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LOAN NUMBER 8173-EG

# Loan Agreement

(Emergency Labor Intensive Investment Project)

between

ARAB REPUBLIC OF EGYPT

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated *August 14*, 2012

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LOAN NUMBER 8173-EG

### LOAN AGREEMENT

Agreement dated August 14, 2012, 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 or the Project 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 two hundred million Dollars (US\$ 200,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 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 The interest payable by the Borrower on the principal amount of the Loan withdrawn and outstanding from time to time for each Interest Period shall be at a rate equal to the Reference Rate (as defined in paragraph 82 of the Appendix of the General Conditions that apply to this Loan) for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions.
- 2.05. The Payment Dates are January 1 and July 1 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of

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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.

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

### ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall cause the Project to be carried out by the Social Fund for Development ("Project Implementing Entity") in accordance with the provisions of Article V of the General Conditions and the Project Agreement.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

#### **ARTICLE IV — EFFECTIVENESS; TERMINATION**

- 4.01. This Agreement shall become effective once the Bank has received evidence that all necessary constitutional procedures have been taken by the Borrower in accordance with the provisions of Section 9.01 of the General Conditions.
- 4.02. The Additional Condition of Effectiveness is that the Subsidiary Agreement has been entered into between the Borrower and the Project Implementing Entity.
- 4.03. The Additional Legal Matter to be included in the Legal Opinion is that the Subsidiary Agreement has been entered into between the Borrower and the Project Implementing Entity and is legally binding upon the Borrower and the Project Implementing Entity in accordance with its terms.
- 4.04. The Effectiveness Deadline is the date one hundred eighty (180) days after the date of this Agreement, or such later date established by the Bank in accordance with Section 9.04 of the General Conditions.

#### **ARTICLE V — REPRESENTATIVE; ADDRESSES**

- 5.01. The Minister of Planning and 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 representatives of the Borrower.

- 5.02. The Borrower's Address is:

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

Cable address:

Ministry of International Cooperation  
Cairo, Arab Republic of Egypt

Facsimile:

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

5.03. The Bank's Address is:


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

|                               |                              |                |
|-------------------------------|------------------------------|----------------|
| Cable address:                | Telex:                       | Facsimile:     |
| INTBAFRAD<br>Washington, D.C. | 248423(MCI) or<br>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



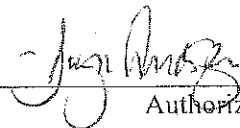
Authorized Representative

Name: Ashraf El-Araby

Title: Minister of Planning and  
Intl Cooperation

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By



Authorized Representative

Name: Inger Andersen

Title: Vice President

## SCHEDULE 1

### Project Description

The objectives of the Project are: (i) to create short-term employment opportunities for unemployed unskilled and semi-skilled workers; and (ii) to provide access to basic infrastructure services to the target population, in poor areas in the Borrower's territory.

The Project consists of the following parts:

Part A:            Employment-Intensive Subprojects

1. Provision of Grants to Sponsoring Agencies for the carrying out, by governorates and local authorities, of Sub-projects consisting of small-scale infrastructure public works including but not limited to the following activities: canal cleaning and protection, and rehabilitation of schools, housing, and rural roads.
2. Provision of Grants to Sponsoring Agencies for the carrying out, by local communities, of Sub-projects consisting of community services including but not limited to solid waste collection, early childhood education services, outreach for maternal and child health, nutrition, population services and youth employment in rural and urban settings.

Part B:            Implementation Support

Provision of Project implementation support, including project management, audits, public information and communication, technical verification and quality assurance, monitoring and evaluation, and social accountability mechanisms.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements.

