H.E. Dr. Naglaa El Ahwany
Minister of International Cooperation
Ministry of International Cooperation
Cairo, Arab Republic of Egypt

Excellency:

Re: Second Integrated Sanitation and Sewerage Infrastructure Project
Amendment to the Loan Agreement - (Loan Number 8069-EG)

We refer to the Loan Agreement dated January 17, 2012, between the Arab Republic of Egypt ("Borrower") and International Bank for Reconstruction and Development ("Bank") for the above-referenced Project ("Loan Agreement"). We further refer to the letters dated May 26, October 12, and October 16, 2014, requesting the Bank to make certain changes to the Loan Agreement.

We are pleased to inform you that based on said request and further discussions between the respective representatives of the Borrower and the Bank as recorded in the Aide Memoire for National Rural Sanitation Program (NRSP) (January 18 – January 30, 2015), the Bank has agreed to amend the Loan Agreement as set forth below:

1. Section 3.01 of the Loan Agreement is amended to read as follows:

   "3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project through MOHUUC and HCWW, in accordance with the provisions of Article V of the General Conditions and the Implementation Agreement.”

2. Part C of Schedule 1 to the Loan Agreement is amended to read as follows:

   "Part C: Project Management
   Support to MOHUUC and HCWW in Project implementation, monitoring and evaluation and management, including construction supervision and environmental management services.”

3. A new Part D is added to Schedule 1 to the Loan Agreement to read as follows:

   "Part D” MOHUUC PMU
   Establishment of a Project Management Unit (PMU) within MOHUUC and provision of support to prepare a follow-up project in the sanitation and sewerage sector.”

4. Section 1.A of Schedule 2 to the Loan Agreement is amended to read as follows:
"A. Institutional Arrangements.

1. The Borrower shall carry out parts A, B and C of the Project through the HCWW PIU in accordance with the Implementation Agreement, and Part D of the Project through the MOHUUC PMU, and are in accordance with the requirements, criteria, organizational arrangements and operational procedures set forth in the ESMMF, the RPF and the PIM, as the case may be, and except as mutually agreed upon between the Borrower and the Bank, the Borrower shall not assign, amend, abrogate or waive any provisions of the ESMMF, the RPF, the PIM, or the Implementation Agreement.

2. The MOHUUC through HCWW PIU and the MOHUUC PMU shall have the overall responsibility for the implementation of the Project.

3. At all times during the implementation of the Project, the Borrower shall maintain or cause to maintain the HCWW PIU and the MOHUUC PMU with a composition and resources and with staff whose qualifications, experience and terms of reference shall be acceptable to the Bank.

4. Not later than March 31, 2015 or such later date as the Bank may agree, the Borrower shall ensure that the PIM has been updated, in form and substance acceptable to the Bank.

5. Not later than March 31, 2015 or such later date as the Bank may agree, the Borrower shall ensure that: (i) the Implementation Agreement has been executed between MOHUUC and HCWW in form and substance acceptable to the Bank; and (ii) the Implementation Agreement has been duly authorized by, and is legally binding upon its signatories in accordance with its terms.

6. The Project Steering Committee shall have overall responsibility for Project oversight, coordination and execution of the Project in accordance with the requirements, criteria, organizational arrangements and operational procedures set forth in the PIM. The Project Steering Committee shall be chaired by the Minister of MOHUUC or his delegate, with membership composed of representatives of HCWW, the water sanitation companies (WSCs) in Assiut, Sohag, Menoufia, and Sharkeya, EWRA, MWRI, MOHP, MoIC and a local council representative from each of the aforementioned Governorates. At all times during the implementation of the Project, the Borrower shall maintain the Project Steering Committee with a composition acceptable to the Bank.

7. The Borrower shall ensure that the Project is carried out pursuant to the provisions of "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants dated October 15, 2006, and revised in January 2011."

5. Section II.A of Schedule 2 to the Loan Agreement is amended to read as follows:

"A. Project Reports

The Borrower, through MOHUUC and HCWW, shall monitor and evaluate the progress of their respective activities under the Project and prepare Project Reports in accordance
with the provisions of Section 5.08 of the General Conditions and on the basis of 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.”

6. Paragraphs 1 and 2 of Section II.B of Schedule 2 to the Loan Agreement are amended as follows:

“B. Financial Management, Financial Reports and Audits

1. The Borrower, through MOHUUC and HCWW, shall maintain or cause to be maintained a financial management system for their respective activities under the Project 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, through MOHUUC and HCWW, shall 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.”

7. Section III of Schedule 2 to the Loan Agreement is amended as follows:

“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. Consultants’ Services. All consultants’ 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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

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

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) National Competitive Bidding in accordance with the provisions set forth in paragraph 3 below.</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
</tbody>
</table>

3. The Project Standard Bidding Documents prepared by the HCWW PIU or MOHUUC PMU 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 review and approval.

C. **Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants’ Services.** The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants’ services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants’ Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

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.”

