Loan Agreement

(Additional Financing for Sustainable Rural Sanitation Services Program)

between

ARAB REPUBLIC OF EGYPT

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
AGREEMENT dated as of the Signature Date between ARAB REPUBLIC OF EGYPT ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank").

(A) WHEREAS, the Co-financier intends to provide a Co-financing in the amount of three hundred million United Stated Dollars (US$300,000,000) to the Borrower through a Co-financing Agreement to assist in the financing of DLR1.5, DLR 1.6, DLR1.7.1, DLR 1.7.2 under Part A.1 of the Program described in Schedule 1 to this Agreement;

(B) WHEREAS, the Borrower has requested the Bank to extend a Loan to assist in the financing of the Program; and

(C) WHEREAS, the Bank has agreed, on the basis, inter alia, of the foregoing to extend a Loan to the Borrower upon the terms and conditions set forth in this Agreement.

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) apply to and form 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 the amount of three hundred million United States Dollars (USD 300,000,000), as such amount may be converted from time to time through a Currency Conversion ("Loan"), to assist in financing: (a) the program described in Part 1 of Schedule 1 to this Agreement ("Program"); and (b) the project described in Part 2 of Schedule 1 to this Agreement ("Project") (the Program and the Project hereinafter jointly referred to as the "Operation").

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 is one quarter of one percent (0.25%) of the Loan amount.
2.04. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

2.05. The interest payable by the Borrower on the principle amount of the Loan withdrawn and the amount outstanding from time to time for each Interest Period shall be at a rate equal to the Reference Rate (as defined in Paragraph 92 of the Appendix to the General Conditions) for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principle 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 interest rate is the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.

2.07. The Payment Dates are March 15 and September 15 in each year.

2.08. The principal amount of the Loan shall be repaid in accordance with Schedule 3 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 — OPERATION

3.01. The Borrower declares its commitment to the objectives of the Operation. To this end, the Borrower shall through MHUUC/the PMU: (i) cause the Program Implementing Entities to carry out the Program in accordance with the provisions of Article V of the Program General Conditions, Schedule 2 to this Agreement and the Program Agreement; and (ii) through the MHUUC/the PMU, carry out the Project in accordance with the provisions of Article V of the Project General Conditions and 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 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.
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 Signature Date or such date later as the Bank may establish in accordance with the provisions of Section 9.04 of the General Conditions.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower's Representative is the Minister for Investment and International Cooperation.

6.02. For purposes of Section 10.01 of the General Conditions:

(a) the Borrower's address is:

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

(b) the Borrower's Electronic Address is:

Cable address: Facsimile:
Ministry of Investment and International Cooperation (202) 2391-2815
Cairo, Arab Republic of Egypt (202) 2391-5167

6.03. For purposes of Section 10.01 of the General Conditions:

(a) the Bank's address is:

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

(b) the Bank's Electronic Address is:

Telex: Facsimile:
248423(MCI) or 1-202-477-6391
64145(MCI)
AGREED as of the Signature Date.

ARAB REPUBLIC OF EGYPT
By:

[Signature]
Authorized Representative
Name: SAHAR NASR
Title: MINISTER OF INVESTMENT AND INTERNATIONAL COOPERATION
Date: OCTOBER 13, 2018

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
By:

[Signature]
Authorized Representative
Name: FERID BELHAT
Title: VICE-PRESIDENT
Date: OCTOBER 13, 2018
SCHEDULE 1

Operation Description

The objective of the Operation is to strengthen institutions and policies for increasing access and improving rural sanitation services in Selected Governorates in the Arab Republic of Egypt.

Part 1: The Program

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

A. Improved Sanitation Access

1. Provision of access to sanitation to about 892,000 people living in highly polluted villages and satellite areas within the Program Area in Dakahliya, Sharkiya, Damietta, Gharbiya and Menoufiya Governorates, through the construction by the respective WSC of about 178,000 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.

B. Improved Operational Systems and Practices of WSCs

Strengthening the capacity 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.

