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LOAN NUMBER 8527-EG

# Loan Agreement

(Sustainable Rural Sanitation Services Program)

between

ARAB REPUBLIC OF EGYPT

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated *October 4*, 2015

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**LOAN AGREEMENT**

AGREEMENT dated October 4, 2015, 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 or 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 five hundred fifty million United States Dollars (US\$550,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement (“Loan”), to assist in financing the program described in Schedule 1 to this Agreement (“Program”).
- 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 MHUUC.
- 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.
- 2.04. The Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. The interest payable by the Borrower on the withdrawn Loan Balance and outstanding from time to time for each Interest Period shall be at a rate equal to the Reference Rate (as defined in paragraph 82 of the 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.
- 2.06. The Payment Dates are March 15 and September 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

- 2.08. (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 unwithdrawn, 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.
- 2.09. 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 objective of the Program. To this end, the Borrower shall carry out Part C of the Program through MHUUC and shall cause the Program Implementing Entities to carry out Parts A and B of the Program, all with the assistance of the PMU and in accordance with the provisions of Article V of the General Conditions, the Program Agreement and this 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 Program is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**ARTICLE IV — REMEDIES OF THE BANK**

- 4.01. Pursuant to the provisions of Section 7.02(m) of the General Conditions, the Additional Event of Suspension consists of the following:
- (a) Any legislation, license or other legal instrument related to the implementation of the Program or to the establishment or operation of the Program Implementing Entities has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the achievement of the objective of the Program, or the ability of any Program Implementing Entity to implement the Program or any of its obligations under the Program Agreement. 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. 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.
- 5.02. The Effectiveness Deadline is the date one hundred eighty (180) days after the date of this Agreement or such later date as the Bank may establish in accordance with the provisions of Section 9.04 of the General Conditions.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

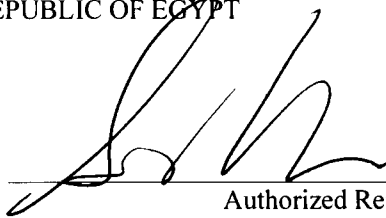
- 6.01. Except as provided in Section 2.02 of this Agreement, the Minister of International Cooperation of the Borrower and the Assistant to the Minister for International, Regional and Arab Financing Organizations of the Ministry of International Cooperation of the Borrower are severally designated as the Borrower's Representative.
- 6.02. The Borrower's Address is:  
Ministry of International Cooperation  
8 Adly Street  
Cairo, Arab Republic of Egypt
- |                                       |                 |
|---------------------------------------|-----------------|
| Cable address:                        | Facsimile:      |
| Ministry of International Cooperation | (202) 2391-2815 |
| Cairo, Arab Republic of Egypt         | (202) 2391-5167 |
- 6.03. 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 Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

AGREED at Cairo, Arab Republic of Egypt, as of the day and year first above written.

ARAB REPUBLIC OF EGYPT

By



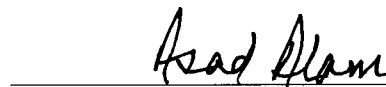
Authorized Representative

Name: Sahar Nagr

Title: \_\_\_\_\_

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By



Authorized Representative

Name: ASAD ALAM

Title: \_\_\_\_\_

## SCHEDULE 1

### Program Description

The objective of the Program is to strengthen institutions and policies for increasing access and improving rural sanitation services in the Governorates of Beheira, Dakahliya and Sharkiya in the Arab Republic of Egypt.

The Program is a part of the Borrower's National Rural Sanitation Program and consists of the following activities:

#### 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 Dakahliya, 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.

#### 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.

#### Part C: Strengthened National Sector Framework

1. Carrying out a program of activities for strengthening the enabling environment for more efficient and accountable rural sanitation service delivery including: (i) the development of a tariff structure for sanitation services that would enable cost recovery; (ii) the formulation of a National Rural Sanitation Strategy; and (iii) the finalization of the standard operating procedures for land acquisition for rural sanitation services.
2. Carrying out policy and analytical studies to inform the policy making process in the rural sanitation sector including, building and sustaining an effective regulatory and oversight framework, and improving the capacity to conduct regular and timely financial and performance audits of WSCs, aimed at providing a strong enabling framework for empowering the WSCs to become efficient and accountable service delivery institutions.

