

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 7982-EG

Loan Agreement

**(Additional Financing for the Egypt National Railways Restructuring
Project)**

between

ARAB REPUBLIC OF EGYPT

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated September 23, 2011

Public Disclosure Authorized



LOAN NUMBER 7982-EG

LOAN AGREEMENT

Agreement dated September 23, 2011, between ARAB REPUBLIC OF EGYPT (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) for the purpose of providing additional financing for the Project (as defined under this Agreement). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix 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 General Conditions or in the Appendix to this Agreement or in the Appendix to the Original Loan Agreement.

ARTICLE II — LOAN

2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of three hundred thirty million United States Dollars (\$330,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement (“the Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“the Project”).

2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement. The Borrower’s Representative for purposes of taking any action required or permitted to be taken pursuant to this Section is the Egyptian National Railways (Project Implementing Entity).

2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay itself the amount of said fee.

2.04. The interest payable by the Borrower on the principal amount of the Loan withdrawn and outstanding from time to time, for each Interest Period shall be at a rate equal to the Reference Rate (as defined in paragraph 81 of the Appendix of the General Conditions that apply to this Loan) for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions.

2.05. The Payment Dates are February 15 and August 15 in each year.

2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa, or from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the

table in Section IV of Schedule 2 to this Agreement.

2.08. The Borrower represents that it has designated its Ministry of Finance for the purpose of handling on behalf of the Borrower, debt service payments with respect of the Loan.

ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall cause the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article V of the General Conditions and the Project Agreement.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV— EFFECTIVENESS; TERMINATION

4.01. This Agreement shall become effective once the Bank has received evidence that all the necessary constitutional procedures have been taken by the Borrower according to Section 9.01 of the General Conditions.

4.02. The Additional Condition of Effectiveness is that the Subsidiary Loan Agreement has been entered into between the Borrower and the Project Implementing Entity.

4.03. The Additional Legal Matter to be included in the Legal Opinion is that the Subsidiary Loan Agreement has been duly authorized by the Borrower and the Project Implementing Entity and is legally binding upon the Borrower and the Project Implementing Entity in accordance with its terms.

4.04. The Effectiveness Deadline is the date one hundred and eighty (180) days after the date of this Agreement, or such later date established by the Bank in accordance with Section 9.04 of the General Conditions.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Minister of Planning and International Cooperation of the Borrower and the Assistant to the Minister for International, Regional and Arab Financing Organizations of the Ministry of International Cooperation of the Borrower are severally designated as representatives of the Borrower.

5.02. The Borrower's Address is:

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

Cable address:

Ministry of International Cooperation
Cairo, Arab Republic of Egypt

Facsimile:

(202) 2391-2815
(202) 2391-5167

5.03. The Bank's Address is:

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

Cable address:

Telex:

Facsimile:

INTBAFRAD
Washington, D.C.

248423(MCI) or
64145(MCI)

1-202-477-6391

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

ARAB REPUBLIC OF EGYPT

By /s/ Fayza Aboulnaga

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Inger Andersen

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to assist the Borrower in improving the reliability, efficiency and safety of the railways' services through signaling and track renewal investments by the Project Implementing Entity and the modernization of its management and operating practices in order to enhance the railways' sector responsiveness to economic and social needs and to strengthen the financial viability of the Project Implementing Entity.

The Project consists of the Original Project (as defined in the Appendix to this Agreement) as scaled up through the following additional parts:

Part A: Signaling Modernization

1. Modernizing the signaling system along the Beni Suef – Asyut line consisting of: (i) an automatic block signaling system (on an open line); (ii) electronic interlocking systems (in stations); and (iii) a level-crossing protection system, through the carrying out of works, and provision of consultants' services for supervisory engineering and goods.
2. Installation of a computerized central traffic control system for said line, through the provision of consultants' services for supervisory engineering and goods.

Part B: Modernization of Management and Operating Practices

Supporting the development and delivery of: (a) modernization of railways maintenance practices; (b) improvement of the Project Implementing Entity's operational rules and procedures; (c) improvement and strengthening of project management capacities among the relevant staff of the Project Implementing Entity; and (d) improvement of financial planning and financial management capacity within the Project Implementing Entity, all through the provision of consultants' services.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower declares its commitment to the objectives of the Project, and, to this end, without any limitation or restriction upon any of its other obligations under the Loan Agreement, shall: (a) cause the Project Implementing Entity to perform in accordance with the provisions of the Project Agreement all the obligations of the Project Implementing Entity therein set forth; (b) take or cause to be taken all actions, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable the Project Implementing Entity to perform such obligations; and (c) except as mutually agreed upon between the Borrower and the Bank, the Borrower shall not take or permit to be taken any action which would prevent or interfere with such performance.

2. The Borrower shall: (a) through the Ministry of Transport, maintain the Steering Committee established under the Original Project with membership and terms of reference satisfactory to the Bank. The Steering Committee shall, *inter alia*, have responsibility for Project oversight and coordination; and (b) by not later than March 31, 2011, cause the Project Implementing Entity to establish and thereafter maintain the EAD with functions, responsibilities and staff in adequate numbers and with qualifications and experience acceptable to the Bank.

