% of Category 1 of the Withdrawal Table set forth in Section III. of Schedule 2 of the Loan Agreement;

(ii) shall be charged interest on the principal amount withdrawn and outstanding from time to time;

(iii) shall be repayable over a period not exceeding fifteen (15) years from the date of disbursement of the FI Loan, inclusive of a grace period not exceeding five (5) years; and

(iv) shall be used only for the purpose of on-lending Sub-loans to Eligible MSMEs.

(b) MSMEDA shall obtain rights adequate to protect its interests and those of the Bank and the Borrower, including the right to:

(i) suspend or terminate the right of the any PFI to use the proceeds of the FI Loan, or declare to be immediately due and payable or obtain a refund of all or any part of the amount of the FI Loan then withdrawn, upon the PFI failure to perform any of its obligations under the FI Agreement; and

(ii) require each PFI to:

(A) carry out its obligations under FI Loans with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards (including Safeguards Instruments) and practices, all satisfactory to the Bank, including in accordance with the provisions of
the Anti-Corruption Guidelines and the Procurement
Regulations applicable to the Project;

(B) provide, promptly as needed, the resources required for
the purpose;

(C) maintain policies and procedures adequate to enable it to
monitor and evaluate in accordance with indicators
acceptable to the Bank, the progress of the Sub-projects
and the achievement of their objectives;

(D) (1) maintain a financial management system and
prepare financial statements or monthly reports
as required, in accordance with consistently
applied accounting standards acceptable to the
Bank, both in a manner adequate to reflect the
operations, resources and expenditures related to
the Sub-projects; and

(2) have such financial statements audited by
independent auditors acceptable to the Bank, in
accordance with consistently applied auditing
standards acceptable to the Bank, and promptly
furnish the statements as so audited to the Bank
and MSMEDA;

(E) enable the Bank and MSMEDA to inspect the Sub-
projects, their operations and any relevant records and
documents; and

(F) prepare and furnish to MSMEDA all such information as
the Bank or MSMEDA shall reasonably request relating
to the foregoing.

5. MSMEDA shall fulfill its obligations and exercise its rights under each FI
Agreement in such manner as to protect the interests of the Borrower, the Bank
and MSMEDA and to accomplish the purposes of the Loan.

6. Except as the Bank shall otherwise agree MSMEDA does not, assign, amend,
abrogate or waive any FI Agreement or any of its provisions.

E. Sub-projects Selection

1. MSMEDA shall ensure that each PFI:
(a) Selects Eligible MSMEs which comply with the eligibility criteria set forth in the Project Operational Manual which shall include, but not be limited to, that the Eligible MSME, as applicable, shall have an ownership, management and financial structure consistent with the laws and regulations of the Borrower.

(b) Screen and select Sub-projects in accordance with the selection and eligibility criteria set forth in the POM and the Safeguard Instruments. The following Sub-projects shall not be eligible for financing, as further set forth in the Project Operational Manual:

(i) any Sub-projects involving non-eligible expenditures (as such term is defined in the Project Operational Manual);

(ii) any Sub-projects affecting international waterways, natural habitats, disputed areas or indigenous peoples;

(iii) any Sub-projects involving the conversion or degradation of forest areas;

(iv) any Sub-projects involving the involuntary taking of land or involuntary resettlement resulting in relocation or loss of shelter, loss of assets or access to assets, loss of income sources or means of livelihood, or involving the involuntary restriction of access to legally designated parks and protected areas;

(v) any Sub-projects involving the construction or rehabilitation of dams;

(vi) any Sub-projects that would be classified as ‘Category A’ in accordance with the Banks policies and procedures; and

(vii) any Sub-projects that finance Excluded Expenditures, as set out in the Loan Agreement.

F. Sub-Loan Agreements

1. MSMEDA shall ensure that each PFI enters into a Sub-loan Agreement with each Eligible MSME, under terms and conditions set forth in the Project Operational Manual and eligibility criteria and procedures acceptable to the Bank.

