Loan Agreement

(Upper Egypt Local Development Program)

between

ARAB REPUBLIC OF EGYPT

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated October 6, 2016
LOAN AGREEMENT

AGREEMENT dated October 6, 2016, 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 five hundred million United States Dollars (US$500,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement ("Loan"), to assist in financing the program described in Schedule I to this Agreement ("Program").

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 Ministry of Finance.

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 Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

2.05. The interest payable by the Borrower on the withdrawn Loan Balance and outstanding from time to time for each Interest Period shall be at a rate equal to the Reference Rate (as defined in paragraph 83 of the General Conditions, renumbered as such pursuant to paragraph 14 of Section II of the Appendix to this Agreement) 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.

2.06. The Payment Dates are July 15 and January 15 in each year.

2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
2.08. (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 unwoundrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) 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 (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding 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 or the Reference 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 or the Reference 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.

2.09. 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 to the Loan.

ARTICLE III — PROGRAM

3.01. The Borrower declares its commitment to the objectives of the Program. To this end, the Borrower shall carry out the Program through the Select Governorates, with the assistance of the PCO and in accordance with the provisions of Article V of the General Conditions and this 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 Program is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

4.01. The Additional Event of Suspension consists of the following, namely, that any legislation, license or other legal instrument related to the implementation of the Program has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the achievement of the objectives of the Program. Any suspension based on this Section
shall continue until the event (or events) which gave rise to the suspension has (or have) ceased to exist, unless the Bank has notified the Borrower that such right to make withdrawals has been restored.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. Subject to the other provisions of this Article and Section 9.01 of the General Conditions, this Agreement shall become effective once the Bank has received evidence that all necessary constitutional procedures have been taken by the Borrower.

5.02. The Effectiveness Deadline is the date one hundred eighty (180) days after the date of this Agreement or such later date as the Bank may establish in accordance with the provisions of Section 9.04 of the General Conditions.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. Except as provided in Section 2.02 of this Agreement, the Minister of International Cooperation of the Borrower is designated as the Borrower’s Representative.

6.02. The Borrower’s Address is:

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

Cable address: Ministry of International Cooperation
Facsimile: (202) 2391-2815

6.03. The Bank’s Address is:

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

Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391
AGREED at Washington, D.C., United States of America, as of the day and year first above written.

ARAB REPUBLIC OF EGYPT

By

Authorized Representative

Name: Sanaa Ahmed Nas

Title: Minister

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

Name: Hafez Qarnain

Title: Vice President
SCHEDULE 1

Program Description

The objectives of the Program are to improve the business environment for private sector development and strengthen local government capacity for quality infrastructure and service delivery in Select Governorates in Upper Egypt.

The Program is a part of the Borrower’s Inclusive Economic Development Program for Lagging Regions and consists of the following activities:

Part A. Improving Business Environment and Competitiveness

1. Improving government-to-business services in the Qena Governorate and the Sohag Governorate through: (a) establishing a One Stop Shop in each of said governorates to provide registration, company incorporation, and post-registration support services to businesses; and (b) developing an information technology-enabled service delivery platform to improve the delivery of government-to-business services in district service centers in each of said governorates.

2. Carrying out sector-specific programs with private sector participation in the Qena Governorate and the Sohag Governorate to identify key entry points for private sector development and to enhance competitiveness of sectors through: (a) conducting public-private dialogues on opportunities and priorities for economic growth; (b) launching and implementing Cluster Competitiveness Initiatives with private sector collaboration; (c) providing firm-level business development services and training; and (d) identifying and promoting investment opportunities in priority sectors.

3. Improving management and access to services in industrial zones in the Qena Governorate and the Sohag Governorate through: (a) developing Industrial Zone Modernization Plans to be implemented in industrial zones located in each of said governorates; and (b) introducing private management or public-private partnership arrangements for industrial zones.

Part B. Improving Access to Quality Infrastructure and Services

1. Provision of Performance Grants to the Select Governorates to finance the carrying out of infrastructure and services investments identified in the Annual Program Investment Plans of the Select Governorates.