C. Strengthened National Sector Framework

1. Strengthening the enabling environment for more efficient and accountable rural sanitation service delivery including: (i) developing a tariff structure for sanitation services that would enable cost recovery; (ii) formulating the National Water and Sanitation Sector Strategy; and (iii) finalizing and updating 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 audit of WSCs, aimed at providing a strong enabling framework for empowering the WSCs to become efficient and accountable service delivery institutions.

3. (i) Strengthening the national regulatory framework for water and sanitation; (ii) developing a financial and tariff model that allows for sustainable cost recovery for water and sanitation, and (iii) undertaking analytical studies to inform the National Water and Sanitation Sector Strategy, and developing an action plan with timelines for implementation of the National Water Sanitation Sector Strategy.

**Part 2: The Project**

Supporting capacity building for key institutions within the sector and strengthening the enabling environment for efficient and accountable rural sanitation service delivery, including, *inter alia*:

1. Strengthening EWRA's regulatory functions to enable it to deliver its business mandate, including: (i) developing a water supply sanitation (WSS) information management system and providing related training; (ii) improving EWRA’s institutional performance through conducting institutional development surveys, developing terms of references for EWRA staff employment, and staff training; (iii) preparing standard operating procedures and a business plan for EWRA; and (iv) engaging consultants to support EWRA in improving its institutional effectiveness.

2. Strengthening the Borrower’s capacity in verifying the Program’s DLIs/DLRs through, *inter alia*, hiring of an Independent Verification Agent.

3. Strengthen the capacity of the Program Implementing Entities in achieving the DLIs/DLRs through learning and training support.

4. Strengthening the capacity of the PMU in performing management, coordination, monitoring and evaluation functions for the Operation, through financing required goods, consultant services and Operating Costs.

5. Strengthening the capacity of the MHUUC/PMU in performing sector planning and policy making functions for the water and sanitation sector through carrying out related advisory, analytical studies and capacity building activities.
SCHEDULE 2
Operation Execution

Section I. Implementation Arrangements

A. Program Fiduciary, Environmental and Social Systems

Without limitation on the provisions of Article V of the Program 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 Operation, in accordance with the provisions of the Anti-Corruption Guidelines.

C. Other Institutional and Implementation Arrangements for the Operation

1. (a) 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 Program Action Plan, in accordance with the time schedule set out in the said Program Action Plan in a manner acceptable to the Bank.

   (b) Except as the Bank may agree after consultation with the Borrower, the Borrower through MHUUC shall not, and shall ensure that the Program Implementing Entities do not amend, waive, suspend, terminate or abrogate the Program Action Plan.

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, and no later than six (6) months after the Effectiveness Date, hire and thereafter retain a consultant firm or consultants with terms of reference acceptable to the Bank to provide support to the PMU in management and coordination of the Operation, including the planning of projects and activities described in Schedule 1 to this Agreement, project management, supervision of engineering works, assistance in procurement processes, and quality assurance relating to the overall implementation of the Operation.

3. (a) The Borrower through MHUUC and its PMU, shall no later than one (1) month after the Effective Date, adopt the Operations Manual as updated in form and substance satisfactory to the Bank and carry out its respective activities under the Operation in accordance with the provisions of the Operations Manual. The Operations Manual shall include, *inter alia*: (i) administrative, procurement, financial management, and monitoring and evaluation procedures; (ii) the Program Action Plan; (iii) arrangements for verification of achievement of the DLRs (including the Verification Protocol); (iv) coordination and oversight arrangements for the Operation; and (v) the implementation arrangements for Part 2 of the Operation.

(b) Except as the Bank may otherwise, the Borrower shall not amend, waive, suspend, terminate or abrogate the Operations Manual or any of its provisions thereof.

4. The Borrower shall, through MHUUC, implement the recommendations resulting from the implementation of the activities under Parts C.1 and C.2 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, WSCs and EWRA to implement their respective activities under the Program and to fulfil their obligations under the Program Agreement.

6. (a) 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 for the purpose of carrying out its Annual Capital Investment Plan.

