

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 7359-EGT

Loan Agreement

(El-Tebbin Power Project)

between

ARAB REPUBLIC OF EGYPT

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Public Disclosure Authorized

Dated March 2, 2006



LOAN NUMBER 7359-EGT

LOAN AGREEMENT

AGREEMENT, dated March 2, 2006, between ARAB REPUBLIC OF EGYPT (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested the Bank to assist in the financing of the Project;

(B) the Project will be carried out by the Egyptian Electricity Holding Company (EEHC) established and operating pursuant to Law No. 164 of 2000, with the Borrower's assistance and, as part of such assistance, the Borrower will make the proceeds of the loan provided for in Article II of this Agreement (the Loan) available to EEHC, as set forth in this Agreement; and

WHEREAS the Bank has agreed, on the basis, *inter alia*, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement and in the agreement of even date herewith between the Bank and EEHC (the Project Agreement);

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. (a) The "General Conditions Applicable to Loan and Guarantee Agreements for Fixed-Spread Loans" of the Bank dated September 1, 1999 (as amended through May 1, 2004), with the modification set forth in paragraphs (b) and (c) of this Section (the General Conditions), constitute an integral part of this Agreement:

(b) Paragraph 22 of Section 2.01 of the General Conditions shall be modified as follows:

"22. "Fixed Spread" means the Bank's fixed spread of 0.50% in respect of the initial Loan Currency, provided, that upon a Currency Conversion of all or any portion of the unwithdrawn principal amount of the Loan, such fixed spread shall be adjusted on the Execution Date in the manner specified in the Conversion Guidelines."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective

meanings therein set forth and the following additional terms have the following meanings:

(a) “CEPC” means the Cairo Electricity Production Company, an Egyptian joint stock company, wholly owned by EEHC, established and operating pursuant to Law No. 159 of 1981, Law No. 95 of 1992 and Law No. 164 of 2000, or any successor thereof;

(b) “CEPC Agreement” means the agreement entered into between EEHC and CEPC, pursuant to the provisions of paragraph A.2 of Schedule 2 to the Project Agreement;

(c) “Environmental Management Plan” means the Borrower’s environmental management plan for the Project furnished to the Bank on October 13, 2005, as such plan may be updated from time to time by agreement between the Borrower and the Bank, setting forth the mitigating, monitoring and institutional measures to be taken during the implementation and operation of the Project to offset or reduce adverse environmental impacts to levels acceptable to the Bank;

(d) “Financial Monitoring Report” means each report prepared in accordance with the provisions of Section 4.02 of the Project Agreement;

(e) “Fiscal Year” means, individually, the twelve (12) month period corresponding to any of the Borrower’s, EEHC’s or CEPC’s fiscal years, which period commences on July 1 and ends on June 30 in each calendar year, and the term “Fiscal Years” means, collectively, more than one Fiscal Year;

(f) “Ministry of Finance” means the Borrower’s Ministry of Finance, and any successor thereof;

(g) “Project Agreement” means the agreement between the Bank and EEHC 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;

(h) “Statutes” means Law No. 164 of 2000 and the by-laws pertaining to the establishment and operation of EEHC, as amended to the date of this Agreement; and

(i) “Subsidiary Loan Agreement” means the agreement to be entered into between the Borrower and EEHC pursuant to the provisions of Section 3.01(b) of this Agreement, as the same may be amended from time to time; and such term includes all schedules to the Subsidiary Loan Agreement.

Section 1.03. Each reference in the General Conditions to the Project implementation entity shall be deemed as a reference to EEHC.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount equal to two hundred fifty nine million six hundred thousand United States dollars (US\$259,600,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and works required for the Project and to be financed out of the proceeds of the Loan and in respect of interest and other charges in respect of the Loan and any premium in respect of an Interest Rate Cap or Interest Rate Collar payable by the Borrower in accordance with Section 4.04(c) of the General Conditions.

Section 2.03. The Closing Date shall be April 30, 2011, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Bank a front-end fee in an amount equal to one percent (1%) of the amount of the Loan, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time. Such fee shall be payable not later than sixty (60) days after the Effective Date.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (i) eighty five one-hundredths of one per cent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions to but not including the fourth anniversary of such date; and (ii) seventy five one-hundredths of one per cent (0.75%) per annum thereafter, subject to any waiver of a portion of such charge as may be determined by the Bank from time to time.

Section 2.06. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, in respect of each Interest Period at the Variable Rate; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the Borrower shall, during the Conversion Period, pay interest on such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and commitment charges shall be payable semiannually in arrears on March 1 and September 1 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.09. (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 all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Variable 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 said Variable 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 Section 2.01(7) of 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 in respect of 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 4.04(c) of the General Conditions up to the amount allocated from time to time for such purpose in the table in paragraph 1 of Schedule 1 to this Agreement.

Section 2.10. EEHC is designated as the representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

Section 2.11. 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

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project, and, to this end, without any limitation or restriction upon any of its other obligations under the Loan Agreement, shall cause EEHC to perform in accordance with the provisions of the Project Agreement all the obligations of EEHC therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable EEHC to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall re-lend the proceeds of the Loan to EEHC under a Subsidiary Loan Agreement to be entered into between the Borrower and EEHC, under terms and conditions acceptable to the Bank, including, *inter alia*: (i) repayment of principal, and payment of interest, charges and premium in accordance with Article II of this Agreement; (ii) payment of any other charges which may be required by the Borrower; and (iii) foreign exchange risk to be borne by EEHC.

