Loan Agreement

(Third Fiscal Consolidation, Sustainable Energy, and Competitiveness Programmatic Development Policy Financing)

between

ARAB REPUBLIC OF EGYPT

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
LOAN NUMBER 8803-EG

LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between the ARAB REPUBLIC OF EGYPT ("Borrower") and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Bank has decided to provide this financing on the basis, inter alia, of: (i) the actions which the Borrower has already taken under the Program and which are described in Section I of Schedule I of this Agreement; and (ii) the Borrower’s maintenance of an adequate macroeconomic policy framework. The Borrower and the Bank therefore hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form 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 the amount of one billion one hundred fifty million Dollars ($1,150,000,000) as such amount may be converted from time to time through a Currency Conversion ("Loan").

2.02. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.

2.03. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

2.04. The interest payable by the Borrower on the principal amount of the loan withdrawn and the amount outstanding from time to time for each Interest Period shall be at a rate equal to the Reference Rate (as defined in paragraph 87 of the General Conditions) 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 interest rate is the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.
2.06. The Payment Dates are March 15 and September 15 in each year.

2.06. The principal amount of the Loan shall be repaid in accordance with Schedule 2 to this Agreement.

2.07. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Borrower shall promptly furnish to the Bank such information relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.

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 to the Loan.

ARTICLE III — PROGRAM

3.01. The Borrower declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:

(a) the Borrower and the Bank shall from time to time, at the request of either party, exchange views on the Borrower's macroeconomic policy framework and the progress achieved in carrying out the Program;

(b) without limitation upon paragraph (a) of this Section, the Borrower shall promptly inform the Bank of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

4.01. The Additional Event of Suspension consists of the following, namely, a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

4.02. The Additional Event of Acceleration consists of the following, namely, that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Bank to the Borrower.

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 in accordance with the provisions of Section 9.01 of the General Conditions.
5.02. The Additional Condition of Effectiveness consists of the following, namely, that the progress achieved by the Borrower in carrying out the Program, and the adequacy of the Borrower’s macroeconomic policy framework are acceptable to the Bank.

5.03. The Effectiveness Deadline is the date one hundred eighty (180) days after the date of this Agreement, or such later date as may be established by the Bank in accordance with Section 9.04 of the General Conditions.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Minister of Investment and International Cooperation of the Borrower is designated as the Borrower’s Representative.

6.02. For purposes of Section 10.01 of the General Conditions:

(a) the Borrower’s address is:

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

(b) the Borrower’s Electronic Address is:

Facsimile: E-mail:
(202) 2391-2815/ snasr@miic.gov.eg
(202) 2391-5167

6.03. For purposes of Section 10.01 of the General Conditions:

(a) the Bank’s address is:

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

(b) the Bank’s Electronic Address is:

Telex: Facsimile:
248423(MCI) or 1-202-477-6391
64145(MCI)
AGREED as of the Signature Date.

ARAB REPUBLIC OF EGYPT
By:

Authorized Representative

Name: Sabry Naar
Title: Minister of Investment and International Cooperation
Date: DEC 2017

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
By:

Authorized Representative

Name: Azad Alam
Title: Country Director
Date: DEC 8, 2017
SCHEDULE 1
Program Actions; Availability of Loan Proceeds

Section I. **Actions Taken Under the Program**

The actions taken by the Borrower under the Program include the following:

**Pillar I: Advancing Fiscal Consolidation**

1. The Borrower, through its Ministry of Finance, has issued a wage bill report entitled *Note on Key Reforms and Development of Wages dated August 2017*, notifying that at least seventy percent (70%) of the wage bill is automated and that an action plan for the completion of the automation process has been developed.

2. The Borrower, through its Ministry of Finance, has:
   
   (a) issued Ministerial Decree No. 290/2017, which establishes an internal audit dedicated unit with adequate staffing, budget and procedures aligned with international guidance related to independence, audit planning, risk assessment and periodic reporting.
   
   (b) issued Ministerial Decree No. 201/2017, which establishes a Sovereign Guarantees Committee entrusted to develop policies for issuing sovereign guarantees, review the applications for issuing such guarantees, and evaluate periodically the financial stability of the recipients of the guarantees.
   
   (c) begun publishing a section in the FY 2017/18 Budget Statement on economic risks to the implementation of the national budget.

**Pillar 2: Ensuring Sustainable Energy Supply**

3. The Borrower, through its:
   
   (a) Ministry of Electricity and Renewable Energy, has issued Ministerial Decree No. 312/2017 on annual electricity price adjustment; and Prime Minister, has issued Prime Ministerial Decrees No 1435/2017, 1436/2017 and 1437/2017 for the fuel price adjustment for FY2017/18 consistent with the FY2017/18 Budget Statement;
   
   (b) Cabinet, has issued Cabinet Letter 14724-5 dated July 5, 2017 approving the extension to achieve full cost recovery in the power sector by FY2021/22; and
(c) Ministry of Finance and Ministry of Petroleum and Mineral Resources, has approved a joint policy proposal for periodic fuel price indexation which has been submitted to the Prime Minister for consideration.