1. The Borrower shall cause the Project Implementing Entity to maintain and implement the Project in accordance with the requirements, criteria, organizational arrangements and operational procedures set forth in the Operational Manual, the Maintenance Manuals and the ESSAF, and shall ensure that the Project Implementing Entity does not assign, amend, abrogate or waive any provisions of the Operational Manual, the Maintenance Manuals or the ESSAF except as mutually agreed between the Borrower and the Bank.
2. The Project Implementing Entity shall have overall responsibility for Project oversight, coordination, and implementation. The responsibilities of the Project Implementing Entity include: (i) preparation and approval of the Sub-project pipelines in accordance with the Operational Manual; (ii) supervision of Sponsoring Agencies and Intermediary Agencies; (iii) oversight of Sub-project implementation, including ensuring the compliance with the technical, economic, financial, managerial, environmental and social standards and practices set out in the Operational Manual, the Maintenance Manuals and the ESSAF; and (iv) monitoring and evaluation.
3. For the purposes of proper implementation of the Project, the Borrower shall cause the Project Implementing Entity, not later than six (6) months after the Effective Date, to appoint for the duration of Project implementation, and on terms and conditions mutually agreed upon between the Bank and the Project Implementing Entity, an Independent Verification Expert (IVE) to assess and verify that: (i) Project outcomes have been met; (ii) the quality of works undertaken in carrying out Sub-projects; and (iii) whether Sub-projects are implemented and maintained in accordance with the requirements of the Maintenance Manuals, the ESSAF and the Operational Manual.
4. Not later than one month after the Effective Date, the Borrower, through the Project Implementing Entity, shall update its existing automated accounting system to record and report on the new project activities.
5. The Borrower shall cause the Project Implementing Entity to carry out the Project pursuant to the provisions of the Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants dated October 15, 2006, and revised in January 2011.

##### B. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Borrower shall make the proceeds of the Loan available to the Project Implementing Entity under a subsidiary agreement between the Borrower and the Project Implementing Entity, under terms and conditions mutually agreed between the Borrower and the Bank, which shall include the following: the



principal amount of the Loan shall be on-granted in total to the Project Implementing Entity ("Subsidiary Agreement").

2. The Borrower shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as mutually agreed upon between the Borrower and the Bank, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

## **Section II. Project Monitoring Reporting and Evaluation**

### **A. Project Reports**

1. The Borrower shall cause the Project Implementing Entity to monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators agreed upon with the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank and the Borrower not later than forty five (45) days after the end of the period covered by such report.
2. The Borrower shall cause the IVE, through the Project Implementing Entity, to prepare and furnish to the Bank not later than forty five (45) days after the end of calendar semester, independent technical verification reports (ITV Reports), covering the period of such semester, and based on terms of reference mutually acceptable to the Bank and the Project Implementing Entity. The first such ITV report by the IVE shall be due to the Bank not later than forty five (45) days after the end of the first calendar semester following the appointment of the IVE.

### **B. Financial Management, Financial Reports and Audits**

1. The Borrower shall cause the Project Implementing Entity to maintain a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Borrower shall cause the Project Implementing Entity to prepare and furnish to the Bank not later than forty five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance mutually agreed between the Bank and the Borrower.
3. The Borrower shall cause the Project Implementing Entity to have the Financial Statements related to the Project 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 Project Implementing Entity. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

**Section III. Procurement**

Except as mutually agreed between the Bank and the Borrower, procurement of the goods, works and consultants services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of the Schedule to the Project Agreement and with the provisions of the Operational Manual.

**Section IV. Withdrawal of Loan Proceeds**

**A. General**

1. The Borrower, through the Project Implementing Entity, 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 shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such arrangements), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Withdrawal Schedule

| <b>Category</b>   | <b>Amount of the Loan Allocated (expressed in USD)</b> | <b>Percentage of Expenditures to be Financed</b>  |
|---|--|---|
| (1) Goods, works, Services and non-consulting services for Sub-projects under Part A of the Project | 197,500,000  | 100%  |
| (2) Services, non-consulting services, and Incremental Operating Costs under Part B of the Project  | 2,000,000  | 100%  |
| (3) Front-end Fee   | 500,000  | Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions |
| (4) Interest Rate Cap or Interest Rate Collar premium   | 0  | Amount due pursuant to Section 2.07(c) of this Agreement  |
| <b>TOTAL AMOUNT</b>   | <b>200,000,000</b>                                     |   |

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
  - (a) for payments made prior to the date of this Agreement; or
  - (b) under Category (2) unless a procurement advisor has been appointed on terms and conditions mutually acceptable to the Bank and the Borrower; or
  - (c) under Category (1) in the event that the ESSAF requires the preparation of a Sector-specific EIA/EMP, and/or Environmental Safeguard Guidelines, unless the Project Implementing Entity has accordingly prepared, disclosed and held consultations on the aforementioned Sector-specific EIA/EMP, and, where required under the ESSAF, has prepared Environmental Safeguard Guidelines for the particular Sub-project for which the application for withdrawal is required.
2. The Closing Date is December 31, 2015.