## SCHEDULE 2

### Program Execution

#### Section I. Implementation Arrangements

##### A. Program Fiduciary, Environmental and Social Systems

Without limitation on the provisions of Article V of the General Conditions, the Borrower, through MHUUC, shall carry out and shall cause the Program to be carried out by the Program Implementing Entities, in accordance with financial management, procurement and environmental and social management systems acceptable to the Bank ("Program Fiduciary, Environmental and Social Systems") which are designed to ensure that:

1. the Loan proceeds are used for their intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability; and
2. the actual and potential adverse environmental and social impacts of the Program are identified, avoided, minimized, or mitigated, as the case may be, all through an informed decision-making process.

##### B. Anti-Corruption

Without limitation on the provisions of Part A of this Section, the Borrower, through MHUUC, shall carry out and shall cause the Program Implementing Entities to carry out the Program, in accordance with the provisions of the Anti-Corruption Guidelines.

##### C. Other Program Institutional and Implementation Arrangements

1. Without limitation on the generality of Part A of this Section I, the Borrower shall, and shall cause the Program Implementing Entities to carry out the Action Plan, in accordance with the time schedule set out in the said Action Plan in a manner acceptable to the Bank. Except as the Bank may agree after consultation with the Borrower, the Borrower through MHUUC shall not, and shall ensure that the Action Plan is not amended, waived, suspended, terminated or abrogated, by the Program Implementing Entities.
2. (a) The Borrower through MHUUC shall maintain the PMU with terms of reference, powers, functions and resources, acceptable to the Bank, and with composition of staff in sufficient numbers and adequate qualifications to carry out its responsibilities under the program.  
  
(b) The Borrower shall, through MHUUC, no later than three months after the Effectiveness Date, hire and thereafter retain a consultant firm with terms of reference acceptable to the Bank to provide support to the PMU in management and coordination of the Program, including the planning of projects and activities under the NRSP and the Program, project management, supervision of engineering works, assistance in procurement processes, and quality assurance relating to the overall implementation of the Program.

3. The Borrower shall, through MHUUC and with the assistance of the PMU, carry out its respective activities under Part C of the Program in accordance with the provisions of the Program Operations Manual and a time frame acceptable to the Bank. Except as the Bank may agree after consultation with the Borrower, the Borrower shall not amend, waive, suspend, terminate or abrogate the Program Operations Manual or any provision thereof.
4. The Borrower shall, through MHUUC, implement the recommendations resulting from the implementation of the activities under Part C of the Program in a manner and timeframe acceptable to the Bank.
5. The Borrower shall, through MHUUC, take all actions as may be needed in order to enable HCWW to implement its respective activities under the Program and to fulfil its obligations under the Program Agreement.
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, the first at the start of the Fiscal Year in July and the second in January of the same Fiscal Year 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.
7. The Borrower shall, through MHUUC, cause the PMU with the collaboration of HCWW, to evaluate the achievement of the Minimum Requirements and to carry out Annual Performance Assessment of the WSCs under their respective Performance Improvement Action Plan as referred to in paragraph 6 above, all in accordance with principles, methodology and arrangements set out in the Program Operations Manual.
8. The Borrower shall, through MHUUC, no later than June 30, 2016, establish, a complaints and grievance redressal mechanism to handle complaints and grievances from Program beneficiaries or third parties relating to any aspects of the Program including adverse social and environmental impacts, and allegations of fraud and corruption. Such mechanism shall, *inter alia*, contain procedures for recording of complaints and grievances, directing the complainants to the appropriate level for action, the review process, and provision of feedback to the complainant on the action taken on the basis of best practice service standards.
9. The Borrower shall, no later than three months after the Effective Date, engage an Independent Verification Agent, to prepare and provide verification reports certifying the achievement of the DLRs, all in accordance with procedures and arrangements acceptable to the Bank as referred to in Section IV.B.1(b) of this Schedule.



- 10 To facilitate the carrying out of the Program, the Borrower shall, through MHUUC, make the proceeds of the Loan available to the Program Implementing Entities in a timely manner.