B. Subsidiary Loan Agreement

1. To facilitate the carrying out of the Project, the Borrower shall make the proceeds of the Loan available to the Project Implementing Entity under a subsidiary loan agreement between the Borrower and the Project Implementing Entity, under terms and conditions acceptable to the Bank, which shall include, *inter alia*, the following: (i) repayment of principal, and payment of interest, charges and premium in accordance with Article II of this Agreement and Article III of the General Conditions; (ii) payment of any other charges which may be required by the Borrower; and (iii) foreign exchange risk to be borne by the Project Implementing Entity (“Subsidiary Loan Agreement”).

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

3. The Borrower shall cause the Project Implementing Entity to carry out the Project pursuant to the provisions of Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants, dated October 15, 2006, with the modifications related thereto as agreed upon between the Borrower and the Bank on October 31, 2010.

C. Safeguards

The Borrower shall cause the Project Implementing Entity to ensure that remedial measures are taken during the implementation and operation of the Project in accordance with the provisions set forth in the ESIA and the EMP.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

The Borrower 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 5.08 of the General Conditions and on the basis of indicators agreed with the Bank. Each Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Bank not later than forty-five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall, through the Project Implementing Entity, maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. The Borrower shall, through the Project Implementing Entity, prepare and furnish to the Bank not later than forty-five (45) days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in accordance with the provisions of Section 5.09 of the General Conditions.

3. The Borrower shall cause the Project Implementing Entity to have the Financial Statements reflecting the operations, resources and expenditures related to the Project audited by the Borrower's Central Auditing Organization in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Project Implementing Entity (or such other period proposed by the Project Implementing Entity and agreed to by the Bank). The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Loan 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. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines.

B. Particular Methods of Procurement of Goods and Works

International Competitive Bidding. Goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

C. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan through the Project Implementing Entity in accordance with the provisions of Article II of the General Conditions, this Section, and such additional arrangements as the Bank shall specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the 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 Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Category	Amount of the Loan Allocated (Expressed in USD)	Percentage of Expenditures to be Financed
(1) Goods and works under Part A of the Project	329,175,000	100%
(2) Front-end Fee	825,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions
(3) Premia for Interest Rate Caps and Interest Rate Collars	0	Amount due under Section 2.07(c) of this Agreement
Total	330,000,000	

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 is March 31, 2017.

SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each February 15 and August 15 Beginning February 15, 2018 through August 15, 2038	2.33%
On February 15, 2039	2.14%

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.

(b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the

numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

APPENDIX

Section I. Definitions

1. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
2. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004, and revised in October 2006, and May 2010.
3. “EAD” means the Environment Affairs Directorate referred to in Section I. A.2(b) of Schedule 2 to the Loan Agreement.
4. “Environmental Management Plans” or “EMPs” means, collectively: (a) the Project Implementing Entity’s environmental management plan for the Original Project furnished to the Bank on October 7, 2008; and (b) the Project Implementing Entity’s environmental management plan for the additional Part A.2 of the Project furnished to the Bank on June 26, 2010, as such plans may be updated from time to time by agreement between the Borrower and the Bank, setting forth the mitigating, monitoring and institutional measures to be taken during the implementation and operation of the Project to offset or reduce potential adverse environmental impacts to levels acceptable to the Bank.
5. “Environmental and Social Impact Assessments” or “ESIAs” means, collectively: (a) the Project Implementing Entity’s environmental and social impact assessment report furnished to the Bank on October 7, 2008, assessing the environment and social impacts of the Original Project; and (b) the Project Implementing Entity’s environmental and social impact assessment report furnished to the Bank on June 26, 2010, assessing the environment and social impacts of the additional Part A.2 of the Project.
6. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 31, 2010.

7. "Original Loan Agreement" means Loan Agreement (Egypt National Railways Restructuring Project, Loan No 7656-EG) between Arab Republic of Egypt and International Bank for Reconstruction and Development, dated August 2, 2009.
8. "Original Project" means the project described in Schedule 1 to the Loan Agreement (Egypt National Railways Restructuring Project, Loan No 7656-EG) between Arab Republic of Egypt and International Bank for Reconstruction and Development, dated August 2, 2009.
9. "Procurement Guidelines" means the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004 and revised in October 2006 and May 2010.
10. "Procurement Plan" means the Project Implementing Entity's procurement plan for the Project, dated October 20, 2010, and referred to in paragraph 1.16 of the Procurement Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraph.
11. "Project Implementing Entity" means the Egyptian National Railways established and operating pursuant to Law No. 266 of 1956, and Law No. 152 of 1980.
12. "Project Implementing Entity's Legislation" means Law No. 266 of 1956, and Law No. 152 of 1980.
13. "Subsidiary Loan Agreement" means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Borrower shall make the proceeds of the Loan available to the Project Implementing Entity.