### SCHEDULE 3

#### Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share"). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

| Principal Payment Date   | Installment Share<br>(Expressed as a Percentage) |
|--|--|
| On each January 1 and July 1<br><br>Beginning July 1, 2019<br>through July 1, 2040 | 2.27%  |
| On January 1, 2041   | 2.39%  |

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
- (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
  - (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.
3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and

outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

- (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
  5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

## APPENDIX

### Definitions

1. "Anti-Corruption Guidelines" means 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.
2. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011.
4. "Environmental Safeguard Guidelines" means the environmental safeguard guidelines to be prepared by the Project Implementing Entity, pursuant to paragraph 2(b)(ii)(D) of Section I.C of the Schedule to the Project Agreement and paragraph 1(c) of Section IV.B of Schedule 2 of this Agreement, which shall guide regional offices of the Project Implementing Entity in the implementation of the ESSAF.
5. "ESSAF" means the Borrower's environmental and social screening and assessment framework for the Project, disclosed in-country on March 27, 2012, and disclosed in the Bank's Infoshop on April 2, 2012, as such framework may be updated from time to time by mutual 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 (including the selection and implementation of Sub-projects) to offset or reduce potential adverse environmental and social impacts to levels acceptable to the Bank, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, its terms.
6. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated March 12, 2012.
7. "IVE" means the independent verification expert appointed pursuant to Section I.A.3 of Schedule 2 of this Agreement to independently assess and verify: (i) that Project outcomes have been met; (ii) the quality of works undertaken in carrying out Sub-projects; and (iii) whether Sub-projects are implemented and maintained in accordance with the requirements of the Maintenance Manuals of the Project Implementing Entity, the ESSAF and the Operational Manual.
8. "Legal Opinion" means the legal opinion provided by the Borrower for the purposes of Section 9.02 of the General Conditions.
9. "Maintenance Manuals" means, together, the procurement manual and the financial management manual of the Project Implementing Entity, dated March 15, 2012, and

March, 2012, respectively, as such manuals may be amended from time to time with the prior mutual approval of the Bank and the Project Implementing Entity.

10. "Operational Manual" means the Project Implementing Entity's existing operational manual and guidelines, as updated March 9, 2012, to be followed by the Project Implementing Entity, and which includes eligibility criteria for identifying, selecting, and evaluating Sub-project proposals, and includes a description of implementation arrangements and responsibilities, as such operational manual may be amended from time to time with the prior mutual approval of the Bank and the Project Implementing Entity.
11. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011.
12. "Procurement Plan" means the Borrower's procurement plan for the Project, dated April 12, 2012, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
13. "Project Agreement" means the agreement between Social Fund for Development and the International Bank of Reconstruction and Development relating to implementation of the Project, of even date herewith.
14. "Project Implementing Entity" means the Social Fund for Development, an Entity established and operating in the territory of the Borrower under Presidential Decree No. 40 of 1991.
15. "Services" means consultants' services as provided under the Consultant Guidelines.
16. "Sector-specific EIA/EMP" means the sector-specific environmental impact assessment or the sector-specific environmental management plan, as the case may be, to be prepared as required under the ESSAF, pursuant to paragraph 2(b) (ii) (C) of Section I.C of the Schedule to the Project Agreement, and satisfactory to the Bank, for Sub-projects under Part A of the Project, defining details of measures to manage potential environmental risks and mitigate, reduce and/or offset adverse environmental impacts associated with the implementation of activities under the Sub-project, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, its terms, as the same may be amended and supplemented from time to time with mutual agreement of the Bank and the Borrower; and "Sector-specific EIA/EMPs" refers to more than one such Sector-specific EIA/EMP.
17. "Sponsoring Agency" means an agency responsible for implementing a Sub-project under Part A of the Project pursuant to a Sponsoring Agency Grant Agreement, and consists of, for Part A.1 of the Project, local and governorate authorities; and for Part A.2 of the Project, non-governmental organizations and community development associations; and "Sponsoring Agencies" means more than one such "Sponsoring Agency".

18. "Sub-project" means a specific sub-project to be carried out under Part A of the Project for small scale local infrastructure public works or community services under a Sponsoring Agency Grant Agreement and where required pursuant to Section I. C. 2(K) of the Schedule to the Project Agreement, an Intermediary Agency Agreement; and "Sub-projects" means more than one such Sub-project.
19. "Subsidiary Agreement" means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Borrower shall make the proceeds of the Loan available as a grant to the Project Implementing Entity.
20. "Withdrawal Schedule" means the table of eligible expenditures in paragraph 2 of Section IV.A of Schedule 2 to this Agreement.