**Section II. Excluded Activities**

The Borrower shall, through MHUUC, ensure that the Program excludes any activities which:

- A. in the opinion of the Bank, are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people; or
- B. involve the procurement of: (1) works, estimated to cost US\$50 million equivalent or more per contract; (2) goods, estimated to cost US\$30 million equivalent or more per contract; (3) non-consulting services, estimated to cost US\$20 million equivalent or more per contract; or (4) consultants' services, estimated to cost US\$15 million equivalent or more per contract.

**Section III. Program Monitoring, Reporting and Evaluation; Audits**

**A. Program Reports**

The Borrower shall, through MHUUC, and shall cause the Program Implementing Entities, to monitor and evaluate the progress of the Program and prepare Program Reports 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.

**B. Program Financial Audits**

Without limitation on the generality of Section I.A of this Schedule 2 and Section 5.09 of the General Conditions, the Borrower shall, through MHUUC, and shall cause the Program 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: (a) furnished to the Bank not later than six (6) months after the end of such period; and (b) made publically available in a timely fashion and in a manner acceptable to the Bank.

**Section IV. Withdrawal of Loan Proceeds**

**A. General**

- 1. The Borrower may 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 may specify from time to time by notice to the Borrower to: (a) pay the Front-end Fee; (b) pay each Interest Rate Cap or Interest Rate Collar premium; and (c) finance the Program Expenditures, on the basis of the results ("Disbursement Linked Results" or "DLRs") achieved by the Borrower and the Program Implementing Entities, as the case

may be and as measured against specific indicators (“Disbursement Linked Indicators” or “DLIs”), all as set forth in the table in paragraph 2 of this Part A.

2. The following table specifies each category of withdrawal of the proceeds of the Loan (including the Disbursement Linked Indicators as applicable) (“Category”), the Disbursement Linked Results for each Category (as applicable), and the allocation of the amounts of the Loan to each Category:

Category (including Disbursement Linked Indicator as applicable)	Disbursement Linked Result (as applicable)	Amount of the Loan Allocated (expressed in USD)	Disbursement Calculation Formula
<p>(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.</p>	<p><i>DLR #1.1:</i> Final designs completed for at least 25,000 connections</p> <p><i>DLR #1.2.1:</i> Final design completed for at least 67,000 connections</p> <p><i>DLR #1.2.2:</i> 10,000 new HH connections established</p> <p><i>DLR #1.3:</i> Total of 40,000 New House holds connections established in villages (Cumulative connections 50,000)</p>	<p>220,000,000</p>	<p><i>DLR #1.1:</i> \$15,000,000 for FY 16</p> <p><i>DLR# 1.2.1:</i> \$12,950,000 for final designs completed for at least 67,000 new connections</p> <p><i>DLR# 1.2.2:</i> \$11,500,000 of which \$1150 for each connection established for FY17 provided that at least 2,000 connections have been established.</p> <p><i>DLR #1.3:</i> \$46,000,000 of which (\$1150) for each connection established for FY 18 provided that at least 8,000 new HH</p>

	<p><i>DLR #1.4:</i> Total of 50,000 New House holds connections established in villages (Cumulative connections 100,000)</p> <p><i>DLR #1.5:</i> Total of 67,000 New House holds connections established in villages (Cumulative connections 167,000)</p>		<p>connections have been established.</p> <p>DLR #1.4: \$57,500,000 of which \$1150 for each connection established for FY 19 provided that at least 10,000 new HH connections have been established.</p> <p>DLR #1.5: \$77,050,000 of which \$1150 for each connection established for FY 20 provided that: (1) at least 13,400 new HH connections have been established, and (2) at least 16,700 new HH connections have been established in "satellites"</p>
<p>(2) DLI #2: Annual transfer of Performance-based Capital Grants (PBCG) by MHUUC to eligible WSCs pursuant to the provisions of paragraph 6 of Section I.C of Schedule 2 to this Agreement</p>	<p>DLR #2: PBCG has been transferred by MHUUC to eligible WSCs.</p>	<p>40,000,000</p>	<p>DLR # 2: \$40,000,000 of which \$8,000,000 for each of FY 16, FY 17, FY 18, FY 19 and FY 20</p>