2. Carrying out audits to evaluate the technical quality of infrastructure and services undertaken by the Select Governorates.
SCHEDULE 2

Program Execution

Section I. Implementation Arrangements

A. Program Fiduciary, Environmental and Social Systems

Without limitation on the provisions of Article V of the General Conditions, the Borrower shall carry out the Program, or cause the Program to be carried out, in accordance with financial management, procurement and environmental and social management systems acceptable to the Bank (“Program Fiduciary, Environmental and Social Systems”) which are designed to ensure that:

1. the Loan proceeds are used for their intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability; and

2. the actual and potential adverse environmental and social impacts of the Program are identified, avoided, minimized, or mitigated, as the case may be, all through an informed decision-making process.

B. Anti-Corruption

Without limitation on the provisions of Part A of this Section, the Borrower shall carry out the Program, or cause the Program to be carried out, in accordance with the provisions of the Anti-Corruption Guidelines.

C. Other Program Institutional and Implementation Arrangements

1. Without limitation on the generality of Part A of this Section I, the Borrower shall carry out the Program Action Plan, or cause the Program Action Plan to be carried out, in accordance with the schedule set out in the said Program Action Plan in a manner acceptable to the Bank. Except as the Bank may agree after consultation with the Borrower, the Borrower shall ensure that the Program Action Plan is not amended, waived, suspended, terminated or abrogated.

2. Program Institutions

(a) (i) The Borrower shall establish, not later than one (1) month after the Effective Date, and thereafter maintain, throughout the implementation of the Program, a high level steering committee (“Steering Committee”), with a composition, mandate, and resources acceptable to the Bank, to be comprised of, inter alia, representatives from the ministries responsible for international cooperation, trade and industry, local development, and finance, and the governors of the Sohag Governorate and the Qena Governorate.

(ii) Without limitation to sub-paragraph (i) immediately above, the Borrower shall ensure that the Steering Committee is responsible for providing
strategic guidance and oversight to ensure prompt and efficient implementation of the Program, in accordance with the provisions of the Program Operational Manual.

(b) (i) The Borrower shall, through the Ministry of Trade and Industry, establish, not later than one (1) month after the Effective Date, and thereafter maintain, throughout the implementation of the Program, a coordination office ("Program Coordination Office" or "PCO"), with functions, staffing, and resources acceptable to the Bank, to be comprised of, *inter alia*, representatives from the ministries responsible for local development and trade and industry.

(ii) Without limitation to sub-paragraph (i) immediately above, the Borrower shall, through the Ministry of Trade and Industry, ensure that the PCO is responsible for: (i) the overall management, coordination, reporting, monitoring, and evaluation of Program implementation; (ii) providing technical support to the Steering Committee; (iii) hiring and interfacing with the Independent Verification Agent; (iv) carrying out Annual Performance Assessments; (v) carrying out the technical audits referred to under Part B.2 of the Program; and (vi) facilitating financial audits for the Program, all in accordance with the provisions of this Agreement and the Program Operational Manual.

(c) The Borrower shall, through the Select Governorates, establish, not later than one (1) month after the Effective Date, and thereafter maintain, throughout the implementation of the Program, a local implementation unit in each of the Select Governorates ("Local Implementation Unit" or "LIU"), with functions, staffing, and resources acceptable to the Bank, to be responsible for implementation of Program activities in the corresponding Select Governorate, including the administration of overall planning, coordination, the technical, fiduciary (i.e. procurement and financial management), environmental and social safeguards compliance, monitoring, evaluation, reporting and communication of the Program activities in the corresponding Select Governorate, all in accordance with the provisions of this Agreement and the Program Operational Manual.

(d) (i) The Borrower shall, through the Select Governorates, establish, not later than one (1) month after the Effective Date, and thereafter maintain, throughout the implementation of the Program, an economic council in each of the Select Governorates ("Economic Council"), with functions, staffing, and resources acceptable to the Bank, to be chaired by the governor of the Select Governorate, and comprised of, *inter alia*, representatives from the local executive council and the ministries responsible for local development and trade and industry.

(ii) Without limitation to sub-paragraph (i) immediately above, the Borrower shall ensure that the Economic Council is responsible for: (A) ensuring citizen and private sector participation in the Program; (B) reviewing and endorsing: (1) plans for citizen and private sector participation in the Program; (2) Annual Program Investment Plans; (3) plans for Cluster
Competitiveness Initiatives; and (4) Industrial Zone Modernization Plans, all for the corresponding Select Governorate and in accordance with the provisions of this Agreement and the Program Operational Manual.

