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**CONFORMED COPY**

**LOAN NUMBER 7512 EGT**

# **Loan Agreement**

**(The Integrated Sanitation and Sewerage Infrastructure Project)**

**between**

**ARAB REPUBLIC OF EGYPT**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated May 15, 2008**

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## **LOAN NUMBER 7512 EGT**

### **LOAN AGREEMENT**

Agreement dated May 15, 2008, between the 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 one hundred and twenty million United States dollars (US\$120,000,000), 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.
- 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 The interest payable by the Borrower on the principal amount of the Loan withdrawn and outstanding from time to time for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Fixed Spread; provided, that upon a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. For purposes of paragraph 43 of the General Conditions, the “Fixed Spread” for the initial Loan currency in effect at 12:01 a.m. Washington, D.C time, one calendar day prior to the date of the Loan Agreement is .05%.

- 2.05. The Payment Dates are May 1 and November 1 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 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. NOPWASD 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 carry out the Project through NOPWASD in accordance with the provisions of Article V of the General Conditions.
- 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 Effectiveness Deadline is the date one hundred and eighty (180) days after the date of this Agreement.

**ARTICLE V - REPRESENTATIVE; ADDRESSES**

- 5.01. The Minister of International Cooperation of the Borrower and the First Under Secretary 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 contribute to the sustainable improvement in: (a) sanitation and environmental conditions for the beneficiary communities; and (b) the water quality in the selected drainage basins within the served areas.

The Project consists of the following parts:

#### Part A: Provision of Sanitation Systems within selected drainage sub-basins

Planning, designing and construction of sanitation systems for about fourteen village clusters in the selected priority area within the two command areas of Mahmoudeya and Mit Yazid within the Governorates of Beheira, Gharbeya and Kafr El Sheikh in the Delta, including: (1) centralized sewage treatment plants; (2) centralized sewage collection networks consisting of house connections, transmission lines, and pumping stations; (3) decentralized sanitation systems including house connections, simplified collection networks and localized treatment plants to cover villages of about 500 to 1500 inhabitants; and (4) a pilot project following the GTZ model of Kafr El Sheikh to provide decentralized sanitation systems for villages of up to 5000 inhabitants.

#### Part B: Establishment of a Local Result-based Monitoring and Evaluation System

Establishing a results-based monitoring system within the HCWW that links the improvements in sanitation coverage with anticipated environmental and water quality impacts including technical assistance support for expertise in designing the system, identification of monitoring sites, data collection and analysis, results review, finalization, and communication.

#### Part C: Institutional Development and Capacity Building

Supporting the institutional development and capacity building of the national and local public institutions responsible for sanitation implementation to enhance their capacity to plan, design, construct and operate the rural sanitation investments, monitor outputs and outcomes, promote hygiene practices and social mobilization as well as the implementation of the ESMMF to mitigate the potential environmental and social impacts associated with the Project activities.

**SCHEDULE 2****Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements**

1. The Borrower shall vest the overall responsibility for the implementation of the Project in NOPWASD and shall cause NOPWASD to implement the Project in accordance with the ESMMF, the RPF and the PIM.
2. For the purpose of ensuring the proper coordination and execution of the Project, the Borrower shall maintain the Steering Committee, chaired by the Minister of Housing, Utilities and Urban Development or his delegate, with membership composed of representatives of NOPWASD, HCWW, EWRA, MWRI, and MOHP. The main responsibilities of the Steering Committee shall be to: (a) oversee the implementation of the Project; (b) review, discuss, and approve the Project investment and implementation plans; (c) ensure the collection, reporting and dissemination of monitoring and evaluation data by designated agencies; and (d) take and follow up decisions to resolve any Project implementation problems.
3. For the purpose of carrying out Part A.1 of the Project, the Borrower, through NOPWASD, no later than forty five (45) days as at the Effective Date, establish and thereafter maintain a NOPWASD Project Unit to be responsible for design and implementation of all new wastewater treatment works. The said unit shall be headed by a senior NOPWASD official and supported by a team of specialists under terms of reference satisfactory to the Bank and covering technical, procurement and financial management aspects of wastewater treatment plant design and construction.
4. For the purposes of carrying out Parts A.2, A.3, A.4, B and C of the Project, NOPWASD shall, not later than forty five (45) days as at the Effective Date, enter into appropriate contractual arrangements satisfactory to the Bank, with an implementing agency (the "Interagency Agreement"). The said agreement shall stipulate, *inter alia*, that: (a) implementing agency shall, on behalf of NOPWASD, implement Parts A.2, A.3, A.4, B and C of the Project in accordance with the ESMMF, the RPF and the PIM; and (b) to this end the implementing agency shall establish, not later than three (3) months as at the Effective Date, the PIU, with qualified staff in adequate numbers satisfactory to the Bank.
5. The Borrower shall cause NOPWASD to ensure that the Project is carried out 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.