(c) 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, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods and works required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 1 to the Project Agreement.

Section 3.03. The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) shall be carried out by EEHC pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower, through EEHC, shall establish, and thereafter maintain, a Project financial management system, including records and accounts, and prepare financial statements, all in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect its operations, resources and expenditures related to the Project.

- (b) The Borrower, through EEHC, shall:
 - (i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period proposed by the Borrower and agreed to by the Bank), audited, by independent auditors, in accordance with consistently applied auditing standards, both such auditors and standards to be acceptable to the Bank;
 - (ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year (or such other period proposed by the Borrower and agreed to by the Bank): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or such other period proposed by the Borrower and agreed to by the Bank), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and
 - (iii) furnish to the Bank such other information concerning such records, accounts and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.
- (c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall cause EEHC to:
 - (i) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Bank has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Loan Account was made;
 - (ii) enable the Bank's representatives to examine such records; and
 - (iii) ensure that such statements of expenditure are included in any audit that the Bank may have requested pursuant to paragraph (b) of this Section.

Section 4.02. Without limitation upon the EEHC's progress reporting obligations set out in Schedule 2 to the Project Agreement, the Borrower shall cause EEHC to prepare and furnish to the Bank a financial monitoring report as set forth in Section 4.02 of the Project Agreement.

ARTICLE V

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01(c) of the General Conditions:

(a) the Subsidiary Loan Agreement shall have been executed on behalf of the Borrower and EEHC; and

(b) EEHC, through CEPC, shall have retained the services of a qualified financial consulting firm in order to achieve the objectives of Section 4.01 of the Project Agreement.

Section 5.02. The following are specified as additional matters, within the meaning of Section 12.02(c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

(a) that the Project Agreement has been duly authorized or ratified by EEHC's Board of Directors, and is legally binding upon EEHC in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and EEHC and is legally binding upon the Borrower and EEHC in accordance with its terms.

Section 5.03. The date one hundred eighty (180) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. Except as provided in Section 2.10, the Minister of International Cooperation of the Borrower and the Under Secretary of State for International, Regional and Arab Financing Organizations of the Ministry of International Cooperation of the Borrower, are severally designated as representatives of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of International Cooperation
8 Adly Street,
Cairo, Egypt

Cable address:

Ministry of International Cooperation
(International Cooperation Sector)
Cairo, Arab Republic of Egypt

Facsimile:

(202) 391 2815
(202) 391 5167

For the Bank:

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)

(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Cairo, Arab Republic of Egypt, as of the day and year first above written.

ARAB REPUBLIC OF EGYPT

By /s/ Fayza Abounaga

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Emmanuel Mbi

Acting Regional Vice President
Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in United States dollars</u>	<u>% of Expenditures to be financed</u>
(1) Works	216,600,000	100%
(2) Goods	43,000,000	100%
(3) Premia for Interest Rate Caps and Interest Rate Collars	0	Amounts due under Section 2.09(c) of this Agreement
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TOTAL	259,600,000	
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2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement; and (b) any expenditures under any Category in the table in paragraph 1 above, unless the Bank has received payment in full of the front-end fee referred to in Section 2.04 of this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in enhancing energy supply in a sustainable manner and strengthening the power sector performance.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

Part A: El-Tebbin Power Plant

The carrying out of civil works, and the provision of goods and consultants' services, for the construction of El-Tebbin steam power plant, including: (1) the demolition of existing plant and site preparation works; (2) construction and installation of: (a) two units of 350 MW steam turbine-generators; (b) two units of steam generators (boilers); (c) electrical equipment, including transformers and switchyard; (d) auxiliary mechanical equipment including pumps and drives, heat exchangers and de-aerators, and critical and non-critical piping and valves; (e) a water and waste water treatment plant; (f) support for the implementation of the Environmental Management Plan; and (g) distributed control systems and instrumentation; (3) providing engineering Project management services, including design, procurement and construction supervision, and commissioning, testing and start-up of the Project; (4) carrying out of civil works, and the provision of yard tanks and medium and low voltage switchgear; (5) provision of insurance services; and (6) installation of transmission lines to interconnect to the national power grid.

Part B: Strengthening the Performance of the Power Sector

1. Establishing automated financial management systems through the provision of goods and consultants' services.
2. Conducting a study for the design and application of time use tariffs through the provision of consultants' services.
3. Improving energy efficiency by: (a) designing a load management program, based on an assessment of data collected on consumption patterns of industrial and large commercial customers; (b) upgrading the long-run marginal cost software; and (c) conducting a feasibility assessment of an "interruptability" scheme, through the provision of goods and consultants' services.

* * *

The Project is expected to be completed by October 31, 2010.

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 shall 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) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Payment Date</u>	<u>Installment Share (Expressed as a %)</u>
On each March 1 and September 1 Beginning March 1, 2011 through March 1, 2025	3.33%
And on September 1, 2025	3.43%

2. If the proceeds of the Loan shall not 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 as follows:

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

(b) Any withdrawal made 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 shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts 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) Withdrawals made 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 3, if at any time the Bank shall adopt 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 principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be 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 said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said 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 principal amount of the Loan withdrawn and outstanding from time to time shall be 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.