(e) The Borrower shall, through the PCO, not later than three (3) months after the Effective Date, hire and thereafter retain a consultant firm with terms of reference acceptable to the Bank, to provide support to the LIUs and the PCO in the management, implementation, and coordination of the Program, including in the overall planning, fiduciary, environmental and social safeguards compliance, and supervision of engineering works.

3. **Program Operational Manual**

(a) The Borrower shall, not later than one (1) month after the Effective Date, adopt a manual acceptable to the Bank ("Program Operational Manual"), which shall include the following: (i) the Operational Manual; (ii) the Performance Grant Manual; and (iii) the Competitiveness Implementation Manual.

(b) The Borrower shall, through the Select Governorates and with the assistance of the PCO, carry out the Program in accordance with the provisions of the Program Operational Manual. Except as the Bank may agree after consultation with the Borrower, the Borrower shall not amend, abrogate, waive or fail to enforce any provision of the Program Operational Manual; provided, however, that in case of any conflict between the arrangements and procedures set out in the Program Operational Manual and the provisions of this Agreement, the provisions of this Agreement shall prevail.

4. **Performance Grants**

(a) The Borrower shall provide, for each Fiscal Year during the implementation of the Program, a Performance Grant to each Select Governorate for the purpose of carrying out its respective Annual Program Investment Plan, based on: (i) the fulfillment by the Select Governorate of the Minimum Access Criteria for a given Fiscal Year starting from FY 16/17; and (ii) the achievement by the Select Governorate of the minimum Performance Target for a given Fiscal Year starting from FY 17/18, all in accordance with principles, methodology and arrangements as set out in the Performance Grant Manual.

(b) The Borrower shall, through the PCO, carry out an Annual Performance Assessment of each Select Governorate for each Fiscal Year to evaluate: (i) the fulfillment of the Minimum Access Criteria for the Fiscal Year starting from FY 16/17; and (ii) the achievement of the minimum Performance Target for the Fiscal Year starting from FY 17/18; and, on the basis of such evaluation, to determine the amount of the Performance Grant, all in accordance with principles, methodology and arrangements as set out in the Performance Grant Manual.

5. The Borrower shall, through the PCO, not later than three (3) months after the Effective Date, engage an Independent Verification Agent under terms of reference acceptable to the Bank, to prepare and provide verification reports certifying the achievement of the DLRs,
all in accordance with procedures and arrangements acceptable to the Bank as referred to in Section IV.B.1 (b) of this Schedule.

6. The Borrower shall, through the Select Governorates, not later than six (6) months after the Effective Date, establish a complaints and grievance redressal mechanism in each of the Select Governorates to handle complaints and grievances from Program beneficiaries or third parties relating to any aspects of the Program within the corresponding Select Governorate, including adverse social and environmental impacts, and allegations of fraud and corruption. Such mechanism shall, inter alia, contain procedures for recording of complaints and grievances, directing the complainants to the appropriate level for action, the review process, and provision for feedback to the complainant on the action taken on the basis of best practice service standards.

7. To facilitate the carrying out of the Program, the Borrower shall transfer in a timely manner to the Qena Governorate and the Sohag Governorate the proceeds of the Loan withdrawn from time to time under Categories (1) to (6) in the table in paragraph 2 of Section IV.A of this Schedule. The Borrower shall ensure that such transfers shall be fully additional to the regular annual budget allocations made by the Borrower for the Qena Governorate and the Sohag Governorate.

8. The Borrower shall take all actions as may be needed in order to enable the Qena Governorate and the Sohag Governorate to implement the Program activities within the respective governorates.

Section II. Excluded Activities

The Borrower shall ensure that the Program excludes any activities which:

A. in the opinion of the Bank, are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people; or

B. involve the procurement of: (1) works, estimated to cost fifty million United States Dollars (US$50,000,000) equivalent or more per contract; (2) goods, estimated to cost thirty million United States Dollars (US$30,000,000) equivalent or more per contract; (3) non-consulting services, estimated to cost twenty million United States Dollars (US$20,000,000) equivalent or more per contract; or (4) consultants’ services, estimated to cost fifteen million United States Dollars (US$15,000,000) equivalent or more per contract.

