H.E. Sahar Nasr  
Minister of Investment and International Cooperation  
Ministry of Investment and International Cooperation  
Cairo, Arab Republic of Egypt

Excellency:

Re: Egypt Household Natural Gas Connection Project (Loan No.8411-EG)  
Amendments to the Loan Agreement

We refer to: (a) the Loan Agreement dated September 11, 2014, between the Arab Republic of Egypt ("Borrower") and International Bank for Reconstruction and Development ("Bank") for the above-referenced Project ("Loan Agreement"); and (b) the Project Agreement dated September 11, 2014, between the International Bank for Reconstruction and Development ("Bank") and Egyptian Natural Gas Holding Company ("Project Implementing Entity"), for the above referenced Project ("Project Agreement"). We further refer to your letters of January 02, 2016, and May 24, 2017, requesting the Bank to make certain changes to the Loan Agreement.

We are pleased to inform you that the Bank concur with your request and consequently the Loan Agreement is amended as set forth below:

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

"PART A: Gas Network Expansion and Household Connections

1. Gas Transmission Connections and Pressure Reduction Stations (PRSs)

Installing: (i) high pressure transmission pipelines and PRSs to facilitate natural gas supply in about 1.5 million households in the Selected Areas; and (ii) high pressure transmission pipelines and PRSs to facilitate natural gas supply in about 800,000 households in the Selected Areas.

2. Gas Distribution Network and Connections

(i) Carrying out: (a) the expansion of intermediate, medium and low pressure gas distribution networks; (b) the installation of control systems, main regulators and customer connections; and (c) the conversion of customer appliances to facilitate connection to, and supply of, gas to about 1.5 million households in the Selected Areas; and (ii) Carrying out: (a) the expansion of intermediate, medium and low pressure gas distribution networks; (b) the installation of control systems, main regulators and customer connections; and (c) the conversion of customer
appliances to facilitate connection to, and supply of, gas to about 800,000 households in the Selected Areas.

3. Strengthening Capacity for Connection Scale Up

(i) supply of tools, equipment, and service vehicles to improve the capacity of the Project Implementing Entity and its LDCs in Project Implementation, and enable scaling-up of connection installation, construction of network operations, and improved service delivery to consumers; and (ii) technical assistance and capacity building, including, but not limited to, providing required software, and equipment for EGAS, LDCs, and the Ministry of Petroleum.

4. Establishment of Customer Service Centers

Supporting the establishment of customer service centers in the Selected Areas to ensure high quality gas supply services to customers during and after implementation.”

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

<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) Goods, works, consulting and non-consulting services under Part A(1)(i), A(2)(i), and A(4) of the Project</td>
<td>193,578,442</td>
<td>84%</td>
</tr>
<tr>
<td>(2) Goods, works, consulting and non-consulting services under Part A(1)(ii), A(2)(ii), and A(3) of the Project</td>
<td>72,904,815</td>
<td>55%</td>
</tr>
<tr>
<td>(3) Unallocated</td>
<td>33,516,743</td>
<td></td>
</tr>
<tr>
<td>(4) Interest Rate Cap or Interest Rate Collar premium</td>
<td>0</td>
<td>Amount due pursuant to Section 2.07(c) of this Agreement</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>300,000,000</td>
<td></td>
</tr>
<tr>
<td>Cancelled as of October 31, 2017</td>
<td>200,000,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL AMOUNT BEFORE CANCELLATION</td>
<td>500,000,000</td>
<td></td>
</tr>
</tbody>
</table>

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

“B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
(a) from the Loan Account until the Bank has received payment in full of the Front-end Fee;

(b) for payments made prior to the date of this Agreement; and

(c) in respect of payments to any selected LDC under Category 2, unless: (a) an amendment to the existing EGAS Implementation Agreement with such LDC has been signed, or (b) a new EGAS Implementation Agreement with such LDC has been signed, in either case in form and substance satisfactory to the Bank.

"2. The Closing Date is June 30, 2021."

4. Appendix to the Loan Agreement is deleted in its end replaced by the Appendix attached to this Amendment Letter.

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: (a) the countersigned copy of this Amendment Letter; (b) the countersigned copy of the Project Agreement amendment letter; (c) an amended Subsidiary Loan Agreement (SLA) executed on behalf of the Borrower and the Project Implementing Entity to reflect the changes made by this Amendment Letter; and (d) an amended Project Implementation Manual, to reflect the changes made by this Amendment Letter, in form and substance satisfactory to the Bank.