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

**A. Project Reports**

1. The Borrower shall, through NOPWASD 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 semester, and shall be furnished to the Bank not later than forty five (45) days after the end of the period covered by such report.
2. For purposes of Section 5.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than December 31, 2014.

**B. Financial Management, Financial Reports and Audits**

1. The Borrower shall, through NOPWASD maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Borrower shall, through NOPWASD prepare and furnish to the Bank not later than forty five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.
3. The Borrower shall, through NOPWASD have the Project's Financial Statements audited 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. 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. **Works.** All 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 Method of Procurement of Works**

The following table specifies the method of procurement which may be used for works. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>
National 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 NOPWASD 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.

<b>Category</b>	<b>Amount of the Loan Allocated (expressed in USD)</b>	<b>Percentage of Expenditures to be financed (exclusive of Taxes)</b>
(1) Works	119,700,000	67%
(2) Premia for Interest Rate Caps and Interest Rate Collars	0	Amount due under Section 2.07(c) of this Agreement
(3) Front-end Fee	300,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions
<b>TOTAL AMOUNT</b>	<u>120,000,000</u>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
  - (a) from the Loan Account until the Bank has received payment in full of the Front-end Fee; or
  - (b) for payments made prior to the date of this Agreement.
2. The Closing Date is June 30, 2014.

**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.

<b>Principal Payment Date</b>	<b>Installment Share (Expressed as a Percentage)</b>
On each May 1 and November 1 Beginning May 1, 2013 through November 1, 2037	2.00%

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****Definitions**

1. “Category” means a category set forth in the table in Section IV of Schedule 4 to this Agreement.
2. “EWRA” means the Egyptian Water Regulatory Agency of the Borrower established by virtue of Presidential Decree No. 136 of 2004, or any successor thereof.
3. “Environmental and Social Management and Monitoring Framework” or “ESMMF” means the Borrower’s environmental and social management and monitoring framework for the Project furnished to the Bank on December 13, 2007, as such framework 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 adverse environmental and social 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. “Governorate” means an administrative division of the Arab Republic of Egypt.
6. “HCWW” means the Egyptian Holding Company for Water and Wastewater established and operating pursuant to Presidential Decree No. 135 of 2004, or any successor thereof.
7. “MOHP” means the Borrower’s Ministry of Health and Population, or any successor thereof.
8. “MOHUUD” means the Borrower’s Ministry of Housing, Utilities and Urban Development, or any successor thereof.
9. “MSEA” means the Borrower’s Ministry of State for Environmental Affairs, or any successor thereof.
10. “MWRI” means the Borrower’s Ministry of Water Resources and Irrigation, or any successor thereof.
11. “NOPWASD” means the National Organization for Potable Water and Sanitary Drainage of the Borrower’s Ministry of Housing, Utilities and Urban

Development established by virtue of Presidential Decree No. 197 of 1981 or any successor thereof.

12. “NOPWASD Project Unit” means the unit to be established and maintained in accordance with the provisions of Section I.A.4 of Schedule 2 to this Agreement.
13. “PIM” means the Borrower’s Project implementation manual dated March 15, 2008, as such manual may be updated from time to time by agreement between the NOPWASD and the Bank.
14. “PIU” means the Project implementation unit to be established and maintained in accordance with the provisions of Section I.A.3 of Schedule 2 to this Agreement.
15. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
16. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated December 13, 2007, 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.
17. “Resettlement Policy Framework” or “RPF” means the Borrower’s resettlement policy framework for the Project, furnished to the Bank on December 13, 2007, as such framework may be amended from time to time by agreement of the Borrower and the Bank, setting forth the rules, procedures and guidelines for the acquisition of land and/or other assets from Project affected persons and/or the resettlement and rehabilitation of such persons and the compensation thereof.
18. “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.