(b) The amount of said Grant shall consist of: (a) a base amount from FY20 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 Operations Manual; and (b) an incentive amount from FY21 of the Program which shall be
The Borrower shall, through MHUUC and the PMU with the collaboration of HCWW, or another entity as the Bank may otherwise agree, evaluate the achievement of the Minimum Requirements and 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 Operations Manual.

The Borrower shall, through MHUUC, maintain the complaints and grievance redressal mechanism established under the Program 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.

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.

Unless otherwise agreed by the Bank, the Borrower, through MHUUC, in collaboration with HCWW, shall carry out an interim APA for Menoufiya WSC, Damietta WSC, and Gharbiya WSC in FY20 as a means of testing and verifying the proposed procedures and measures set out in the interim APA.

The Borrower through MHUUC, shall maintain the HCWW, WSCs and EWRA with powers, functions, resources, and qualified staff in adequate number with terms of reference acceptable to the Bank to enable them to carry out their responsibilities under the Program and fulfill their obligations under the Program Agreement.
13. (a) The Borrower through MHUUC, shall: (i) no later than one (1) month after the Effective Date, adopt the Verification Protocol as updated in form and substance acceptable to the Bank, and (ii) ensure that verification of the achievement of DLRs are carried out in accordance with the Verification Protocol.

(b) Except as the Bank shall otherwise agree, the Borrower shall not amend, waive, suspend, terminate or abrogate the Verification Protocol or any of its provisions thereof.

14. The Borrower through MHUUC shall ensure that procurement of contracts under the Program is carried out following the Procurement Procedure Manual and Standard Bidding Documents developed for the Program.

15. For purposes of implementation of Part 2 of the Operation (the Project), the Borrower shall:

(a) prepare an annual work plan and budget ("AWPB") for each FY, setting forth, inter alia, (i) a detailed description of the planned activities under the Project for the following FY; (ii) the sources and proposed use of funds therefor; (iii) procurement arrangements therefor; and (iv) responsibility for the execution of said Project activities, budgets, start and completion dates, outputs and monitoring indicators to track the progress of each activity;

(b) not later than 2 (two) months before starting each FY, furnish the draft AWPB to the Bank for its review, and promptly thereafter finalize the AWPB, taking into account the Bank’s comments thereon; and

(c) by the beginning of each FY, adopt and thereafter implement the final AWPB after obtaining the Bank’s approval thereon.

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. Monitoring, Reporting and Evaluation; Audits

A. Program/Project Reports

1. The Borrower shall, through MHUUC and the PMU, cause the Program Implementing Entities to monitor and evaluate the progress of the Operation and prepare Program/Project Reports through the PMU in accordance with the provisions of Section 5.08 of the General Conditions. Each Program/Project 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.

2. The Borrower shall, through MHUUC, take all necessary actions as may be required to ensure that all Program Implementing Entities provide the data necessary through a unified monitoring and evaluation system established under the Program, to ensure fulfillment of the reporting undertakings set out in paragraph 1 above under this Section III.

B. Program Financial Audits

1. Without limitation on the generality of Section 1.A of this Schedule 2 and Section 5.09 of the General Conditions, the Borrower shall, through MHUUC, 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.

2. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower.

3. 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 publicly available in a timely fashion and in a manner acceptable to the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General

1. Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Borrower may withdraw the proceeds of the Loan to: (a) pay the Front-end Fee; (b) pay each Interest Rate Cap or Interest Rate Collar premium; (c) finance Program Expenditures on the basis of the results ("Disbursement Linked Results" or "DLRs") achieved by the Borrower/Program Implementing Entity, as measured against specific indicators ("Disbursement Linked Indicators" or "DLIs"); and (d) with respect to the Project, finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against Category (9), 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:

<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>Amount of the Co-Financing Allocated to DLR (expressed in USD)</th>
<th>Disbursement Calculation Formula</th>
<th>Percentage of the Eligible Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) DLI #1: Establishment and functioning of at least 178,317 new household (HH) connections to working sanitation systems in villages and satellites, in the Dakahliya, Sharkiya, Damietta, Gharbiya and Menoufiya Governorates, of which at least 10% of the connections are in satellites.</td>
<td>DLR #1.4: Final designs completed for at least 100,000 connections.</td>
<td>30,000,000</td>
<td>0</td>
<td>$300 for each connection designed. The minimum payment is $750,000 for 2,500 HH connections designed, up to the allocated amount.</td>
<td>Not applicable</td>
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<td>DLR #1.5: All construction contracts awarded for the 25 clusters</td>
<td>0</td>
<td>74,250,000</td>
<td>$2,970,000 for each of the 25 clusters for which all contracts for construction are awarded.</td>
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<td>DLR #1.6: Establishment of 100,000 HH connections.</td>
<td>0</td>
<td>126,180,000</td>
<td>$1,261.80 for each HH connections established. The minimum payment is $6,309,000 against 5,000 HH connections established, up to the allocated amount.</td>
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<td>Category (including Disbursement Linked Indicator as applicable)</td>
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<td>DLR #1.7.1: Establishment of 40,000 HH connections over and above already established 100,000 HH connections.</td>
<td>0</td>
<td>50,472,000</td>
<td>$1,261.80 for each HH connection established above 100,000 HH connections. The minimum payment is $6,309,000 for 5,000 HH connections established, up to the allocated amount. *No payments will be made until (i) at least additional 8,916 new HH connections have been established in satellites out of total of the HH connections established under this Agreement; and (ii) DLR 1.6 has been achieved and allocated amount disbursed.</td>
<td>Not applicable</td>
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<td>DLR #1.7.2: Establishment of 38,317 HH connections over and above already established 140,000 HH connections.</td>
<td>48,348,000</td>
<td>$1,261.80 for each HH connection established above 140,000 HH connections. The minimum payment is $6,309,000 for 5,000 HH connections established up to the allocated amount. *No payments will be made until (i) at least 8,916 new HH connections have been established in satellites out of total of the HH connections (cumulative of 17,832 of HH connections in satellite villages) established under this Agreement; and (ii) DLR 1.7.1 has been</td>
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<td>(2) DLI #2: Annual transfer of Performance-based Capital Grants (PBCGs) by MHUUC to eligible WSCs pursuant to the provisions of paragraph 6 of Section I.C of Schedule 2 to this Agreement.</td>
<td>DLR #2.2: PBCGs have been transferred by MHUUC to Damietta WSC, Gharbiya WSC, and Menoufia WSC</td>
<td>32,000,000</td>
<td>$2,666,667 for each Damietta WSC, Gharbiya WSC, and Menoufia WSC for each FY20, FY21, FY22, and FY23 up to the allocated amount.</td>
<td>achieved and allocated amount disbursed.</td>
<td>Not applicable</td>
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<tr>
<td>(3) DLI #3: Design and implementation of the Annual Performance Assessment (APA) system for the WSCs, and WSCs achievement of the required APA weighted index scores in accordance with the Operations Manual.</td>
<td>DLR #3.4: Performance Improvement Action Plans (PIAPs) acceptable to the Bank prepared for Damietta WSC, Gharbiya WSC, and Menoufia WSC and the existing APA manual updated to include. Damietta WSC, Gharbiya</td>
<td>15,000,000</td>
<td>$15,000,000</td>
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<td>Category (including Disbursement Linked Indicator as applicable)</td>
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<td>WSC, and Menoufia WSC.</td>
<td>DLR #3.5: Each of Damietta WSC, Gharbiya WSC, and Menoufia WSC has achieved a minimum weighted index of APA scores, in accordance with the Operations Manual.</td>
<td>135,000,000</td>
<td>$11,250,000 for each of Damietta WSC, Gharbiya WSC, and Menoufia WSC for each of FY20, FY21, FY22, FY23.</td>
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<td>(5) DLI #5: Establishment of PMU and approval of a National Water and Sanitation Sector Strategy by MHUUC.</td>
<td>DLR #5.4: Develop an action plan with timelines acceptable to the Bank, for implementation of the National Water and Sanitation Sector Strategy</td>
<td>12,000,000</td>
<td>$12,000,000</td>