2. MSMEDA shall ensure that each Sub-loan Agreement shall include the following:
(a) The Participating Financial Intermediaries shall obtain rights adequate to protect its interests and those of the Bank and MSMEDA, including the right to:

(i) suspend or terminate the right of the Eligible MSMEs, to use the proceeds of the Sub-loan, or declare to be immediately due and payable or obtain a refund of all or any part of the amount of the Sub-loan then withdrawn, upon the Eligible MSME's failure to perform any of its obligations under the Sub-loan Agreement; and

(ii) require each Eligible MSME to:

(A) carry out Sub-projects with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards (including Safeguards Instruments) and practices, all satisfactory to the Bank, including in accordance with the provisions of the Anti-Corruption Guidelines and Procurement Regulations applicable to the Project;

(B) enable PFIs to monitor and evaluate adequate implementation of the Sub-projects in accordance with indicators acceptable to the Bank, the progress of the Sub-projects and the achievement of its objectives;

(C) provide to the PFI, financial data, financial reports or financial statements, as required, in a manner adequate to reflect the operations, resources and expenditures related to the Sub-project;

(D) enable the Bank, MSMEDA and the Participating Financial Intermediary to inspect the Sub-projects, their operation and any relevant records and documents; and

(E) prepare and furnish to MSMEDA and the Participating Financial Intermediary; all such information as the Bank, MSMEDA, the Participating Financial Intermediary, shall reasonably request relating to the foregoing.

3. Except as the Bank otherwise agrees, no Participating Financial Intermediary shall assign, amend, abrogate or waive any Sub-loan Agreement or any of its provisions without the written consent of MSMEDA.
G. Equity and Quasi Equity Investments

To facilitate the carrying out Part 2 of the Project:

1. MSMEDA shall select Eligible Risk Capital Intermediaries ("Eligible RCIs") in accordance with the eligibility criteria and terms set forth in the POM. Such eligibility criteria shall include that each Eligible RCI must:

   (a) have physical operational presence in Egypt or invest in companies physically located in Egypt;

   (b) not have an adverse or disclaimer audit opinion in the last three years;

   (c) not be under litigation or on a list of banned or suspended companies by the Bank; and

   (d) not have any key personnel with a criminal record or who are on any list of banned or suspended individuals by the Borrower or by the Bank.

2. MSMEDA shall enter into a Shareholder Agreement to provide Equity and Quasi Equity Investments with each Eligible RCI, in accordance with the terms and conditions set forth in the Project Operational Manual. Each Shareholder Agreement shall require each Eligible RCI to:

   (a) carry out its operations with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards (including Safeguards Instruments) and practices, all satisfactory to the Bank, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to the Project;

   (b) continue to provide financing for eligible high growth SMEs in accordance with criteria set out in the POM and ensure that such financing is not extended to cover Excluded Expenditures as set out in the Loan Agreement;

   (c) provide, promptly as needed, the resources required for the purpose of the investments;

   (d) maintain policies and procedures adequate to enable it to monitor and evaluate its operations, in accordance with indicators acceptable to the Bank;

   (e) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards
acceptable to the Bank, both in a manner adequate to reflect its operations, resources and expenditures;

(f) have such financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the MSMEDA and, if so requested, the Bank;

(g) enable the MSMEDA and the Bank to inspect the Eligible RCI’s operations and any relevant records and documents; and

(h) prepare and furnish to the Borrower and the Bank all such information as the Borrower or the Bank shall reasonably request relating to the foregoing.

3. MSMEDA shall exercise the rights under each Shareholder Agreement in such manner as to protect its, the Borrower and the Bank and to accomplish the purposes of the Loan.

4. The Borrower shall cause MSMEDA to not assign, amend, terminate, abrogate, waive or fail to enforce any Shareholder Agreement or any of its provisions, except as the Bank shall otherwise agree.