Sincerely yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By ________________________________

Asad Alam
Country Director
Egypt, Yemen and Djibouti

AGREED AND CONFIRMED:
ARAB REPUBLIC OF EGYPT

By: ________________________________

Authorized Representative

Name: ________________________________

Title: Minister of Investment and International Cooperation

Date: ________________________________

27 February 2018

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APPENDIX

Definitions

1. "AFD Co-financing" means an amount of seventy million Euros (€70,000,000) to be provided as a loan by the Agence Francaise de Développement (AFD), to assist in financing Part A of the Project.

2. "AFD Co-financing Agreement" means an agreement to be entered into between the Borrower and AFD providing for the co-financing of Part A of the Project by AFD.


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

5. "Cairo Gas" means the company established in 2008 pursuant to the Borrower’s Law No. 8 of 1997 and which has been granted concession by EGAS to carry out, among others, design, construction, management, operation and maintenance of natural gas activities related to domestic, commercial and industrial consumers in specified governorates in the Borrower’s territory, including Cairo governorate, and any successor thereto.


7. "EGAS Implementation Agreement” means, individually, the agreement to be entered into as set forth in Section 5.02 (b) and Section IV.B.1 of Schedule 2 of this Agreement between:

(a) EGAS and Egypt Gas Company and ReGas for carrying out activities under Part A of the Project in Selected Areas in the following governorates: Qalubia, Menufia, Daqahliya, Qena, Gharbia, and Aswan, over which Egypt Gas Company has been granted concession to carry out such activities, and in Selected Areas in Sohag and Quena over which ReGas has been granted concession to carry out such activities and in respect of which ReGas has authorized Egypt Gas Company to carry out said activities on its behalf;

(b) EGAS and Town Gas Company, ReGas, Sianco and SinaiGas for carrying out activities under Part A of the Project in Selected Areas in the following governorates: Alexandria, Giza, and Ismailia, over which Town Gas Company has been granted concession to carry out such activities, in Selected Areas in Marsa Matrouh over which ReGas has been granted concession to carry out such activities and in respect of which ReGas has authorized Town Gas Company to carry out said activities on its behalf, and in Selected Areas in Alexandria and Ismailia, over which Sianco and SinaiGas have, respectively, also been granted concession to carry out such activities, and in respect of which Sianco and SinaiGas have each authorized Town Gas Company to carry out said activities on their behalf;

(c) EGAS and Egypt Gas for carrying out activities under Part A of the Project in Selected Areas in Luxor governorate.
(d) EGAS and TAQA Group for carrying out activities under Part A of the Project in Selected Areas in the following governorates: Beni Sweif, Menia, Assiout, Damietta and Kafr El Sheikh.

(e) EGAS and Fayoum Gas for carrying out activities under Part A of the Project in Selected Areas in Fayoum governorates.

(f) EGAS and NatGas for carrying out activities under Part A of the Project in Selected Areas in Behira governorate.

(g) any other LDC for carrying out activities under Part A of the Project in Selected Areas in any other governorates selected during Project implementation for carrying out said activities over which it has been granted concession to carry out such activities, or in respect of which it has been authorized by another LDC that has been granted concession to carry out such activities; and collectively called "EGAS Implementation Agreements."

8. “Egypt Gas Company” means the company established in 1983 pursuant to the Investment Law No. 43 of 1974 and which has been granted concession by EGAS to carry out, among others, design, construction, management, operation and maintenance of natural gas activities related to domestic, commercial and industrial consumers in specified governorates in the Borrower’s territory, including Qalubia, Menufia, Daqahlia, Qena, Gharbia, Luxor and Aswan governorates, and any successor thereto.


10. “ENI Co-financing” means an amount of fifty-eight million Euros (€58,000,000) to be provided as a grant by the European Neighborhood Instrument (ENI) to assist in financing Parts B and C of the Project.

11. “ENI Co-financing Agreement” means an agreement to be entered into between the Borrower and ENI providing for the co-financing of Parts B and C of the Project by ENI.