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<td>(6) DLI #6: Standard Operating Procedures (SOPs) for land acquisition developed under the Program</td>
<td>DLR #6.2: (i) the SOPs developed under the Program are updated in form and substance acceptable to</td>
<td>9,250,000</td>
<td>$9,250,000</td>
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<td>updated by MHUUC acceptable to the Bank and approved for implementation</td>
<td>the Bank; and (ii) an inter-ministerial MOU for the implementation of the updated SOPs is signed</td>
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<td>(7) DLI #7: Strengthen the national regulatory framework for water and sanitation.</td>
<td>DLR #7.1: A Ministerial decree issued by MHUUC to establish a unified water and sanitation services (WSS) information system (prior result).</td>
<td>4,000,000</td>
<td>$4,000,000</td>
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<td>DLR #7.2.1: Approval of the EWRA business plan by the EWRA Board.</td>
<td>3,000,000</td>
<td>$3,000,000</td>
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<td>DLR #7.2.2: Approval of the EWRA’s standard business operating procedures by the EWRA Board.</td>
<td>3,000,000</td>
<td>$3,000,000</td>
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<td>DLR #7.3.1: Approval by the EWRA Board of a design manual for the WSS information system, established by EWRA in collaboration with the PMU for tracking the performance of the WSCs within the Program Area.</td>
<td>3,000,000</td>
<td>$3,000,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DLR #7.4: Annual reports on the performance of the rural water and sanitation sector at the national level published by EWRA.</td>
<td>18,000,000</td>
<td>$6,000,000 for each annual report published each year for FY 22, FY23, FY24.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(8) DLI #8: Approval of a financial and tariff model that allows for sustainable cost recovery of water and sanitation services.</td>
<td>10,000,000</td>
<td>$10,000,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Category (including Disbursement Linked Indicator as applicable)</td>
<td>Disbursement Linked Result (as applicable)</td>
<td>Amount of the Loan Allocated (expressed in USD)</td>
<td>Amount of the Co-Financing Allocated to DLR (expressed in USD)</td>
<td>Disbursement Calculation Formula</td>
<td>Percentage of the Eligible Expenditures to be Financed</td>
</tr>
<tr>
<td>---------------------------------------------------------------</td>
<td>---------------------------------------------</td>
<td>-----------------------------------------------</td>
<td>------------------------------------------------</td>
<td>-------------------------------</td>
<td>---------------------------------------------</td>
</tr>
<tr>
<td>sustainable cost recovery of water and sanitation services. (Prior Result)</td>
<td>DLR #8.2: Approval by MHUUC of the financial and tariff model that allows sustainable cost recovery of water and sanitation services.</td>
<td>10,000,000</td>
<td>-</td>
<td>$10,000,000</td>
<td>-</td>
</tr>
<tr>
<td>(9) Goods, non-consulting services, consulting services, Operating Costs and Training and Workshops under the Project.</td>
<td>-</td>
<td>15,000,000</td>
<td>-</td>
<td>-</td>
<td>100%</td>
</tr>
<tr>
<td>(10) Front-end Fee to be paid pursuant to Section 2.03 of this Agreement in accordance with Section 2.05(b) of the</td>
<td>-</td>
<td>750,000</td>
<td>750,000</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with the 2.05(b) of the</td>
<td>-</td>
</tr>
<tr>
<td>Category (including Disbursement Linked Indicator as applicable)</td>
<td>Disbursement Linked Result (as applicable)</td>
<td>Amount of the Loan Allocated (expressed in USD)</td>
<td>Amount of the Co-Financing Allocated to DLR (expressed in USD)</td>
<td>Disbursement Calculation Formula</td>
<td>Percentage of the Eligible Expenditures to be Financed</td>
</tr>
<tr>
<td>---------------------------------------------------------------</td>
<td>------------------------------------------</td>
<td>-----------------------------------------------</td>
<td>----------------------------------------------------------</td>
<td>--------------------------------</td>
<td>--------------------------------</td>
</tr>
<tr>
<td>General Conditions</td>
<td></td>
<td></td>
<td></td>
<td>General Condition</td>
<td></td>
</tr>
<tr>
<td>(11) Interest Rate Cap or Interest Rate Collar premium to be paid pursuant to Section 4.05(c) of the General Conditions</td>
<td></td>
<td>0</td>
<td></td>
<td>Amount due pursuant to Section 2.08(c) of this Agreement</td>
<td></td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td></td>
<td>300,000,000</td>
<td>300,000,000</td>
<td>-</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:
   
