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

Excellency:

Re: Sustainable Rural Sanitation Services Program (Loan No.8527-EG)  
Amendment to the Loan Agreement

We refer to the Loan Agreement dated October 04, 2015, between the Arab Republic of Egypt ("Borrower") and International Bank for Reconstruction and Development ("Bank") for the above-referenced Project ("Project"). We also refer to your letter April 09, 2018, requesting certain changes to the Project.

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

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

   "Part A: Improved Sanitation Access

   1. Provision of access to sanitation to about 833,000 people living in highly polluted villages and satellite areas within the Program Area in the three Participating Governorates of Dakahlia, Sharkiya, and Beheira, through the construction by the respective WSCs of about 167,000 new connections from household to a sewer network that is linked to a wastewater treatment facility or other effective wastewater treatment system.

   2. Constructing or upgrading of wastewater treatment facilities to appropriate standards.

   3. Utilization of Performance-based Capital Grants made by MHUUC to WSCs to carry out priority rural sanitation investments identified through the Master Plans and included in the Annual Capital Investment Plan of the WSCs.

   4. Preparation of procurement documents for the new WSCs and data collection for the preparation of pre-feasibility studies and detailed engineering designs.

2. Part B of Schedule I to the Loan Agreement is amended to read as follows:

   "Part B: Improved Operational Systems and Practices of WSCs"
1. Strengthening the capacities of the WSCs to improve their performance in the operational, financial, institutional, and citizen engagement areas, including in the planning and implementation of infrastructure investments and in their operational and maintenance requirements, improving efficiency and reducing costs, and designing and implementing performance improvement plans.

2. Preparation of performance improvement action plans (PIAPs), annual performance assessments (APAs) and related planning and data collection activities for the new WSCs.

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

   1. Carrying out a program of activities for strengthening the enabling environment for more efficient and accountable rural sanitation service delivery including: (i) development of a tariff structure for sanitation services that would enable cost recovery; (ii) formulation of a National Water and Sanitation Sector Strategy; and (iii) finalization of the standard operating procedures for land acquisition for rural sanitation services.

4. Section 1.C.6 of Schedule 2 to the Loan Agreement is amended to read as follows:

   6. The Borrower shall, through MHUUC, provide for each Fiscal Year during the implementation of the Program a Performance-based Capital Grant to each WSC in two installments per year, separated by at least four months, based on the investment plan provided by the WSC which can be adjusted based on mutual agreement between the PMU and the Bank Team for the purpose of carrying out its Annual Capital Investment Plan. The amount of said Grant shall consist of: (a) a base amount from year 1 of the Program which shall be determined by the PMU based on the WSC achieving the Minimum Requirements in accordance with principles, methodology and arrangements as set out in the Program Operations Manual; and (b) an incentive amount from year 3 of the Program which shall be determined by the PMU based on the WSC's Annual Performance Assessment under its Performance Improvement Action Plan in accordance with principles, methodology and arrangements as set out in the Program Operations Manual.

5. Section 1.C of Schedule 2 to the Loan Agreement is amended to add the following new subparagraphs 11, 12, 13, and 14:

   11. The Borrower shall, through MHUUC, maintain adequate staffing resources for the Program in the WSCs with terms of reference, powers, functions and resources, acceptable to the Bank, and with composition of staff in sufficient numbers and adequate qualifications satisfactory to the Bank to carry out its responsibilities under the program.

   12. The Borrower, through MHUUC, shall ensure that the land acquisition SOP that has been prepared under the Program DLI 6 is reviewed yearly to reflect any lessons learnt/emerging issues to be approved by the Bank and to ensure that all land plots acquired under the program are following the procedures of the approved SOP.

   13. The Borrower shall, through MHUUC, ensure that procurement under the Program is done using the PPM and SBD.
14. The Borrower shall, through MHUUC, carry out the Interim APA for all three WSCs in FY18 as a means of testing and verifying the proposed procedures.

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

“A. Program Reports

The Borrower shall, through MHUUC cause the PMU and the Program Implementing Entities to monitor and evaluate the progress of the Program and prepare Program Reports, and other relevant outputs, in accordance with the provisions of Section 5.08 of the General Conditions. Each Program Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than one month after the end of the period covered by such report.”