Section III. Program Monitoring, Reporting and Evaluation; Audits

A. Program Reports

The Borrower shall, through the PCO, monitor and evaluate the progress of the Program and prepare Program Reports in accordance with the provisions of Section 5.08 of the General Conditions. Each Program Report shall cover the period of one (1) calendar semester, and shall be furnished to the Bank not later than one (1) month after the end of the period covered by such report.
B. Program Financial Audits

Without limitation on the generality of Section I.A of this Schedule 2 and Section 5.09 of the General Conditions, the Borrower shall have the Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Unless otherwise agreed with the Bank, each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Borrower. The audited Financial Statements for each such period shall be: (a) furnished to the Bank not later than six (6) months after the end of such period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank may specify from time to time by notice to the Borrower to: (a) pay the Front-end Fee; (b) pay each Interest Rate Cap or Interest Rate Collar premium; and (c) finance the results ("Disbursement Linked Results" or "DLRs") achieved by the Borrower, as measured against specific indicators ("Disbursement Linked Indicators" or "DLIs"); all as set forth in the table in paragraph 2 of this Part A.

2. The following table specifies each category of withdrawal of the proceeds of the Loan (including the Disbursement Linked Indicators as applicable) ("Category"), the Disbursement Linked Results for each Category (as applicable), and the allocation of the amounts of the Loan to each Category:

<table>
<thead>
<tr>
<th>Category (including Disbursement Linked Indicator as applicable)</th>
<th>Disbursement Result (as applicable)</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Disbursement Calculation Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) DLI #1: Increase in Occupancy Rate in industrial zones in each of Qena Governorate and Sohag Governorate (Occupancy Rate baselines: 14% for Qena Governorate and 34% for Sohag Governorate for FY 15/16)</td>
<td>DLR #1: 20 percentage point increase in Occupancy Rate in each of Qena Governorate and Sohag Governorate</td>
<td>50,000,000</td>
<td>DLR #1: For each of Qena Governorate and Sohag Governorate: (i) $5,000,000 for the first 4 percentage increase in Occupancy Rate; (ii) $1,250,000 for each additional 1 percentage point increase in Occupancy Rate</td>
</tr>
<tr>
<td>(2) DLI #2: Number of industrial zones in each of Qena Governorate and Sohag Governorate implementing their respective Industrial Zone Modernization Plan (Baseline: 0 for FY 15/16)</td>
<td>DLR #2.1: Industrial Zone Modernization Plan developed and adopted for each of Qena Governorate and Sohag Governorate by FY 17/18</td>
<td>40,750,000</td>
<td>DLR #2.1: $6,000,000 of which $3,000,000 for each of Qena Governorate and Sohag Governorate</td>
</tr>
<tr>
<td></td>
<td>DLR #2.2.1: Industrial Zone Modernization Plan implemented in 2 industrial zones in Qena Governorate</td>
<td></td>
<td>DLR #2.2.1: $8,000,000 of which $4,000,000 for each industrial zone</td>
</tr>
<tr>
<td></td>
<td>DLR #2.2.2: Industrial Zone Modernization Plan implemented in 4 industrial zones in Sohag Governorate</td>
<td></td>
<td>DLR #2.2.2: $16,000,000 of which $4,000,000 for each industrial zone</td>
</tr>
<tr>
<td></td>
<td>DLR #2.3: Private management or public-private partnership arrangement implemented under the supervision of the relevant governorate in 1 industrial zone in each of Qena Governorate and Sohag Governorate</td>
<td></td>
<td>DLR #2.3: $10,750,000 of which $5,375,000 for each industrial zone</td>
</tr>
<tr>
<td>(3) DLI #3: Number of Cluster Competitiveness Initiatives launched and implemented in each of Qena Governorate and Sohag Governorate (Baseline: 0 for FY 15/16)</td>
<td>DLR #3.1: 5 Cluster Competitiveness Initiatives launched in each of Qena Governorate and Sohag Governorate by FY 19/20</td>
<td>50,000,000</td>
<td>DLR #3.1: $40,000,000 of which $4,000,000 for each Cluster Competitiveness Initiative</td>
</tr>
<tr>
<td></td>
<td>DLR #3.2:</td>
<td></td>
<td>DLR #3.2: $10,000,000 of</td>
</tr>
<tr>
<td>(4) DLI #4: Number of district service centers that reduced by at least 25% their average processing times (in days) for issuing operating licenses and construction permits to businesses calculated on the basis of the methodology set out in the POM (Baselines: 0 for each of Qena Governorate and Sohag Governorate)</td>
<td>DLR #4.1: 6 district service centers in Qena Governorate</td>
<td>28,000,000</td>
<td>DLR #4.1: $12,000,000 of which $2,000,000 for each district service center</td>
</tr>
<tr>
<td>(5) DLI #5: Minimum Access Criteria met and minimum Performance Target achieved for given Fiscal Year by each of Qena Governorate and Sohag Governorate to receive infrastructure and services Performance Grants</td>
<td>DLR #5.1 Each of Qena Governorate and Sohag Governorate has met the Minimum Access Criteria for FY 16/17</td>
<td>270,000,000</td>
<td>DLR #5.1: $30,000,000 of which $12,000,000 for Qena Governorate and $18,000,000 for Sohag Governorate</td>
</tr>
<tr>
<td></td>
<td>DLR #5.2.1: Each of Qena Governorate and Sohag Governorate has met the Minimum Access Criteria for FY 17/18</td>
<td></td>
<td>DLR #5.2.1: $30,000,000 of which $12,000,000 for Qena Governorate and $18,000,000 for Sohag Governorate</td>
</tr>
<tr>
<td></td>
<td>DLR #5.2.2: Pilot assessment of Performance Target for FY17/18 carried out in each of Qena Governorate and Sohag Governorate</td>
<td></td>
<td>DLR #5.2.2: $30,000,000 of which $12,000,000 for Qena Governorate and $18,000,000 for Sohag Governorate</td>
</tr>
</tbody>
</table>
DLR #5.3.1: Each of Qena Governorate and Sohag Governorate has met the Minimum Access Criteria for FY 18/19