   (a) on the basis of DLRs achieved prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed US $14,000,000 may be made on the basis of DLRs achieved prior to this date but on or after April 1, 2018;
   
   (b) for any payments under Category 9 made prior to the Signature Date; and
   
   (c) any DLR under Categories (1) through (8), until and unless the Borrower has furnished evidence satisfactory to the Bank that said DLR has been achieved. Such verification documents and information shall include verification reports from the Independent Verification Agent, based on reports prepared by MHUUC and the Program Implementing Entities certifying the achievement of the DLRs in accordance with procedures and arrangements, and the Verification Protocols acceptable to the Bank.

2. (a) Notwithstanding the provisions of Part B.1(c) of this Section, the Borrower may withdraw an amount not to exceed US $71,250,000 as an advance under Categories (1) through (8).
(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.

(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(c) of this Section, if any of the DLRs under Categories (1) through (8) has not been achieved by the date by which the said DLR is set to be achieved, the Bank may, by notice to the Borrower:

(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 formula set out in the table in Section IV.A.2 of this Schedule 2;

(b) reallocate all or a portion of the proceeds of the Loan then allocated to said DLR to any other DLR; and/or

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

4. The Closing Date is December 31, 2023.

SCHEDULE 3

Commitment-linked Amortization Repayment Schedule

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").

Level Principal Repayments

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each March 15 and September 15</td>
<td></td>
</tr>
<tr>
<td>Beginning March 15, 2024</td>
<td>1.72%</td>
</tr>
</tbody>
</table>
Through March 15, 2052

| On September 15, 2052 | 1.96% |

The determination of the principal amounts of the Loan repayable on each Principal Payment Date is made in accordance with Section 3.03 of the General Conditions.
APPENDIX

Definitions

1. “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.

2. “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 Operations Manual and included in its Performance Improvement Action Plan.

3. “Anti-corruption Guidelines” means, collectively, for purposes of paragraph 5 of the Appendix to the Program General Conditions, the Bank’s “Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing,” dated February 1, 2012, and revised July 10, 2015, and for purposes of paragraph 5 of the Appendix to the Project General Conditions, 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 and as of July 1, 2016.

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

5. “Co-financier” means the Asian Infrastructure Investment Bank (AIIB).

6. “Co-financing” means, for purposes of the table in Section IV of Schedule 2 to this Agreement and paragraph 16 of the Appendix to the General Conditions, an amount of US $300 million to be provided by the Co-financier to assist in financing DLR1.5, DLR 1.6, DLR 1.7.1 and DLR 1.7.2 under Part A.1 of the Program.

7. “Co-financing Agreement” means the agreement to be entered into between the Borrower and the Co-financier providing for the Co-financing.

8. “Dakahliya WSC” means the Dakahliya Water and Sanitation Company established pursuant to Presidential Decree 135 of 2004 as a subsidiary company of HCWW.

9. “Damietta WSC” means the Damietta Water and Sanitation Company established pursuant to Presidential Decree 135 of 2004 as a subsidiary company of HCWW.
10. "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.

11. "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.


13. "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.

14. "General Conditions" means the Program General Conditions applicable to the Program and the Project General Conditions applicable for the Project.

15. "Gharbiya WSC" means the Gharbiya Water and Sanitation Company established pursuant to Presidential Decree 135 of 2004, as a subsidiary company of HCWW.


