Loan Agreement

(Promoting Innovation for Inclusive Financial Access Project)

between

ARAB REPUBLIC OF EGYPT

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated April 12, 2014
LOAN AGREEMENT

AGREEMENT dated April 12, 2014, 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 and 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 three hundred million United States Dollars ($300,000,000) as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement ("the Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("the Project").

2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement. The Borrower's Representative for purposes of taking any action required or permitted to be taken pursuant to this Section is the Project Implementing Entity (the Social Fund for Development).

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. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay itself the amount of the Front-end Fee.

2.04. The interest payable by the Borrower on the principle amount of the Loan withdrawn and outstanding from time to time for each Interest Period shall be at a rate equal to the Reference Rate (as defined in paragraph 82 of the Appendix of the General Conditions that apply to this Loan) for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions.
2.05. The Payment Dates are January 15 and July 15 in each year.

2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwritten, 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.

2.08. The Borrower represents that it has designated its Ministry of Finance for the purpose of handling on behalf of the Borrower, debt service payments with respect of the Loan.
ARTICLE III - PROJECT

3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall carry out the Project through the Project Implementing Entity (the Social Fund for Development) in accordance with the provisions of Article V of the General Conditions and the Project 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 Project 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 establishment or operation of the Social Fund for Development or to the implementation of its activities under the Project has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of Social Fund for Development to perform any of its obligations under the Project. 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. This Agreement shall become effective once the Bank has received evidence acceptable to it that all necessary constitutional procedures have been taken by the Borrower in accordance with the provisions of Section 9.01 of the General Conditions.

5.02. The Additional Condition of Effectiveness is that the Subsidiary Loan Agreement has been entered into between the Borrower and the Project Implementing Entity.

5.03. The Additional Legal Matter to be included in the Legal Opinion is that the Subsidiary Loan Agreement has been entered into between the Borrower and the Project Implementing Entity and is legally binding upon the Borrower and the Project Implementing Entity in accordance with its terms.

5.04. The Effectiveness Deadline is the date one hundred and eighty (180) days after the date of this Agreement, or such later date established by the Bank in accordance with Section 9.04 of the General Conditions.
ARTICLE VI - REPRESENTATIVE; ADDRESSES

6.01. The Borrower's Representatives are, severally, the Minister of International Cooperation of the Borrower and the Assistant to the Minister for International, Regional and Arab Financing Organizations of the Ministry of International Cooperation of the Borrower.

6.02. The Borrower's Address is:

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

Facsimile:

(202) 2391-2815
(202) 2391-5167

5.03. The Bank's Address is:

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

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

ARAB REPUBLIC OF EGYPT

By

[Signature]

Authorized Representative

Name: Ashraf EL-Araby

Title: Minister

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

[Signature]

Authorized Representative

Name: Ingrid Andersen

Title: Regional Vice President
SCHEDULE 1

Project Description

The objective of the Project is to expand access to finance for micro and small enterprises in the Arab Republic of Egypt, using innovative financing mechanisms, with a special focus on youth and women, as well as underserved regions.

The Project consists of the following part:

Line of Credit

Establishment and operation of a line of credit by the Project Implementing Entity for the purpose of providing financing through Participating Financial Institutions to micro and small enterprises.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

The Borrower, through the Project Implementing Entity, shall maintain and implement the Operational Manual and the Environmental and Social Management Framework and shall not amend, change or alter the Operational Manual or Environmental and Social Management Framework without the mutual agreed consent of the Borrower and the Bank.

B. Subsidiary Loan Agreement

1. To facilitate the carrying out of the Project, the Borrower shall make the proceeds of the Loan available to the Project Implementing Entity under the Subsidiary Loan Agreement between the Borrower and the Project Implementing Entity, and on terms and conditions agreed with the Bank, which shall include, inter alia, the following: (i) repayment of principal and payment of interest, charges and premium in accordance with Article II of this Agreement and Article III of the General Conditions; (ii) payment of any other charges which may be required by the Borrower; and (iii) foreign exchange risk to be borne by the Project Implementing Entity.

2. The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. The Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any of its provisions without the mutual agreed consent of the Borrower and the Bank.

C. Anti-Corruption Guidelines

The Borrower shall cause the Project Implementing Entity to carry out the Project in accordance with the provisions of the Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011.

D. PFI Financing and Subprojects

1. The Borrower shall ensure that:

(a) the Project Implementing Entity provides PFI Financing to PFIs under Participation Agreements; and
Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower, through the Project Implementing Entity, shall monitor and evaluate the progress of the Project and prepare Project Reports for the Project in accordance with the provisions of Section 5.08(b) 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.

2. For purposes of Section 5.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section (the Completion Report) shall be furnished to the Bank not later than three months after the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Borrower, through the Project Implementing Entity, shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Borrower shall cause the Project Implementing Entity to prepare and furnish to the Bank not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance acceptable to the Borrower and the Bank.