DLR #5.3.2: Each of Qena Governorate and Sohag Governorate has achieved a Performance Target of at least 60% for FY 18/19

DLR #5.4.1: Each of Qena Governorate and Sohag Governorate has met the Minimum Access Criteria for FY 19/20

DLR #5.4.2: Each of Qena Governorate and Sohag Governorate has achieved a Performance Target of at least 70% for FY 19/20

DLR #5.5.1: Each of Qena Governorate and Sohag Governorate has met the Minimum Access Criteria for FY 20/21

DLR #5.5.2: Each of Qena Governorate and Sohag Governorate has
achieved a Performance Target of at least 80% for FY 20/21

<table>
<thead>
<tr>
<th>(6) DLI #6: Cumulative value (EGP) of infrastructure and services investment expenditures paid by each of Qena Governorate and Sohag Governorate under the Program that has been subject to technical audit carried out under Part B.2 of the Program and certified acceptable by technical auditor (Baseline: 0 for FY 15/16)</th>
<th>DLR #6: EGP 1,050,000,000 equivalent for each of Qena Governorate and Sohag Governorate</th>
<th>60,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>$12,000,000 for Qena Governorate and $18,000,000 for Sohag Governorate</td>
<td>DLR #6: For each of Qena Governorate and Sohag Governorate: $2.857 for each new EGP 100 equivalent paid for infrastructure and services expenditures covered by a technical audit and certified acceptable by technical auditor</td>
<td></td>
</tr>
</tbody>
</table>

(7) Front-end Fee to be paid pursuant to Section 2.03 of this Agreement in accordance with Section 2.05 (b) of the General Conditions (renumbered as such pursuant to paragraphs 3 and 5 of Section II of the Appendix to this Agreement and relating to Capitalizing Front-end Fee and Interest) | 1,250,000 |

(8) Interest Rate Cap or Interest Rate Collar premium to be paid pursuant to Section 2.08(c) of this Agreement in accordance with Section 4.05 of the General Conditions | 0 |

TOTAL AMOUNT | $500,000,000 |

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
(a) for purposes of Section 2.03 of the General Conditions (renumbered as such pursuant to paragraph 6 of Section II of the Appendix to this Agreement and relating to Program Expenditures), for DLRs achieved prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed US$125,000,000 may be made for such DLRs achieved prior to this date but on or after January 14, 2016; and

(b) for any DLR under Category (1), (2), (3), (4), (5) or (6), until and unless the Borrower has furnished all required verification documents and information acceptable to the Bank within sixty (60) days from the date said DLR was achieved, or such later date as may be established by the Bank, showing that said DLR has been achieved. Such verification documents and information shall include verification reports from the Independent Verification Agent, based on reports prepared by the Borrower certifying the achievements of the DLRs in accordance with procedures and arrangements, and verification protocols acceptable to the Bank.