17. "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.

18. "LE" means Egyptian Pound, the lawful currency of the Borrower.

19. "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.

20. "Menoufiya WSC" means the Menoufiya Water and Sanitation Company established pursuant to Presidential Decree 135 of 2004, as a subsidiary company of HCWW.

21. "MHUUC" means the Ministry of Housing, Utilities and Urban Communities of the Borrower or any successor thereto.

22. "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 Operations Manual.

23. "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.

24. "National Water and Sanitation Sector Strategy" means the strategy to be developed under the Program for the development of the water and sanitation sector.

25. "Operating Costs" means the incremental expenses incurred by the PMU based on annual budgets approved by the Bank attributable to Project implementation, management, and monitoring, including utilities, building and equipment maintenance, office supplies and consumables, communication costs, mass media and printing services, vehicle rental, operation and maintenance of office vehicles, per diem and travel costs for Project staff, reasonable bank charges; and allowances and salaries of the Project's contractual and temporary staff (but excluding the salaries of the Borrower's civil servants).

26. "Operations Manual" means the Manual, to be updated in form and substance satisfactory to the Bank, to be adopted by the Borrower and the Program Implementing Entities setting out the details for implementing the Operation, 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 Program Action Plan, the Annual Capital Investment Plan, the Annual Performance Assessment, the Master Plan, Performance Improvement Action Plan, and the Verification Protocol.

27. "Original Program" means the program the Bank financed under the Loan Agreement (Loan No. 8527-EG).

28. "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 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 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.

29. “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 FY 21 of the Program.

30. “Program” means the program described in Part 1 of Schedule 1 to this Agreement.

31. “Procurement Procedure Manual” means the manual developed under the Original Program.


33. “Program Action Plan” means the Borrower’s plan dated May 28, 2018, and referred to in Section I.C.1 of Schedule 2 to this Agreement, as may be amended from time to time with the agreement of the Bank.

34. “Program Agreement” means the agreement between the Bank and the Program Implementing Entities as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to such Program Agreement.

35. “Program Area” means the villages and satellites (areas generally on the outskirts of the main villages) within the Selected Governorates identified in the Operations Manual where the Program will be carried out.

36. “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.


38. “Program Implementing Entities” means HCWW, Damietta WSC, Gharbiya WSC, Menoufia WSC, Dakahliya WSC and Sharkiya WSC, and EWRA.

39. “Program Management Unit” or “PMU” means the Unit established within the Office of the Minister of MUU by Decree 154 of 2015, issued by the Borrower’s MUU 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.

40. “Project” means the technical assistance activities (the IPF component) intended to support the Program described in Part 2 of Schedule 1 to this Agreement.


42. “Selected Governorates” means Borrower’s Governorates of Beheira, Dakahliya, Sharkiya, Damietta, Gharbiya and Menoufiya within which the Program Area is located.

43. “Sharkiya WSC” means the Sharkiya Water and Sanitation Company established pursuant to Presidential Decree 135 of 2004.

44. “Signature Date” means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to “the date of the Loan Agreement” in the General Conditions.

45. “Standard Bidding Documents” means the standard bidding documents developed under the Original Program.

46. “Training and Workshops” expenditures associated with Project related study tours, training courses, seminars, workshops and other training activities, not included under service providers’ contracts, approved by the Bank, including costs of training materials, space and equipment rental, travel, accommodation and per diem costs of trainees and trainers, trainers’ fees, and other training related miscellaneous costs.

47. “Verification Protocol” means the Borrower’s Verification Protocol, as included in the POM and acceptable to the Bank, setting forth the detailed criteria for the achievement of DLRs and means by which the same will be verified under the Program, as such Verification Protocol may be amended from time to time with the prior written agreement of the Bank.

48. “WSCs” means collectively, Dakahliya WSC, Sharkiya WSC, Damietta WSC, Gharbiya WSC, and Menoufia WSC; and the term “WSC” means individually any one of said WSCs.