

CONFORMED COPY

LOAN NUMBER 7656-EG

Loan Agreement

(Egypt National Railways Restructuring Project)

between

ARAB REPUBLIC OF EGYPT

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated August 2, 2009

LOAN AGREEMENT

Agreement dated August 2, 2009, between ARAB REPUBLIC OF EGYPT (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). 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.

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 two hundred seventy million United States dollars (US\$270,000,000), 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.
- 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 The interest payable by the Borrower on the principal amount of the Loan withdrawn and outstanding from time to time for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Variable Spread; provided, that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; 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 Egyptian National Railways is designated as the representative of the Borrower for the purpose of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article II of the General Conditions.
- 2.09. 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. The Borrower represents that it has complied with its constitutional procedures and that all these shall have been completed by the Effective Date.
- 4.02. The Additional Condition of Effectiveness is that the Subsidiary Loan Agreement has been executed on behalf of the Borrower and the Project Implementing Entity.
- 4.03. The Additional Legal Matter is that the Subsidiary Loan Agreement has been duly authorized or ratified 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 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 Cairo, Arab Republic of Egypt, as of the day and year first above written.

ARAB REPUBLIC OF EGYPT

By: /s/ Fayza Abounaga

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By: /s/ Emmanuel Mbi

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 following parts:

Part A: Signaling Modernization

1. Modernizing the signaling system along the Arab El Raml - Alexandria line consisting of: (a) an automatic block signaling system (on an open line); (b) electronic interlocking systems (in stations); and (c) 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, through the provision of consultants' services for supervisory engineering and goods.

Part B Track Renewal

Renewal of 200 km of track along the Cairo-Aswan line (149 km on four sections of track) and the Benha-Port Said line (51 km on two sections of track), through the carrying out of works, and provision of consultants' services for supervisory engineering and goods.

Part C Modernization of Management and Operating Practices

Supporting the development and delivery of: (a) an intensive management training program for mid- and upper-level of the Project Implementing Entity's management and relevant officials from the Ministry of Transport; (b) a technical training program and curricula at the new railway academy (Wardan Institute); and (c) market research for the development of the freight business, demand and usage analysis of key passenger lines, and analysis of means to increase the revenues from the Project Implementing Entity's property, 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 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; 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; not take or permit to be taken any action which would prevent or interfere with such performance; and implement the Project.
2. The Borrower shall, through the Ministry of Transport, establish by no later than September 1, 2009, and thereafter maintain a Steering Committee, with membership and terms of reference satisfactory to the Bank. The Steering Committee shall, *inter alia*, have responsibility for Project oversight and coordination.

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 satisfactory 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 the Bank shall otherwise agree, 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 the Guidelines on Preventing and

Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants, dated October 15, 2006.

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 the indicators agreed with the Bank. Each Project Report shall cover the period of one 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 form and substance satisfactory to the Bank.
3. The Borrower shall cause the Project Implementing Entity to have its Financial Statements and 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 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 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, through the Project Implementing Entity, withdraw the proceeds of the Loan 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 (exclusive of Taxes)
(1) Goods under Parts A.1 and A.2 of the Project	197,000,000	100%
(2) Works under Part B of the Project	60,000,000	100%
(3) Front-end Fee	675,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions
(4) Premia for Interest Rate Caps and Interest Rate Collars	0	Amount due under Section 2.07(c) of this Agreement
(5) Unallocated	12,325,000	
TOTAL AMOUNT	270,000,000	

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 September 30, 2015.

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 August 15, 2014 through August 15, 2038	2%
On February 15, 2039	2%

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. “Environmental and Social Impact Assessment” or “ESIA” means 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 Project.
3. “Environmental Management Plan” or “EMP” means the Project Implementing Entity’s environmental management plan for the Project furnished to the Bank on October 7, 2008, as such plan 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.
4. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008).
5. “Ministry of Finance” means the Borrower’s Ministry of Finance, and any successor thereof.
6. “Ministry of Transport” means the Borrower’s Ministry of Transport, and any successor thereof.
7. “PMU” means the Project management unit to be maintained in accordance with the provisions of paragraph A.1 under Section I in the Schedule to the Project Agreement.
8. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
9. “Procurement Plan” means the Project Implementing Entity’s procurement plan for the Project, dated December 17, 2008 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

10. “Project Agreement” means the agreement between the Bank and the Project Implementing Entity of even date herewith, as the same may be amended from time to time; and such term includes all schedules and agreements supplemental to the Project Agreement.
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. “Steering Committee” means the Steering Committee to be established and maintained in accordance with the provisions of Section I.A.2 of Schedule 2 to this Agreement.
14. “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.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Paragraph (a) of Section 2.07 is modified to read as follows:

“Section 2.07. Refinancing Preparation Advance; Capitalizing Front-end Fee and Interest

(a) If the Loan Agreement provides for the repayment out of the proceeds of the Loan of an advance made by the Bank or the Association (“Preparation Advance”), the Bank shall, on behalf of such Loan Party, withdraw from the Loan Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Loan Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Bank shall pay the amount so withdrawn to itself or the Association, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

2. Paragraph (l) of Section 7.02 is modified to read as follows:

“Section 7.02. Suspension by the Bank

... (l) *Ineligibility.* The Bank or the Association has declared the Borrower (other than the Member Country) or the Project Implementing Entity ineligible to

receive proceeds of any financing made by the Bank or the Association or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Bank or the Association, as a result of a determination by the Bank or the Association that the Borrower or the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Bank or the Association.”

3. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:
 - (a) The term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”
 - (b) The definition of the term “Conversion Date” is modified to read as follows:

“‘Conversion Date’ means, in respect of a Conversion, the Execution Date (as herein defined) or such other date as requested by the Borrower and accepted by the Bank, on which the Conversion enters into effect, and as further specified in the Conversion Guidelines.”
 - (c) The definition of the term “Variable Rate” is modified, in relevant part, to read as follows:

“(c) upon a Currency Conversion to an Approved Currency of an amount of the Withdrawn Loan Balance that accrues interest at a variable rate during the Conversion Period, the variable rate of interest applicable to such amount shall be equal to either: (i) the sum of: (A) LIBOR, or such other base rate as may be agreed by the Borrower and the Bank, for the Approved Currency; plus (B) the spread to LIBOR or to such other base rate, if any, payable by the Bank under the Currency Hedge Transaction relating to said Currency Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the interest rate component of the Screen Rate.”