2. Notwithstanding the provisions of Part B.I(b) of this Section, the Borrower may withdraw an amount not to exceed US$125,000,000 as an advance; provided, however, that if the DLRs in the opinion of the Bank are not achieved (or only partially achieved) by the Closing Date, the Borrower shall refund such advance (or portion of such advance as determined by the Bank in accordance with the provisions of paragraph 3 of this Part B) to the Bank promptly upon notice thereof by the Bank. Except as otherwise agreed with the Borrower, the Bank shall cancel the amount so refunded. Any further withdrawals requested as an advance under any Category shall be permitted only on such terms and conditions as the Bank shall specify by notice to the Borrower.

3. Notwithstanding the provisions of Part B.I(b) of this Section, if any of the DLRs under Category (1), (2), (3), (4), (5) or (6) has not been achieved by the date by which the said DLR is set to be achieved, the Bank may, after consulting with the Borrower: (a) authorize the withdrawal of such lesser amount of the withdrawn proceeds of the Loan then allocated to said Category which, in the opinion of the Bank, corresponds to the extent of achievement of said DLR, said lesser amount to be calculated in accordance with the Disbursement Calculation Formula set out in the fourth column of the table in paragraph 2 of Section IV.A of this Schedule; (b) reallocate all or a portion of the proceeds of the Loan then allocated to said DLR to any other DLR; and/or (c) cancel all or a portion of the proceeds of the Loan then allocated to said DLR.

4. The Closing Date is December 31, 2021.

5. Notwithstanding the foregoing provisions of this Section IV, if at any time after the Closing Date the Borrower has failed to provide evidence acceptable to the Bank that the Withdrawn Loan Balance does not exceed the total amount of Program Expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such excess amount of the Withdrawn Loan Balance. The Bank shall cancel the refunded amount of the Withdrawn Loan Balance.
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 July 15 and January 15 Beginning July 15, 2021 through July 15, 2050</td>
<td>1.67 %</td>
</tr>
<tr>
<td>On January 15, 2051</td>
<td>1.47 %</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 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: (a) 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 (b) 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. “Annual Performance Assessment” means the assessment referred to in paragraph 4 (b) of Section I.C of Schedule 2 to this Agreement, to be carried out by the PCO for each Fiscal Year for each Select Governorate, in accordance with principles, methodology and arrangements as set out in the Program Operational Manual.

2. “Annual Program Investment Plan” means the annual plan to be prepared by each Select Governorate for each Fiscal Year during the implementation of the Program, which sets out for each said year the infrastructure and services investments to be carried out in the Select Governorate in said year as selected in accordance with principles, methodology and arrangements set out in the Performance Grant Manual, in order to meet the objectives of the Program.


4. “Category” means a category set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.

5. “Competitiveness Implementation Manual” means the manual for the Cluster Competitiveness Initiatives and Industrial Zone Modernization Plans, acceptable to the Bank, to be adopted by the Borrower as part of the POM pursuant to the provisions of paragraph 3 of Section I.C of Schedule 2 to this Agreement, setting forth the detailed policies and procedures for said initiatives and plans.

6. “Cluster Competitiveness Initiative” means a Select Governorate’s set of coordinated public and private investment measures and actions supported by value chain and market analysis referred to in Part A.2 of the Program.

7. “Economic Council” means an economic council referred to in paragraph 2 (d) (i) of Section I.C. of Schedule 2 to this Agreement; “Economic Councils” means more than one such Economic Council.

8. “Disbursement Linked Indicator” or “DLI” means, in respect of a given Category, the indicator related to said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.

9. “Disbursement Linked Result” or “DLR” means, in respect of a given Category, the result under said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement, on the basis of the achievement of which, the amount of the Loan allocated to said result may be withdrawn in accordance with the provisions of said Section IV.

10. “Egyptian Pound” or “EGP” means the lawful currency of the Borrower.
11. “Fiscal Year” or “FY” means the fiscal year of the Borrower beginning July 1 of a calendar year and ending on June 30 of the following calendar year.


13. “Inclusive Economic Development Program for Lagging Regions” means the Borrower’s program for inclusive economic development in lagging regions, referred to in the letter dated May 22, 2016, from the Borrower to the Bank indicating the said program’s period of implementation.

