

CONFORMED COPY

LOAN NUMBER 4263 EGT

Guarantee Agreement

(Pollution Abatement Project)

between

ARAB REPUBLIC OF EGYPT

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated February 12, 1998

LOAN NUMBER 4263 EGT

GUARANTEE AGREEMENT

AGREEMENT, dated February 12, 1998, between ARAB REPUBLIC OF EGYPT (the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Guarantor and National Investment Bank (the Borrower), having been satisfied as to the feasibility and priority of the Project described in Schedule 2 to the Loan Agreement, have requested the Bank to assist in the financing of the Project;

(B) by the Loan Agreement of even date herewith between the Bank and the Borrower, the Bank has agreed to extend to the Borrower a loan in an amount equal to twenty million dollars (\$20,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as provided in this Agreement; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed so to guarantee such obligations of the Borrower;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995, with the modifications set forth in Section 1.01 of the Loan Agreement (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Loan Agreement have the respective meanings therein set forth.

ARTICLE II

Guarantee

Section 2.01. (a) Without limitation or restriction upon any of its other obligations under the Guarantee Agreement, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and interest and other charges on, the Loan, and the premium, if any, on the prepayment of the Loan, all as set forth in the Loan Agreement.

(b) In consideration of its entering into the Guarantee Agreement with the Bank, the Guarantor shall, through its Ministry of Finance, charge the Borrower the guarantee fee referred to in Section 3.01 (c) of the Loan Agreement.

ARTICLE III

Other Covenants

Section 3.01. The Guarantor shall cause to be maintained arrangements, satisfactory to the Bank, for assisting the Borrower and the Participating Banks in the carrying out of their activities under the Project, including through the maintenance, with staff and other resources and terms of reference agreed with the Bank, of:

(a) a Steering Committee comprising of representatives of the Guarantor's Egyptian Environmental Affairs Agency (EEAA), Ministries of Environmental Affairs, Finance, Planning, International Cooperation, Public Works and Water Resources, and Public Enterprise Sector, and non-governmental organizations, the Borrower, the Apex Bank and Participating Banks, the Federation of Egyptian Industries, and the Egyptian Business Association, to be responsible for the oversight of Project implementation and the provision of policy guidance thereunder and for reviewing and recommending for financing under the Project all Sub-projects proposed to be financed through the provision of Sub-loans and Sub-grants of more than the equivalent of \$2,000,000 in the aggregate each; and

(b) a Project Implementation Unit within EEAA, headed by a full time Project Manager, to be primarily responsible for reviewing and recommending for financing under the Project all Sub-projects proposed to be financed through the provision of Sub-loans and Sub-grants not exceeding the equivalent of \$2,000,000 in the aggregate each, for the technical evaluation of Sub-projects, for entering into a Sub-project technical implementation agreement with each Beneficiary, in the format agreed with the Bank, to monitor and ensure that the Sub-project is carried out in accordance with appropriate technical, environmental, health and safety practices, and for ensuring that the procurement of goods and works financed under Sub-loans is undertaken in accordance with the provisions of Schedule 4 to the Loan Agreement.

ARTICLE IV

Representatives of the Guarantor; Addresses

Section 4.01. The Minister of State for International Cooperation or the Head of the Sector for International and Regional Financing Organizations of the Ministry of International Cooperation of the Guarantor is designated as representative of the Guarantor for the purposes of Section 11.03 of Article XI of the General Conditions.

Section 4.02. The following addresses are specified for the purposes of Section 11.01 of Article XI of the General Conditions:

For the Guarantor:

Ministry of International Cooperation
(International and Regional
Financing Organizations Sector)
8 Adly Street
Cairo, Arab Republic of Egypt

Cable address:

Ministry of
International Cooperation
Cairo

Fax:

391-5167

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Cairo, Arab Republic of Egypt, as of the day and year first above written.

ARAB REPUBLIC OF EGYPT

By /s/ Zafer El-Bishry

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Khalid Ikram

Acting Regional Vice President
Middle East and North Africa

