Loan Agreement

(Additional Financing for Second National Drainage Project)

between

ARAB REPUBLIC OF EGYPT

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated June 13, 2010
LOAN AGREEMENT

Agreement dated June 13, 2010, between the ARAB REPUBLIC OF EGYPT (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) for the purpose of providing additional financing for the Original Project (as defined in the Appendix to 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 Section 1.02 of 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 thirty million United States Dollars (US$30,000,000), 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 EPADP, Egyptian Public Authority for Drainage Projects (the project implementing agency).

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 The interest payable by the Borrower on the principal amount of the Loan withdrawn and outstanding from time to time for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Variable Spread; provided, that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 May 1 and November 1 in each year.

2.06. The principal amount of the Loan shall be repaid in accordance with the provisions of 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 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 EPADP 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. This Agreement shall become effective once the Bank has received evidence acceptable to it that all necessary constitutional procedures have been taken by the Borrower.

4.02. 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 the 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: Facsimile:
Ministry of International Cooperation (202) 2391-2815
Cairo, Arab Republic of Egypt (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: INTBAFRAD
Telex: 248423(MCI) or 64145(MCI)
Facsimile: 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 Aboulnaga
Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By /s/ A. David Craig
Authorized Representative
SCHEDULE 1

Project Description

The objectives of the Project are: (a) to improve the efficiency of drainage for an additional 90,000 feddans of irrigated land to increase the total area to about 1.0 million feddans; (b) to increase agricultural production and improve rural income; and (c) to identify and oversee the resolution of environmental issues resulting from the discharge into the open drains of untreated industrial and domestic waste water in the project area.

The Project consists of the following parts:

Part A: Drainage Works:

1. Provision of subsurface drainage for an additional area of about 35,000 feddans located in old cultivated lands.
2. Renewal and rehabilitation of old malfunctioning subsurface drainage for about 55,000 feddans.
3. Deepening and remodeling of selected existing main and secondary open surface drain to be determined on a demand priority basis.

Part B: Equipment and Materials:

1. Provision of emergency pumping units.
2. Provision of machinery required for appropriate maintenance of drainage centers.
3. Provision of spare parts required for heavy machinery and equipment and for pipe production factories.

Part C: Technical support:

Provision of technical services required to strengthen EPADP’s institutional capacity including: (a) environmental management and awareness activities; (b) drainage advisory services; (c) operations and maintenance, and improvement of EPADP’s management information systems; and (d) auditing of the Project accounts.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Overall responsibility for coordination of all project activities shall be vested in EPADP, which shall be assisted by the Project Management Team.

2. To ensure the proper coordination of the execution of the Project, the Borrower shall, through EPADP, establish a Project steering committee by December 31, 2010, comprising representatives of relevant departments including, inter alia, the Ministry of Water resources and Irrigation, the Ministry of Finance, and the Ministry of International Cooperation.

B. The Borrower shall ensure that the Project is carried out in accordance with 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

(a) The Borrower shall implement the Project in accordance with the provisions of the EMP.

(b) The Borrower, through EPADP and in cooperation with the concerned authorities, shall ensure that any acquisition of land or other assets from Project affected persons (if any) and/or the resettlement and rehabilitation of such persons and the compensation thereof are carried out in accordance with the requirements set forth in the RPF.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower shall, through EPADP 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 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 September 30, 2013.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall, through EPADP, 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 EPADP, 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 acceptable to the Bank.

3. The Borrower shall, through EPADP, 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. 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. Audit services. All Audit services 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 Sections I and IV of the Consultant Guidelines and with the provisions of this Section.

3. 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 Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding procedures.

2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Limited International Bidding</td>
</tr>
<tr>
<td>(b) National Competitive Bidding in accordance with the provisions set forth in paragraph 3 below.</td>
</tr>
<tr>
<td>(c) Shopping</td>
</tr>
<tr>
<td>(d) Direct Contracting</td>
</tr>
</tbody>
</table>

3. The draft bidding documents for goods and works to be procured through NCB shall incorporate the principles established in Section I of the Procurement Guidelines; they shall be furnished to the Bank for its prior review and approval.

C. Particular Methods of Procurement of Audit Services

**Least-Cost Selection.** Audit services shall be procured under contracts awarded on the basis of Least-Cost Selection.

D. 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 EPADP, 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.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works</td>
<td>25,700,000</td>
<td>65%</td>
</tr>
<tr>
<td>(2) Goods</td>
<td>2,210,000</td>
<td>100% for foreign expenditures (ex-factory cost) and 85% for local expenditures</td>
</tr>
<tr>
<td>(3) Audit services</td>
<td>15,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Premia for Interest Rate Caps and Interest Rate Collars</td>
<td>-0-</td>
<td>Amount due under Section 2.07 of this Agreement.</td>
</tr>
<tr>
<td>(5) Front-end Fee</td>
<td>75,000</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions</td>
</tr>
<tr>
<td>(6) Unallocated</td>
<td>2,000,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>30,000,000</td>
<td></td>
</tr>
</tbody>
</table>

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, 2013.
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.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each May 1 and November 1</td>
<td></td>
</tr>
<tr>
<td>Beginning May 1, 2017 through November 1, 2037</td>
<td>2.33%</td>
</tr>
<tr>
<td>On May 1, 2038</td>
<td>2.14%</td>
</tr>
</tbody>
</table>

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
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 2 to this Agreement.


3. “Environmental Management Plan or EMP” means the environmental management plan furnished to the Bank in April 2001 for the Original Project and subsequently updated on January 14, 2010, 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 adverse environmental and social impacts to levels acceptable to the Bank.


5. “Original Loan Agreement” means the loan agreement for a Second National Drainage Project between the Borrower and the Bank, dated November 26, 2000 as amended to the date of this Agreement (Loan No 4562-EGT).

6. “Original Project” means the Project described in the Original Loan Agreement.


8. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated February 18, 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.

9. “Resettlement Policy Framework” or “RPF” means the Borrower’s resettlement policy framework for the Project, furnished to the Bank on January 14, 2010, 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 (if any).
and/or the resettlement and rehabilitation of such persons and the compensation thereof.