14. “Independent Verification Agent” means an independent entity to be engaged by the Borrower, through the PCO, for the purpose of certifying the achievement of the DLRs, as referred to in paragraph 5 of Section I.C of Schedule 2 to this Agreement.

15. “Industrial Zone Modernization Plan” means a Select Governorate’s plan referred to in Part A.3 of the Program, consisting of an industrial zone management framework and a plan for infrastructure and services upgrading and maintenance, to be implemented in industrial zones located in said governorate.

16. “Local Implementation Unit” or “LIU” means a local implementation unit referred to in paragraph 2 (c) of Section I.C of Schedule 2 to this Agreement; and “Local Implementation Units” or “LIUs” means more than one such LIU.

17. “Minimum Access Criteria” means the eligibility criteria, as set out in the Performance Grant Manual, to be met by each Select Governorate in a given Fiscal Year in order to access the Performance Grant for said Fiscal Year, and to be evaluated through an Annual Performance Assessment.

18. “Ministry of Trade and Industry” means the Borrower’s ministry responsible for trade and industry, or any successor thereto.

19. “Occupancy Rate” means the percentage of land area in industrial zones in a Select Governorate allocated to businesses relative to the total land area available for allocation to businesses in industrial zones in said Select Governorate.

20. “One Stop Shop” means a one stop shop of the Borrower designed to provide registration, company incorporation, and post-registration support services to businesses in the Borrower’s territory.

21. “Operational Manual” means the operational manual, acceptable to the Bank, to be adopted by the Borrower as part of the POM pursuant to the provisions of paragraph 3 of Section I.C of Schedule 2 to this Agreement, providing details of arrangements and procedures for the implementation of the Program, including: (a) principles, methodology and arrangements for the verification of the DLIs and DLRs; (b) procurement, financial management and disbursement arrangements; (c) environmental and social safeguards arrangements for the Program; (d) institutional administration, coordination and day-to-day execution of Program activities; (e) monitoring, evaluation, reporting, and
communication arrangements of Program activities; and (f) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Program.

22. "Performance Grants" means the annual fiscal transfers from the Borrower’s budget into the annual budgets of the Select Governorates, provided in addition to the regular annual budget allocations of the Select Governorates, on the basis of meeting the Minimum Access Criteria for a given Fiscal Year starting from FY 16/17 and achieving the minimum Performance Target for a given Fiscal Year starting from FY 17/18, which the Select Governorates can utilize to undertake infrastructure and services investments identified in the Annual Program Investment Plans, all in accordance with principles, methodology and arrangements as set out in the Performance Grant Manual.

23. "Performance Grant Manual" means the manual for the Performance Grants, acceptable to the Bank, to be adopted by the Borrower as part of the POM pursuant to the provisions of paragraph 3 of Section I.C of Schedule 2 to this Agreement, setting forth the detailed policies and procedures for said grant, including a menu on investment and expenditure.

24. "Performance Target" means a numerical score of a Select Governorate for a given Fiscal Year, to be measured and evaluated through an Annual Performance Assessment, on the basis of performance metrics for investment selection and implementation as set out in the Performance Grant Manual.

25. "Program Coordination Office" or “PCO” means the coordination office referred to in paragraph 2 (b) (i) of Section I.C of Schedule 2 to this Agreement.

26. "Program Action Plan" means the Borrower’s plan dated August 1, 2016 and referred to in paragraph 1 of Section I.C of Schedule 2 to this Agreement, as may be amended from time to time with the prior written agreement of the Bank.

27. "Program Fiduciary, Environmental and Social Systems" means the Borrower’s systems for the Program referred to in Section I.A of Schedule 2 to this Agreement.

28. "Program Operational Manual" or “POM” means the manual, acceptable to the Bank, to be adopted by the Borrower pursuant to the provisions of paragraph 3 of Section I.C of Schedule 2 to this Agreement.

29. "Qena Governorate" means the Borrower’s governorate of Qena within which the Program is partly carried out, or any successor thereto.

30. "Select Governorates" means Qena Governorate and Sohag Governorate collectively; and “Select Governorate” means individually any one of said Select Governorates as the context may require.

31. "Sohag Governorate" means the Borrower’s governorate of Sohag within which the Program is partly carried out, or any successor thereto.