<p>(3) DLI #3: Design and implementation of the Annual Performance Assessment (APA) system for the WSCs, and WSCs achievement of the required APA threshold scores in accordance with the Program Operations Manual.</p>	<p>DLR #3.1: Performance Improvement Action Plans (PIAPs) prepared for the three WSCs.</p> <p>DLR #3.2: A manual for carrying out the APA of the WSCs has been prepared and the first APA for each of the three WSCs has been carried out.</p> <p>DLR #3.3: Each WSC has achieved the minimum threshold APA scores in accordance with the manual and the Program Operations Manual.</p>	<p>170,000,000</p>	<p>DLR# 3.1: \$15,000,000 for FY 16</p> <p>DLR# 3.2: \$20,000,000 for FY 17</p> <p>DLR# 3.3: \$45,000,000 for each of FY 18, FY 19 and FY 20</p>
<p>(4) DLI #4: Preparation and approval of a new national tariff structure for water and sanitation services by MHUUC to allow for sustainable cost recovery</p>	<p>DLR # 4.1: A new national tariff structure for water and sanitation services has been prepared by MHUUC.</p> <p>DLR #4.2: A new national tariff structure for water and sanitation services has been approved by MHUUC and decree has been issued.</p>	<p>50,000,000</p>	<p>DLR# 4.1: \$10,000,000 for FY 15</p> <p>DLR# 4.2: \$40,000,000</p>

<p>(5) DLI #5: Establishment of PMU and approval of a National Rural Sanitation Strategy by MHUUC.</p>	<p>DLR #5.1: PMU has been created with a mandate for the formulation and coordination of NRSP and the National Rural Sanitation Strategy</p> <p>DLR# 5.2: National Rural Sanitation Strategy has been approved by MHUUC.</p> <p>DLR#5.3: Key Action Plans for implementing the National Rural Sanitation Strategy have been designed.</p>	<p>50,000,000</p>	<p>DLR #5.1: \$10,000,000 for FY 15</p> <p>DLR #5.2: \$30,000,000</p> <p>DLR #5.3: \$10,000,000</p>
<p>(6) DLI #6: Approval of Standard Operating Procedures for land acquisition under NRSP by MHUUC.</p>	<p>DLR #6: Standard Operating Procedures for land acquisition under NRSP have been approved by MHUUC.</p>	<p>18,625,000</p>	<p>DLR #6: \$18,625,000 for FY 17</p>
<p>(7) Front-end Fee to be paid pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions</p>		<p>1,375,000</p>	<p>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions</p>
<p>(8) Interest Rate Cap or Interest Rate Collar premium to be paid pursuant to Section 2.08(c) of this Agreement in accordance with Section 4.05 of the General Conditions</p>		<p>0</p>	<p>Amount due pursuant to Section 2.08(c) of this Agreement</p>
<p><b>TOTAL AMOUNT</b></p>		<p><b>550,000,000</b></p>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
  - (a) for purposes of Section 2.05 of the General Conditions, for payments for Program Expenditures made prior to the date of this Agreement, except that withdrawal up to an aggregate amount not to exceed US\$20,000,000 may be made for such payments made prior to this date but on or after January 31, 2015; and
  - (b) for any DLR under Categories (1), (2), (3), (4), (5) or (6), unless the Borrower through MHUUC and the Program Implementing Entities have furnished all required verification documents and information acceptable to the Bank showing that said DLR has been achieved. Such verification documents and information shall include verification reports from the Independent Verification Agent (excluding DLRs 4.1 and 5.1), based on reports prepared by MHUUC and the Program Implementing Entities certifying the achievement of the DLRs in accordance with procedures and arrangements, and verification protocols acceptable to the Bank.
2.
  - (a) Notwithstanding the provisions of Part B.1(b) of this Section, the Borrower may withdraw an amount not to exceed \$137,500,000 as an advance under Categories (1), (2), (3), (4), (5) or (6).
  - (b) If the DLR/DLRs for any said Category in the opinion of the Bank is not achieved or is only partially achieved by the date by which said DLR is set to be achieved or by the Closing Date, the Borrower shall, promptly upon notice by the Bank, refund to the Bank such advance or portion of such advance as determined by the Bank in accordance with the provisions of paragraph 3 of this Part B.
  - (c) Except as otherwise agreed with the Borrower, the Bank shall cancel the amount so refunded pursuant to paragraph 2 (b) above. Any further withdrawals requested as an advance under any Category shall be endorsed only on such terms and conditions as the Bank shall specify by notice to the Borrower.
3. Notwithstanding the provisions of Part B.1(b) of this Section, if in the opinion of the Bank any of the DLRs under Category (1) has not been achieved by the date by which the said DLR is set to be achieved, the Bank may, during Program implementation, after consulting with the Borrower, determine, to:
  - (a) authorize the withdrawal of such lesser amount of the unwithdrawn proceeds of the Loan then allocated to said Category which, in the opinion of the Bank, corresponds to the extent of achievement of said DLR, said lesser amount to be calculated in accordance with the Disbursement Calculation Formula set out in the fourth column of the table in Section IV.A.2 of this Schedule;
  - (b) reallocate all or a portion of the proceeds of the Loan allocated to said DLR to any other DLR; and/or