3. The Borrower shall cause the Project Implementing Entities to have the Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

Section III. Procurement

Except as the Borrower and the Bank shall otherwise agree, after consultation, procurement of goods under Subfinancing and for Subprojects and to be financed out of the proceeds of the Loan shall be governed by the provisions of the Schedule to the Project Agreement and in accordance with the provisions of the Operational Manual.
Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may, through the Project Implementing Entity, withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional arrangements as the Bank shall specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such arrangements), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Subfinancing for Subprojects</td>
<td>299,250,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Interest Rate Cap or Interest Rate Collar Premium</td>
<td>0</td>
<td>Amount due under Section 2.07 (c) of this Agreement</td>
</tr>
<tr>
<td>(3) Front-End Fee</td>
<td>750,000</td>
<td>Amount due under Section 2.03 (c) of this Agreement, in accordance with Section 2.07 (b) of the General Conditions</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>300,000,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date is December 31, 2019.
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 January 15 and July 15, beginning July 15, 2021 through January 15, 2042</td>
<td>2.33%</td>
</tr>
<tr>
<td>On July 15, 2042</td>
<td>2.14%</td>
</tr>
</tbody>
</table>

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.

(b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any 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: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.
APPENDIX

Definitions

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

2. “Environmental and Social Management Framework” means the Environmental and Social Management Framework which is an assessment framework dated December 17, 2013, adopted by the Project Implementing Entity for evaluation of environmental impacts and which sets forth policies and procedures for the screening of proposed Subprojects for potential positive and negative environmental and social impacts, generic mitigating and monitoring measures and the legal and institutional framework for the preparation of environmental assessment and environment and social management plans as may be during the implementation of the Project, including public consultations/participation techniques to identify potential impacts, and the establishment of a grievance redress mechanism, as said framework may be amended from time to time with the prior concurrence of the Bank.


4. “MSE” means a micro enterprise or a small enterprise established and operating within the territory of the Borrower, which meets the eligibility criteria agreed with the Bank, including those contained in the Operational Manual and in the Annex to the Project Agreement; and the term “MSEs” means, collectively all such MSEs.

5. “Operational Manual” means the Project Implementing Entity’s operational manual and guidelines dated December 4, 2013, to be followed by the Project Implementing Entity and used for the purposes of providing subfinancing under this Project and which includes, inter alia, financial management guidelines; as such Manual may be amended with the prior mutual agreement of the Bank and of the Project Implementing Entity.

6. “Participation Agreement” means an agreement entered into between the Project Implementing Entity and a Participating Financial Intermediary (PFI) for providing PFI Financing on the terms and conditions agreed with the Bank, including those set forth in the Operational Manual and in the Annex to the Project Agreement and the term “Participation Agreements” means, collectively, all such Participation Agreements.
7. “Participating Financial Intermediary” and “PFI” means banks, NGO’s, microfinance institutions, venture capital companies and financial leasing companies which meet the eligibility criteria for such financial intermediary satisfactory to the Bank, including those set forth in the Operational Manual and in the Annex to the Project Agreement; and the terms “Participating Financial Intermediaries” and “PFIs” means collectively all Participating Financial Intermediaries.


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

10. “Project Implementing Entity” and “PIE” means the Social Fund for Development, an entity established and operating in the territory of the Borrower under Presidential Decree No. 40 of 1991.

11. “PFI Financing” means a loan made by the Project Implementing Entity to a PFI out of the proceeds of the Loan for the purpose of providing Subfinancing pursuant to the provisions of a Participation Agreement and in accordance with the Operational Manual and the Project Agreement, under terms and conditions agreed with the Bank; “PFI Financings” means, collectively, all such PFI Financings, or means the Project Implementing Entity provides equity financing alongside PFIs in MSEs in the case of venture capital.

12. “Project Implementing Unit” and “PIU” means the Unit established by PIE for the purposes of managing, monitoring and evaluating the implementation of the Project.

13. “Subfinancing” means financing in the form of a loan, and/or equity made by a PFI to, or in, a MSE out of the proceeds of a PFI Financing to finance goods under a Subfinancing Agreement for a Subproject pursuant to and in accordance with the provisions of the Operational Manual and the Project Agreement and under terms and conditions agreed with the Bank.

14. “Subfinancing Agreement” means an agreement entered into between a PFI and a MSE for carrying out a Subproject on the terms and conditions agreed with the Bank including those set forth in the Operational Manual and referred to in the Annex to the Project Agreement; and the term “Subfinancing Agreements” means, collectively, all such Subfinancing Agreements.
15. "Subproject" means an investment project (including working capital and asset investments) to be carried out by a MSE, using financing in part from the proceeds of a Subfinancing in accordance with the provisions of the Operational Manual and the Project Agreement and under terms and conditions satisfactory to the Bank; and the term "Subprojects" means, collectively, all such Subprojects.

16. "Subsidiary Loan Agreement" means the agreement referred to in Section 1.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 for carrying out the Project.