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

<table>
<thead>
<tr>
<th>Category (including Disbursement Linked Indicator as applicable)</th>
<th>Disbursement Linked 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: Establishment and functioning of at least 167,000 new House hold (HH) connections to working sanitation systems in villages and satellites of which at least 10% of the connections are in satellites.</td>
<td>DLR #1.1: Final designs completed for at least 92,000 connections.</td>
<td>220,000,000</td>
<td>DLR #1.1: $27,950,000 for final designs completed for at least 92,000 new connections.</td>
</tr>
<tr>
<td></td>
<td>DLR #1.2: Total of 100,000 new HH connections established in villages</td>
<td></td>
<td>DLR #1.2: $1,150 for each HH connection established. Each minimum payment is for $5,750,000 against 5,000 HH connections established, up to the allocated amount of $115,000,000.</td>
</tr>
<tr>
<td></td>
<td>DLR #1.3: Total of 67,000 new HH connections established in villages (Cumulative connections 167,000)</td>
<td></td>
<td>DLR #1.3: $1,150 for each HH connection established. Each minimum payment is for $5,750,000 against 5,000</td>
</tr>
</tbody>
</table>

-3-
<table>
<thead>
<tr>
<th>DLI #2: Annual transfer of Performance-based Capital Grants (PBCG) by MHUUC to eligible WSCs pursuant to the provisions of paragraph 6 of Section 1.C of Schedule 2 to this Agreement.</th>
<th>DLR #2: PBCG has been transferred by MHUUC to eligible WSCs.</th>
<th>HH connections established up to the allocated amount of $77,050,000. No payments will be made until at least 16,700 new HH connections have been established in “satellites”.</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLR #3: Design and implementation of the annual performance assessment (APA) system for WSCs, and WSCs achievement of the required APA weighted index scores in accordance with the Program Operations Manual.</td>
<td>DLR #3.1: Performance Improvement Action Plans (PIAPs) prepared for the three WSCs.</td>
<td>DLR #3.2: A manual for carrying out the APA of the WSCs has been prepared.</td>
</tr>
<tr>
<td>DLR #3.3: Each WSC has achieved a weighted index of APA scores in accordance with the Program Operations Manual.</td>
<td>DLR #3.3: $11,250,000 for each of new WSC for each FY 19, FY 20, FY 21 and FY 22, up to the allocated amount of $135,000,000.</td>
<td></td>
</tr>
<tr>
<td>DLI #4: Preparation and approval of a new national tariff structure for water and sanitation</td>
<td>DLR #4.1: A new national tariff structure for water and sanitation</td>
<td>DLR #4.1: $10,000,000 for FY 15.</td>
</tr>
<tr>
<td>Services by MHUUC to allow for sustainable cost recovery.</td>
<td>Services has been prepared by MHUUC. DLR #4.2: A new national tariff structure for water and sanitation services has been approved by MHUUC and decree has been issued.</td>
<td>DLR #4.2: $40,000,000.</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>(5) DLI #5: Establishment of PMU and development and approval of National Water and Sanitation Sector Strategy by MHUUC.</td>
<td>DLR #5.1: PMU has been created with a mandate for the formulation and coordination of NRSP and the National Rural Sanitation Strategy. DLR #5.2: Analytical studies, in accordance with the Program Operations Manual, undertaken to inform National Water and Sanitation Sector Strategy completed. DLR #5.3: Development and approval of National Water and Sanitation Sector Strategy, in line with good international standards.</td>
<td>DLR #5.1: $10,000,000 for FY 15. DLR #5.2: $7,000,000. DLR #5.3: $33,000,000.</td>
</tr>
<tr>
<td>(6) DLI #6: Approval of Standard Operating Procedures for land acquisition under NRSP by MHUUC.</td>
<td>DLR #6: Standard Operating Procedures for land acquisition under NRSP have been approved by MHUUC.</td>
<td>18,625,000 DLR #6: $18,625,000 for FY 17.</td>
</tr>
</tbody>
</table>
8. Section IV.B.4 of Schedule 2 to the Loan Agreement is amended to read as follows:
   "The Closing Date is August 31, 2022."

9. Section I.3 of the Appendix to the Loan Agreement is amended to read as follows:
   "3. "Annual Performance Assessment" means the assessment to be carried out each Fiscal Year by the PMU with the collaboration of HCWW, or any mutually agreed upon entity, for each WSC to determine the incentive amount component of the Performance-based Capital Grant for which it is eligible, said assessment to be based on criteria related to operational, financial, institutional and citizen engagement dimensions and to be carried out in accordance with methodology and arrangements set out in the Program Operations Manual and included in its Performance Improvement Action Plan."

10. Section I of Appendix to the Loan Agreement is amended to add a new subparagraph 30, which reads as follows:
   "30. "Satellite" means a small village in area and population size. In most cases, a satellite is a grouping of a small number of households on the outskirts of a village with affiliated farms and hamlets."

All other provisions of the Loan Agreement shall 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 signed original of this letter to us. Upon receipt by the Bank of the countersigned copy of this Amendment Letter, the Amendment Letter shall become effective as of the date of this letter.

Sincerely yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By: Asad Alam
Asad Alam
Country Director, Egypt

AGREED AND CONFIRMED:
ARAB REPUBLIC OF EGYPT

[Signature]
Authorized Representative

Name: Samaa Nasr
Title: Minister of Investment & International Cooperation
Date: May 26, 2018