32. "Steering Committee" means the steering committee referred to in paragraph 2 (a) (i) of Section I.C of Schedule 2 to this Agreement.
Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Wherever used throughout the General Conditions, the term “the Project” is modified to read “the Program”, the term “the Project Agreement” is modified to read “the Program Agreement”, the term “Project Implementing Entity” is modified to read “the Program Implementing Entity”, the term “Project Report” is modified to read “Program Report”; and the term “Eligible Expenditures” is modified to read “Program Expenditures”.

2. In the Table of Contents, the references to Sections, Section names and Section numbers are modified to reflect the amendments set forth below.

3. Section 2.02, Special Commitment by the Bank, is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.

4. In Section 2.02 (originally numbered as Section 2.03), the heading “Applications for Withdrawal or for Special Commitment” is replaced with “Applications for Withdrawal”, and the phrase “or to request the Bank to enter into a Special Commitment” is deleted.

5. The section originally numbered as Section 2.04, Designated Accounts is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.

6. Paragraph (a) of Section 2.03 (originally numbered as Section 2.05), Eligible Expenditures (renamed “Program Expenditures” in accordance with paragraph 1 of this Section II), is modified to read: “(a) the payment is for the financing of the reasonable cost of expenditures required for the Program and to be financed out of the proceeds of the Loan in accordance with the provisions of the Legal Agreements;”.

7. The last sentence of Section 2.04 (originally numbered as Section 2.06), Financing Taxes, is modified to read: “To that end, if the Bank at any time determines that the amount of any such Tax is excessive, or that such Tax is discriminatory or otherwise unreasonable, the Bank may, by notice to the Borrower, exclude such amount or such Tax from the Program Expenditures to be financed out of the proceeds of the Loan, as required to ensure consistency with such policy of the Bank.”

8. Section 2.06 (originally numbered as Section 2.08), Reallocation, is modified to read:

“Notwithstanding any allocation of an amount of the Loan to a withdrawal category under the Loan Agreement, the Bank may, by notice to the Borrower, reallocate any other amount of the Loan to such category if the Bank reasonably determines at any time that such reallocation is appropriate for the purposes of the Program.”

9. Section 3.01. (Front-end Fee) is modified to read as follows:

“Section 3.01. Front-end Fee; Commitment Charge”
(a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the "Front-end Fee").

(b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the "Commitment Charge"). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date.

10. Section 7.01, Cancellation by the Borrower, is modified to read: “The Borrower may, by notice to the Bank, cancel any amount of the Unwithdrawn Loan Balance.”

11. Paragraph (d) of Section 7.03, Cancellation by the Bank, entitled “Misprocurement”, is deleted, and subsequent paragraphs are relettered accordingly.

12. Section 7.04, Amounts Subject to Special Commitment not Affected by Cancellation or Suspension by the Bank, is deleted in its entirety, and subsequent Sections in Article VII and references to such Sections are renumbered accordingly.

13. In the Appendix, Definitions, all references to Section numbers and paragraphs are modified, as necessary, to reflect the modifications set forth above.

14. A new paragraph 19 is inserted with the following definition of “Commitment Charge”, and the remaining paragraphs are renumbered accordingly:

   “19. “Commitment Charge” means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b).”

15. In the renumbered paragraph 49 (originally paragraph 48) of the Appendix, the definition of “Front-end Fee” is modified by replacing the reference to Section 3.01 with Section 3.01 (a).

16. In the renumbered paragraph 68 (originally paragraph 67) of the Appendix, the definition of the term “Loan Payment” is modified to read as follows:

   “68. “Loan Payment” means any amount payable by the Loan Parties to the Bank pursuant to the Legal Agreements or these General Conditions, including (but not limited to) any amount of the Withdrawn Loan Balance, interest, the Front-end Fee, the Commitment Charge, interest at the Default Interest Rate (if any), any prepayment premium, any transaction fee for a Conversion or early termination of a Conversion, the Variable Spread Fixing Charge (if any), any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by the Borrower.”

17. In the renumbered paragraph 73 (originally paragraph 72) of the Appendix, the definition of “Payment Date” is modified by deleting the word “is” and inserting the words “and Commitment Charge are” after the word “interest”.

18. Renumbered paragraph 88 (originally paragraph 87) of the Appendix, setting forth the definition of “Special Commitment” is deleted in its entirety, and all subsequent paragraphs are renumbered accordingly.