H. Safeguards

1. MSMEDA shall carry out the Project in accordance with the provisions of the Safeguard Instruments, and to that end, if any activity included in Project would, pursuant to the ESMF, require the adoption of an ESMP or ESIA:

(a) (i) prepare such ESMP or ESIA and furnish it to the Bank for review and approval in accordance with the ESMF; (ii) thereafter disclose such ESMP or ESIA as required by the ESMF and approved by the Bank prior to implementation of the activity in question; (iii) thereafter implement the ESMP or ESIA during the Project implementation; and (iv) incorporate said ESMP or ESIA in the bidding documents; and

(b) thereafter take such measures as shall be necessary or appropriate to ensure compliance with the requirements of such ESMP or ESIA.

2. MSMEDA shall monitor on a continuing basis the implementation of the Safeguard Instruments and ensure that the Project is executed in accordance with such Safeguard Instruments, and, upon the occurrence of any event or condition likely to interrupt or interfere with the smooth implementation of the Safeguard Instruments, MSMEDA shall act promptly to deal with or address such event or condition, and inform the Borrower and the Bank accordingly.
3. For the purposes of any sub-financing or other activity under the Project, and prior to implementation thereof, MSMEDA shall ensure that any plan, action plan, fact sheet or other instrument required in terms of any one or more of the Safeguard Instruments, shall have been duly:

(a) prepared in form and substance satisfactory to the Bank, and, except as otherwise agreed with the Bank, submitted to the Bank for review and approval, and

(b) thereafter adopted and publicly disclosed.

4. MSMEDA shall take all measures necessary on its part to regularly collect, compile, and submit to the Bank, on an annual basis, reports on the status of compliance with the Safeguard Instruments, giving details of:

(a) measures taken in furtherance of such Safeguard Instruments;

(b) any event or condition which interferes or threatens to interfere with the smooth implementation of such Safeguard Instruments; and

(c) remedial measures taken or required to be taken to address such event or condition.

5. MSMEDA shall ensure that all technical assistance under the Project, shall only be undertaken pursuant to terms of reference reviewed and found satisfactory by the Bank, such terms of reference to ensure that the technical assistance takes into account, and calls for application of the Bank’s environmental and social safeguards policies and the Borrower’s own laws relating to the environment and social aspects.

6. MSMEDA shall ensure that employees, agents, service providers, contractors and subcontractors carry out the Project in conformity with acceptable environmental and social standards, practices and codes of conduct (which shall, *inter alia*, contain measures that prohibit, endeavour to prevent and address Project-related gender-based violence and sexual exploitation and abuse), the provisions of the Borrower’s environmental and social laws.

7. MSMEDA shall ensure that relevant environmental and social mitigation measures and clauses are included in the tender documents in accordance with the Safeguards Instruments, in addition to ensuring that Contractors’ ESMPs are approved by the Bank prior to commencement of works subject to environmental and social assessment.

8. MSMEDA shall throughout Project implementation, maintain and publicize the availability of Project-level grievance and feedback and redress mechanism, in a form and substance satisfactory to the Bank, to hear and determine fairly and in
good faith all complaints and feedback raised in relation to the Project, and take all measures necessary to implement the determinations made by said grievance feedback and redress mechanism in a manner satisfactory to the Bank.

9. MSMEDA shall not amend, abrogate, repeal, suspend, waive, or otherwise fail to enforce, or permit to be amended, abrogated, repealed, suspended or waived any of the Safeguard Instruments or any provision thereof without the prior written approval of the Bank. In case of inconsistency between this Agreement and any of the Safeguard Instruments, the terms of this Agreement shall prevail.

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

1. MSMEDA shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08(b) of the General Conditions and on the basis of indicators acceptable to the Bank. Each such Project Report shall cover the period of six (6) months and shall be furnished to the Bank and the Borrower not later than forty-five (45) days after the end of the period covered by such report for incorporation and forwarding by the Borrower to the Bank of the overall Project Report.

2. MSMEDA shall provide to the Borrower not later than four (4) months after the Closing Date, for incorporation in the report referred to in Section 5.08(c) of the General Conditions all such information as the Borrower or the Bank shall reasonably request for the purposes of that Section.