12. “ESIA” means for a given activity under Part A of the Project, the site-specific environmental and social impact assessment for said activity to be carried out in accordance with the provisions of the ESIAF.

13. “ESIAF” means the Borrower’s environmental and social impact assessment framework, including the environmental and social management and monitoring framework and all schedules and annexes thereto, prepared and disclosed in the Borrower’s territory on March 23, 2014 and at the Bank’s website on March 24, 2014, and an updated and revised version disclosed in the Borrower’s territory on June 18, 2017, and Bank’s website on July 06, 2017, detailing, inter alia: (a) the criteria and mechanisms for carrying out ESIA and QRA; (b) the measures to be taken during the implementation and operation of the Project to eliminate or offset adverse environmental and social impacts, or to reduce them to acceptable levels; and (c) the actions needed to implement these measures, including monitoring and institutional strengthening.

14. “ESMP” means a site-specific environmental and social management plan for the Project to be prepared and implemented in accordance with the provisions of the ESIAF and the applicable ESIA.
15. “Fayoum Gas” means the company established in 2000 pursuant to the Borrower’s Law No. 8 of 1997 and which has been granted concession by EGAS to carry out, among others, design, construction, management, operation and maintenance of natural gas activities related to domestic, commercial and industrial consumers in specified governorates in the Borrower’s territory, Fayoum governorate, and any successor thereto.

16. “Financial Management Manual” means the manual containing the guidelines and procedures for the financial management of the Project to be prepared and adopted by the Project Implementing Entity in form agreed to with the Bank and substance satisfactory to the Bank, as part of the Project Implementation Manual.

17. “Fiscal Year” means the fiscal year of the Borrower and the Project Implementing Entity starting July 1 and ending June 30 of each year.


19. “LDCs” means collectively, Town Gas Company, Egypt Gas Company, ReGas, Sianco, SinaiGas, Cairo Gas, TAQA Group, Fayoum Gas, and Natgas, and any other local distribution company with concession over governorates that are part of the Selected Areas; and individually called “LDC.”

20. “Ministry of Finance” means the Borrower’s ministry responsible for finance, and any successor thereto.

21. “Natgas” means the company established in 1998 pursuant to the Borrower’s Law No. 8 of 1997 and which has been granted concession by EGAS to carry out, among others, design, construction, management, operation and maintenance of natural gas activities related to domestic, commercial and industrial consumers in specified governorates in the Borrower’s territory, including Behira governorate, and any successor thereto.

22. “PMU” means the Project Management Unit established June 19, 2014 within EGAS by Administrative Order No. 242 of 2014, and referred to in Section 1.A of Schedule 2 to this Agreement.


24. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated June 9, 2014 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

25. “Project Agreement” means the agreement between the Bank and EGAS, of even date herewith, as the same may be amended from time to time; and such term includes all schedules and agreements supplemental to such Project Agreement.

26. “Project Implementation Manual” means the manual for the Project to be prepared and adopted in form and substance satisfactory to the Bank, and referred to in Section 5.02 (c) of this
Agreement and Section I.D.1 of Schedule 2 to this Agreement, which shall contain detailed implementation arrangements as well as responsibilities and procedures to ensure proper coordination of Project activities, including the following provisions: (a) procedures and criteria for selecting target areas and households; (b) disbursement, financial management, and procurement procedures; (c) institutional administration, coordination, and day-to-day execution of Project activities; (d) monitoring and evaluation, reporting, and communications; (e) detailed procedures for coordination and collaboration among the agencies involved in the implementation of the Project, including LDCs; and (f) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project, as the same may be amended from time to time with prior written agreement of the Bank.

27. “Project Implementing Entity” means EGAS, and any successor thereto.


29. “QRA” means for a given activity under Part A of the Project, the site-specific Quantitative Risk Assessment for said activity to be carried out in accordance with the provisions of the ESIAF.

30. “RAP” means a site-specific resettlement action plan for Part A of the Project, satisfactory to the Borrower and the Bank, to be prepared and adopted by the Project Implementing Entity pursuant to the RPF, containing, inter alia, a program of actions, measures and policies for the compensation, resettlement and rehabilitation of persons affected by the implementation of the Project, including as a result of the acquisition of land and other assets, and loss of access to land, other assets or income, whether permanent or temporary, together with adequate institutional, monitoring, reporting and grievance redressal arrangements capable of ensuring proper implementation of, and regular compliance with, its terms for each site, as such plan may be updated from time to time with the prior approval of the Borrower and the Bank; and “RAPs” means more than one RAP.