4. The Borrower, through:
   
   (a) its Prime Minister, has issued Prime Ministerial Decree No. 1959/2017, which establishes the new General Assembly of the Egyptian Electricity Transmission Company, in compliance with the Electricity Law and the Executive Regulations of the Electricity Law; and
   

5. The Borrower, through its President, has assented to the *Gas Market Activities Regulatory Law*, 196/2017, which opens the downstream gas sector to private investors, introduces third-party access to the network, and establishes the independent gas sector regulator as evidenced in its official Gazette dated, August 1, 2017.

6. The Borrower, through:
   
   (a) its Cabinet, has issued Cabinet Letters No. 13181-5 dated June 12, 2017, and No. 13182-5 dated June 13, 2017, which approve the use of competitive auctions to procure the next round of private-sector owned renewable energy capacity; and
   
   (b) the Egyptian Electric Utility and Consumer Protection Regulatory Agency, has issued Circular No. 01/2017 (as amended by Circular No. 04/2017), notifying the public of the revised net metering regulations that allow consumers to sell excess electricity to a third party, or to the distribution company at a price equivalent to the cost of service.

**Pillar 3: Enhancing the Business Environment**

7. The Borrower, through its:
   
   (a) President, assented to *Investment Law* No. 72/2017; and through its Prime Minister, issued Prime Ministerial Decree No. 2310/2017 approving the associated Executive Regulations which enhance certain protections for investors.
   
   (b) Cabinet, has issued Cabinet Letter No. 13325-3 dated June 14, 2017,
approving the amendment to the Companies Law, which enables the establishment of single-person companies with limited liability, and has submitted said amendments to its Parliament.

(c) Ministry of Investment and International Cooperation, has implemented institutional reforms in the Investment Law including improving services to investors such as: (i) publication of all licensing and permits procedures and requirements for all activities and sectors; and a complete inventory of available investment incentives and eligibility criteria; and (ii) introduction of automated and integrated registration services accessible online including company incorporation and registration services provided by other agencies, as evidenced by its publication of said measures on the GAFI’s website.

8. The Borrower, through the ECA, in its Board Session no. 113 on September 12, 2017, approved the adoption of the following secondary legislation to implement the Competition Law, namely: (a) Regulation Relating to Exemptions, under Articles 6 and 9 of the Competition Law; (b) Leniency Guidelines, under Article 26 of the Competition Law; (c) Guidelines on Fines, Settlements and Damages; and (d) Quick-Guide for Competition Impact Assessment of Laws and Regulation.

Section II. Availability of Loan Proceeds

A. General

The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Borrower.

B. Allocation of Loan Amounts

The Loan (except for amounts required to pay the Front-end Fee) is allocated in a single withdrawal tranche, from which the Borrower may make withdrawals of the Loan proceeds. The allocation of the amounts of the Loan to this end is set out in the table below:

<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Single Withdrawal Tranche</td>
<td>1,147,125,000</td>
</tr>
<tr>
<td>(2) Front-end Fee</td>
<td>2,875,000</td>
</tr>
</tbody>
</table>
(3) Amount due under Section 4.05(c) of the General Conditions

<table>
<thead>
<tr>
<th></th>
<th>0</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,150,000,000</td>
</tr>
</tbody>
</table>

C. Withdrawal Tranche Release Conditions

No withdrawal shall be made of the Single Withdrawal Tranche unless the Bank is satisfied: (a) with the Program being carried out by the Borrower; and (b) with the adequacy of the Borrower’s macroeconomic policy framework.

D. Guarantee

The Borrower acknowledges and confirms that the Loan is guaranteed by a Guarantee Agreement, pursuant to which the Guarantor will guarantee certain obligations of the Borrower under this Agreement, subject to the terms and conditions set forth therein. The Borrower understands and agrees that, in the event of any payment to the Bank by the Guarantor under the Guarantee Agreement as a result of any non-payment by the Borrower under this Agreement, the Guarantor may have certain rights of subrogation and the Bank may assign to the Guarantor any right to receive repayment from the Borrower under this Agreement, all subject to the terms and conditions of the Guarantee Agreement.

E. Deposit of Loan Amounts

1. The Borrower shall open, prior to furnishing to the Bank the first request for withdrawal from the Loan Account, and thereafter maintain a deposit account in Dollars (“Foreign Currency Deposit Account”), on terms and conditions acceptable to the Bank.

2. All withdrawals from the Loan Account shall be deposited by the Bank into the Foreign Currency Deposit Account. The Borrower shall ensure that upon each deposit of an amount of the Loan into the Foreign Currency Deposit Account, an equivalent amount is accounted for in the Borrower’s budget management system, in a manner acceptable to the Bank.

F. Audit

Upon the Bank’s request, the Borrower shall:

(a) have the Foreign Deposit Account audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank;
(b) furnish to the Bank as soon as available, but in any case, not later than four (4) months after the date of the Bank’s request for such audit, a certified copy of the report of such audit, of such scope and in such detail as the Bank shall reasonably request, and make such report publicly available in a timely fashion and in a manner acceptable to the Bank; and

(c) furnish to the Bank such other information concerning the Foreign Deposit Account and its audit as the Bank shall reasonably request.