(c) cancel all or a portion of the proceeds of the Loan allocated to said DLR.

4. The Closing Date is October 31, 2020.
5. Notwithstanding the foregoing provisions of this Section IV, if at any time after the Closing Date the Borrower has failed to provide evidence acceptable to the Bank that the Withdrawn Loan Balance does not exceed the total amount of Program Expenditures paid by the Borrower, exclusive of any such expenditures financed by any other financier or by the Bank or the Association under any other loan, credit or grant, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such excess amount of the Withdrawn Loan Balance. The Bank shall cancel the refunded amount of the Withdrawn Loan Balance.



**SCHEDULE 3**

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.

<b>Principal Payment Date</b>	<b>Installment Share (Expressed as a Percentage)</b>
On each September 15 and March 15 Beginning September 15, 2020 through September 15, 2049	1,67%
On March 15, 2050	1,47%

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

### Section I. Definitions

1. "Action Plan" means the plan of MHUUC and the Program Implementing Entities dated June 17, 2015, and referred to in Section I.C.1 of Schedule 2 to this Agreement and Section I.C.1 of the Program Agreement, as may be amended from time to time with the agreement of the Bank.
2. "Annual Capital Investment Plan" means the Annual Plan prepared by each WSC within the framework of the Master Plan of each WSC that sets out the rural sanitation and wastewater treatment infrastructure investments to be carried out each year in order to meet the objectives of the NRSP.
3. "Annual Performance Assessment" means the assessment to be carried out each Fiscal Year by the PMU with the collaboration of HCWW 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.
4. "Anti-Corruption Guidelines" means the Bank's "Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing", dated February 1, 2012.
5. "Beheira WSC" means the Beheira Water and Sanitation Company established pursuant to Presidential Decree 135 of 2004 as a subsidiary company of HCWW.
6. "Category" means a category set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.
7. "Dakahliya WSC" means the Dakahliya Water and Sanitation Company established pursuant to Presidential Decree 135 of 2004 as a subsidiary company of HCWW.
8. "Disbursement Linked Indicator" or "DLI" means in respect of a given Category, the indicator related to said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.
9. "Disbursement Linked Result" or "DLR" means in respect of a given Category, the result under said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement, on the basis of the achievement of which, the amount of the Loan allocated to said result may be withdrawn in accordance with the provisions of said Section IV.
10. "Fiscal Year" or "FY" means the fiscal year of the Borrower and the Program Implementing Entities beginning on July 1 of a calendar year and ending on June 30 of the following calendar year.

11. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated March 12, 2012, with the modifications set forth in Section II of this Appendix.
12. "HCWW" means the Borrower's Holding Company for Water and Wastewater established pursuant to Presidential Decree 135 of 2004.
13. "Independent Verification Agent" means an independent entity to be engaged by MHUUC for the purposes of certifying the achievement of the DLRs as referred to in Section I.C(9) of Schedule 2 to this Agreement.
14. "LE" means Egyptian Pound, the lawful currency of the Borrower.
15. "Master Plan" means the Master Plan prepared by each WSC that is designated to meet demand projected out to 2037 for rural sanitation and wastewater treatment infrastructure investments in accordance with the objectives of the NRSP, and which may be updated from time to time to meet said objectives.
16. "MHUUC" means the Ministry of Housing, Utilities and Urban Communities of the Borrower or any successor thereto.
17. "Minimum Requirements" means the requirements to be achieved by each WSC in order to be eligible for the base amount of the Performance-based Capital Grant and evaluated in accordance with principles, methodology and arrangements as set out in the Program Operations Manual.
18. "National Rural Sanitation Program" or "NRSP" means the Borrower's Rural Sanitation Program aimed at providing universal access to sustainable rural sanitation services to about 45 million people and to reinforce a series of performance improvement measures at the local utility level, supported by national initiatives to address persistent sector challenges, including improving cost recovery and the overall accountability framework.
19. "Participating Governorates" means the Borrower's Governorates of Beheira, Dakahliya and Sharkiya within which the Program Area is located.
20. "Performance-based Capital Grants" means the annual fiscal transfers from MHUUC's budget into the annual budget of the WSCs consisting of a base amount from year 1 of the Program based on achieving the Minimum Requirements set out in the Program Operations Manual, and an incentive amount from year 3 of the Program based on their Annual Performance Assessments under the Performance Improvement Action Plan, all in accordance with principles, methodology and arrangements set out in the Program Operations Manual which the WSCs can use to finance the investment projects prioritized in their Annual Capital Investment Plans, and aimed at strengthening accountability and transparency of the WSCs and their service delivery model and improving national policy and oversight.
21. "Performance Improvement Action Plan" means the Plan of each WSC to improve its operational and financial performance and on the basis of which its Annual Performance

Assessment is carried out to be eligible for the incentive amount component of the Performance based Capital Grant from year 3 of the Program.

22. "Program Agreement" means the agreement between the Bank and HCWW, Beheira WSC, Dakahliya WSC and Sharkiya WSC 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 Program Agreement.
23. "Program Area" means the villages and satellites (areas generally on the outskirts of the main villages) within the Participating Governorates identified in the Program Operations Manual where the Program will be carried out.
24. "Program Fiduciary, Environmental and Social Systems" means the Borrower's and the Program Implementing Entity's systems for the Program referred to in Section I.A of Schedule 2 to this Agreement and Sections I.A of the Schedule to the Program Agreement.
25. "Program Implementing Entities" means HCWW, Beheira WSC, Dakahliya WSC and Sharkiya WSC.
26. "Program Management Unit" or "PMU" means the Unit established within the Office of the Minister of MHUUC by Decree 154 of 2015 issued by the Borrower's MHUUC for purposes, *inter alia*, of coordinating the implementation of the Program and the NRSP, including preparing strategic action plans, supervising procurement activities, reviewing and approving investment plans, following up on the status of implementation, preparing performance and evaluation reports, and liaising with partners and donors.
27. "Program Operations Manual" means the Manual to be adopted by the Borrower and the Program Implementing Entities pursuant to the requirements of the Action Plan setting out the details for implementing the Program, including the respective roles and responsibilities of the parties, as well as the principles, methodology and arrangements for the verification of the DLIs and DLRs, the provision of Performance-based Capital Grants, and the preparation, implementation and evaluation of the Action Plan, the Annual Capital Investment Plan, the Annual Performance Assessment, the Master Plan, and Performance Improvement Action Plan.
28. "Sharkiya WSC" means the Sharkiya Water and Sanitation Company established pursuant to Presidential Decree 135 of 2004 as a subsidiary company of HCWW.
29. "WSCs" means Beheira WSC, Dakahliya WSC and Sharkiya WSC collectively and "WSC" means individually any one of said subsidiary companies as the context may require.

## **Section II. Modifications to the General Conditions**

The General Conditions are hereby modified as follows:

1. Wherever used throughout the General Conditions, the term "the Project" is modified to read "the Program", the term "the Project Agreement" is modified to read "the Program

Agreement”, the term “Project Implementing Entity” is modified to read “the Program Implementing Entity”, the term “Project Report” is modified to read “Program Report”; and the term “Eligible Expenditures” is modified to read “Program Expenditures”.