31. “ReGas” means Regional Gas Company established in 2007 pursuant to the Borrower’s Law No. 8 of 1997, and which has been granted concession by EGAS to carry out, among others, design, construction, management, operation and maintenance of natural gas activities related to domestic, commercial and industrial consumers in specified governorates in the Borrower’s territory, including Sohag, Quena and Marsa Matrouh governorates, and any successor thereto.

32. “RPF” means the Borrower’s resettlement policy framework for Part A of the Project, including all schedules and annexes thereto, prepared and disclosed in the Borrower’s territory on March 23, 2014 and at the Bank’s website on March 24, 2014, and an updated and revised version disclosed in the Borrower’s territory on June 18, 2017, and Bank’s website on July 06, 2017, setting forth, inter alia: (a) the rules, procedures and guidelines for the resettlement, rehabilitation, livelihood improvement and payment of compensation to people affected by the implementation of the Project, including as a result of the acquisition of land and other assets, and loss of access to land, other assets or income, whether permanent or temporary, as well as monitoring, reporting, institutional and grievance redressal measures to be taken; and (b) the procedures and arrangements for the preparation of RAPs as may be required pursuant to said framework, as such framework may be updated from time to time with the prior written approval of the Borrower and the Bank.

33. “Safeguard Instruments” means, collectively, the ESIAF, ESIA, ESMP, RPF, RAP and QRA.
34. "Selected Areas" means the areas in the following governorates within the Borrower’s territory where the Project will be implemented: (a) for purposes of Parts A(1)(i) and A(2)(i), Town gas has a concession to carry out its activities in Giza, Alexandria and some areas in Ismailia; Sinai Gas in the rest of Ismailia; Regas in Matrouh, Quena and Sohag governorates, while Egypt Gas will be implementing the project in the remainder of the governorates (Gharbia, Menufia, Dakahlia, Qaliobia, Qena, Aswan), and (b) for purposes of Parts A(1)(ii) and A(2)(ii), Town Gas in Cairo governorate, Egypt Gas in Luxor governorate, Natgas in Behira governorate, Taqa in Beni Sweif, Menia, Assiout and Kafr El Sheikh governorates and Fayum Gas in Al Fayoum governorate, all of which have been selected in accordance with methodology and targeting criteria agreed with the Bank and detailed in the Project Implementation Manual, and such other areas in these or other governorates under the concession of these or other LDCs as may be selected during Project implementation with the prior written approval of the Bank.”

35. "Sianco" means the company established in the year 2000 pursuant to the Borrower’s Law No. 3 of 1998, and which has been granted concession by EGAS to carry out, among others, design, construction, management, operation and maintenance of natural gas activities related to domestic, commercial and industrial consumers in specified governorates in the Borrower’s territory, including Alexandria governorate, and any successor thereto.

36. "SinaiGas" means the company established in 2010 pursuant to the Borrower’s Law No. 8 of 1997, and which has been granted concession by EGAS to carry out, among others, design, construction, management, operation and maintenance of natural gas activities related to domestic, commercial and industrial consumers in specified governorates in the Borrower’s territory, including Ismailia governorate, and any successor thereto.

37. "Subsidiary Loan Agreement" means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Borrower shall make the proceeds of the Loan available to the Project Implementing Entity.

38. “Town Gas Company” means company established in the year 2000 pursuant to the Borrower’s Law No. 8 of 1997 and which has been granted concession by EGAS to carry out, among others, design, construction, management, operation and maintenance of natural gas activities related to domestic, commercial and industrial consumers in specified governorates in the Borrower’s territory, including Cairo, Giza, Ismailia, and Alexandria governorates, and any successor thereto.

39. "TAQA Group" means the company established in 2006 pursuant to the Borrower’s Law No. 8 of 1997 and which has been granted concession by EGAS to carry out, among others, design, construction, management, operation and maintenance of natural gas activities related to domestic, commercial and industrial consumers in specified governorates in the Borrower’s territory, including Beni Sweif, Menia, Assiout and Kafr El Sheikh governorates, and any successor thereto.