G. Closing Date

The Closing Date is June 30, 2019.
SCHEDULE 2

Level Principal Repayments

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each March 15 and September 15 Beginning March 15, 2023 through March 15, 2052</td>
<td>1.67 %</td>
</tr>
<tr>
<td>On September 15, 2052</td>
<td>1.47 %</td>
</tr>
</tbody>
</table>
APPENDIX

Definitions


2. "Cabinet" means the Borrower’s Council of Ministers.

3. "Companies Law" means Law No. 159 of 1981 of the laws of the Borrower under which the formation, registration or incorporation, governance, and dissolution of a firm/company is administered and controlled, as the same may be amended from time to time.

4. "Competition Law" means the Borrower’s law entitled Protection of Competition and Prohibition of Monopolistic Practices Law No. 3 of 2005 as the same may be amended from time to time.

5. "Deposit Accounts" means the Foreign Currency Deposit Account.

6. "ECA" means Egyptian Competition Authority, an agency established and operating pursuant to the Borrower’s Protection of Competition and Prohibition of Monopolistic Practices Law No. 3 of 2005 or its successor.

7. "Egyptian Electricity Holding Company" means the Borrower’s holding company for electricity production, transmission and distribution established and operating pursuant to the Borrower’s law entitled Transformation of the Egyptian Electricity Authority into an Egyptian Joint Stock Co., No. 164 of 2000 or its successor.

8. "Egyptian Electricity Transmission Company" means the Borrower’s electricity transmission and network operation company established and operating pursuant to the Borrower’s law entitled Transformation of the Egyptian Electricity Authority into an Egyptian Joint Stock Co., No. 164 of 2000 as further amended by the Electricity Law, No. 87 of 2015 or its successor.

9. "Egyptian Electric Utility and Consumer Protection Regulatory Agency" means the Borrower’s electric utility and consumer protection regulatory agency established and operating pursuant to the Borrower’s Presidential Decree No. 339 of 2000 as further amended by the Electricity Law No. 87 of 2015 or its successor.

10. "Electricity Law" means Law No. 87 of 2015 of the laws of the Borrower for defining the policy and regulatory framework of electricity, as the same may be amended from time to time.

11. "Executive Regulations for Electricity Law" means the Borrower’s administrative guidelines for implementing the Electricity Law.
12. “Executive Regulations for Investment Law” means the Borrower’s administrative guidelines for implementing the Investment Law.

13. “Foreign Currency Deposit Account” means the account referred to in Part E achieved of Section II of Schedule 1 to this Agreement.

14. “FY” means the Borrower’s fiscal year covering the period of twelve (12) months commencing on July 1 of calendar year and ending on June 30 of the succeeding calendar year.

15. “GAFI” means the “General Authority for Investment and Free Zones” an affiliate of the Ministry of Investment and International Cooperation and the principal government body regulating and facilitating investments in the Borrower’s territory.

16. “Gas Market Activities Regulatory Law” means the law governing the natural gas market in the Borrower’s territory, Law No. 196/2017 as the same may be amended from time to time.

17. “Gazette” means the Borrower’s official publication that records the business and proceedings of the Borrower’s government and publishes legal notices.


19. “Guarantee Agreement” means the guarantee agreement executed between the Bank and the Guarantor in an amount of one hundred fifty million Dollars ($150,000,000), in respect of a portion of the Loan, as such guarantee agreement may be amended from time to time, and such term includes all appendices, schedules and agreements supplemental to the Guarantee Agreement.

20. “Guarantor” means the United Kingdom of Great Britain and Northern Ireland.

21. “Industrial Development Authority” means the Borrower’s authority responsible for implementing the industrial policies.

22. “Law on Streamlining the Procedures of Granting Licenses for Industrial Establishments” means the law governing industrial activities in the Borrower’s territory, Law No. 15, 2017 as the same may be amended from time to time.

23. “Leniency Program” means the Borrower’s program which offers cartel members an opportunity to end a criminal offence thus re-establishing competition in the market for the benefit of the Borrower’s consumers, market operators and the economy as a whole.
24. "Medium Term Economic Program FY15/16-FY18/19" means the Borrower's annual rolling multi-year expenditure plan.

25. "Ministry of Finance" means the Borrower's ministry responsible for finance or its successor.

26. "Ministry of Investment and International Cooperation" means the Borrower's ministry responsible for investments and international cooperation or its successor.

27. "Ministry of Petroleum and Mineral Resources" means the Borrower's ministry responsible for petroleum and mineral resources or its successor.

28. "Program" means the program of objectives, policies, and actions set forth or referred to in the letter dated November 5, 2017, from the Borrower to the Bank declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program's objectives.

29. "Signature Date" means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to "the date of the Loan Agreement" in the General Conditions.

30. "Single Withdrawal Tranche" means the amount of the Loan allocated to the category entitled "Single Withdrawal Tranche" in the table set forth in Part B of Section II of Schedule 1 to this Agreement.

31. "Sovereign Guarantee Committee" means a committee established by the Ministry of Finance with the mandate to develop the policies for issuing sovereign guarantees and oversee the implication of implementing said policies.