8. Section IV.A of Schedule 2 to the Loan Agreement is amended to read as follows:

**“Section IV. Withdrawal of Loan Proceeds**

A. **General**

1. The Borrower, through MOHUUC, may withdraw the proceeds of the Loan under the Project 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 under parts A, B and C of the Project</td>
<td>184,500,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Front-end Fee</td>
<td>500,000</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>(3) Premia for Interest Rate Caps and Interest Rate Collars</td>
<td>0</td>
<td>Amount due under Section 2.07(c) of this Agreement</td>
</tr>
<tr>
<td>(4) Consultants’ services under parts A, B and C of the Project</td>
<td>8,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Goods, consultants’ services, and Operating Costs under part D of the Project</td>
<td>7,000,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>200,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

For the purposes of this Section the terms “Operating Costs” means the incremental operating costs under the Project incurred by MOHUUC under part D of the Project for purposes of Project management and implementation, on account of office supplies and consumables, utilities, bank charges, communications, mass media and printing services, vehicle rental, operation, maintenance, and insurance, building and equipment maintenance, domestic travel, lodging, and subsistence allowances, and salaries of contractual and temporary staff, but excluding salaries and any salary supplements of members of the Recipient’s civil service.”

9. Section IV.B.2 of Schedule 2 to the Loan Agreement is amended to read as follows:

“2. The Closing Date is December 31, 2017.”
10. The Appendix to the Loan Agreement is amended in its entirety to read as follows:

"APPENDIX

Definitions

1. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


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, updated and re-disclosed in Infoshop on January 13, 2011, and then again on February 28, 2011, and April 14, 2011 and 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 potential adverse environmental and social impacts to levels acceptable to the Bank.


6. "Governorate" means an administrative division of the Arab Republic of Egypt; and "Governorates" means more than one such Governorate.

7. "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.

8. "HCWW PIU" means the project implementation unit established within HCWW and responsible for the implementation of parts A, B and C of the Project in accordance with the provisions of Section I.A. of Schedule 2 to this Agreement.

9. "Implementation Agreement" means the agreement to be executed between the Borrower through MOHUUC, and HCWW, pursuant to paragraph 5 of Section I.A of Schedule 2 of this Agreement, setting out the arrangements for implementing parts A, B and C of the Project by HCWW.


11. "MOHUUC" means the Borrower’s Ministry of Housing, Utilities and Urban Communities, or any successor thereof.

12. "MOHUUC PMU" means the project management unit established within MOHUUC and responsible for the implementation of part D of the Project in accordance with the provisions of Section I.A. of Schedule 2 to this Agreement.

14. "MWRI" means the Borrower's Ministry of Water Resources and Irrigation, or any successor thereof.

15. "PIM" means the Project implementation manual to be adopted by the Borrower pursuant to paragraph 4 of Section I.A of Schedule 2 of this Agreement, as such manual may be updated from time to time by agreement between the MOHUUC and the Bank.


17. "Procurement Plan" means the Borrower's procurement plan for the Project, dated May 10, 2011, 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.

18. "Project Steering Committee" means the steering committee established under Loan 7512-EGT for the Integrated Sanitation and Sewerage Infrastructure Project, between the Bank and the Arab Republic of Egypt, dated May 15, 2008, to provide Project coordination and oversight to the implementing agencies.

19. "Resettlement Action Plan" or "RAP" means the site-specific resettlement action plan, to be prepared and adopted by the Borrower, pursuant to paragraph 1 of Section I.B of Schedule 2 to this Agreement, satisfactory to the Bank, containing, inter alia, a program of actions, measures and policies for compensation of persons affected by land acquisition, including compensation arrangements, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with its terms for each site; and "RAPs" means more than one such RAP.

20. "RPF" or "Resettlement Policy Framework" means the Borrowers policy framework, disclosed at Info shop on January 13, 2011 and February 22, 2011, and then again on February 28, 2011, and April 14, 2011 providing procedures and guidelines for the preparation, adoption, implementation and monitoring of Resettlement Action Plans for project areas in Upper Egypt and the Delta, including affected persons, the impact of such resettlement on affected persons, compensation policy and standards and implementation measures, and referred to in paragraph 1 of Section I.B of Schedule 2 to this Agreement, as said framework may be amended from time to time with the mutual agreement of the Bank and the Borrower.

21. "Site-specific ESIAis" means the site-specific environmental and social impact assessments included in the ESMMP, to be prepared by the Borrower pursuant to paragraph 2 of Section I.B of Schedule 2 of this Agreement, and satisfactory to the Bank, in respect of works to be undertaken by the Borrower under the Project defining details of measures to manage potential environmental risks and mitigate, reduce and/or offset adverse environmental impacts associated with the implementation of activities under each phase of the Project, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, its terms, as the same may be amended and supplemented from time to time with mutual agreement of the Bank and the Borrower; and "Site-specific ESIA" refers to one such Site-specific ESIA.
All other provisions of the Loan Agreement remain in full force and effect, except as specifically amended by this Amendment Letter.

Please confirm your agreement to the foregoing on behalf of the Borrower by countersigning and dating the corresponding form of confirmation set forth below, and returning one fully executed original of this letter to us and retaining one original for your records. This amendment letter shall become effective as of the date of this letter, upon receipt by the Bank of the countersigned copy of this letter.

Sincerely yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Poonam Gupta
Acting Country Director
Yemen, Egypt and Djibouti

AGREED AND CONFIRMED:
ARAB REPUBLIC OF EGYPT

By: Naglaa El Ehwany
Authorized Representative

Name: Naglaa El Ehwany
Title: Minister of International Cooperation
Date: March 24, 2015