2. In the Table of Contents, the references to Sections, Section names and Section numbers are modified to reflect the amendments set forth below.
3. Section 2.02, *Special Commitment by the Bank*, is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.
4. In Section 2.02 (originally numbered as Section 2.03), the heading “*Applications for Withdrawal or for Special Commitment*” is replaced with “*Applications for Withdrawal*”, and the phrase “or to request the Bank to enter into a Special Commitment” is deleted.
5. The section originally numbered as Section 2.04, *Designated Accounts* is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.
6. Paragraph (a) of Section 2.03 (originally numbered as Section 2.05), *Eligible Expenditures* (renamed “Program Expenditures” in accordance with paragraph 1 of this Section II), is modified to read: “(a) the payment is for the financing of the reasonable cost of expenditures required for the Program and to be financed out of the proceeds of the Loan in accordance with the provisions of the Legal Agreements;”.
7. The last sentence of Section 2.04 (originally numbered as Section 2.06), *Financing Taxes*, is modified to read: “To that end, if the Bank at any time determines that the amount of any such Tax is excessive, or that such Tax is discriminatory or otherwise unreasonable, the Bank may, by notice to the Borrower, exclude such amount or such Tax from the Program Expenditures to be financed out of the proceeds of the Loan, as required to ensure consistency with such policy of the Bank.”
8. Section 2.06 (originally numbered as Section 2.08), *Reallocation*, is modified to read:

“Notwithstanding any allocation of an amount of the Loan to a withdrawal category under the Loan Agreement, the Bank may, by notice to the Borrower, reallocate any other amount of the Loan to such category if the Bank reasonably determines at any time that such reallocation is appropriate for the purposes of the Program.
9. Section 3.01. (*Front-end Fee*) is modified to read as follows:

“Section 3.01. *Front-end Fee; Commitment Charge*

  - (a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the “Front-end Fee”).
  - (b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the “Commitment Charge”). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from

the Loan Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date.”

10. Section 7.01, *Cancellation by the Borrower*, is modified to read: “The Borrower may, by notice to the Bank, cancel any amount of the Unwithdrawn Loan Balance.”
11. Paragraph (d) of Section 7.03, *Cancellation by the Bank*, entitled “*Misprocurement*”, is deleted, and subsequent paragraphs are relettered accordingly.
12. Section 7.04, *Amounts Subject to Special Commitment not Affected by Cancellation or Suspension by the Bank*, is deleted in its entirety, and subsequent Sections in Article VII and references to such Sections are renumbered accordingly.
13. In the Appendix, **Definitions**, all references to Section numbers and paragraphs are modified, as necessary, to reflect the modifications set forth above.
14. A new paragraph 19 is inserted with the following definition of “Commitment Charge”, and the remaining paragraphs are renumbered accordingly:

“19. “Commitment Charge” means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b).”
15. In the renumbered paragraph 49 (originally paragraph 48) of the Appendix, the definition of “Front-end Fee” is modified by replacing the reference to Section 3.01 with Section 3.01 (a).
16. In the renumbered paragraph 68 (originally paragraph 67) of the Appendix, the definition of the term “Loan Payment” is modified to read as follows:

“68. “Loan Payment” means any amount payable by the Loan Parties to the Bank pursuant to the Legal Agreements or these General Conditions, including (but not limited to) any amount of the Withdrawn Loan Balance, interest, the Front-end Fee, the Commitment Charge, interest at the Default Interest Rate (if any), any prepayment premium, any transaction fee for a Conversion or early termination of a Conversion, the Variable Spread Fixing Charge (if any), any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by the Borrower.”
17. In the renumbered paragraph 73 (originally paragraph 72) of the Appendix, the definition of “Payment Date” is modified by deleting the word “is” and inserting the words “and Commitment Charge are” after the word “interest”.
18. Renumbered paragraph 88 (originally paragraph 87) of the Appendix, setting forth the definition of “Special Commitment” is deleted in its entirety, and all subsequent paragraphs are renumbered accordingly.