Ms. Emilia Saiz  
Director of Statutory Issues and Institutional Relations  
United Cities and Local Governments  
Carrer Avinyó 15  
08002 - Barcelona  
España

Re: PPIAF TF Grant No. TF011027 and Cities Alliance TF Grant No. TF011033  
The Governance of Basic Local Public Services - 3rd Global Report on Decentralization and Local Democracy (GOLD III)

Dear Madam:

In response to the request for financial assistance made on behalf of United Cities and Local Governments (UCLG) ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank"), acting as administrator of grant funds provided by the donors ("Donors") under the Public Private Infrastructure Advisory Facility (PPIAF) (TF053980) and the Cities Alliance (TF 054674), proposes to extend to the Recipient, a grant in an amount not to exceed two hundred fifty thousand United States Dollars (U.S. 250,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

This Grant is funded out of the abovementioned trust funds for which the World Bank receives periodic contributions from the Donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors under the abovementioned trust funds, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds. Accordingly, in the event that any Donor cancels or fails to pay any contributions under the trust funds to the World Bank for any reason, or that as a result of currency exchange variations the amount of funds available in the trust funds is insufficient for the purposes of the Grant, the Recipient shall bear the risk of such funding shortfall and the World Bank shall not have any liability whatsoever to the Recipient or to any third parties in respect of any expenditures or liabilities incurred by the Recipient or any third parties in connection with this Agreement which exceed the amount of funds made available to the World Bank by the Donors for the purposes of the Grant.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.
Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature.

Sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

/s/ Zoubida Allaoua
Director
Finance, Economics and Urban Development Department
Sustainable Development Network

AGREED:

United Cities and Local Governments

By:  /s/ Emilia Saiz

Name:  Emilia Saiz
Title:  Director of Statutory Issues and Institutional Relations

Enclosures:

(1) Standard Conditions for Grants Made by the World Bank Out of various Funds, dated July 31, 2010
(2) Disbursement Letter of the same date as this Agreement, together with the World Bank Disbursement Guidelines for Projects, dated May 1, 2006
Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated July 31, 2010 ("Standard Conditions") constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objectives of the Project are twofold: first, to support United Cities and Local Governments (UCLG) — an international NGO gathering mayors and other local authorities from cities worldwide — in the preparation of a report that will review the state of basic service delivery in different cities, highlight the role of local authorities in delivering these services to their citizens and how local authorities can meet effectively these responsibilities and understand the roles of the different stakeholders (private sector, civil society) in contributing to an efficient delivery of the services. A second objective of the Project is to support UCLG in the process of building consensus among the local governments on concrete recommendations to improve the delivery of the services that would emerge from the report. A Steering Committee, composed of representatives of UCLG and of the various institutions financing the Project, will approve the TORs for the implementation of the project and will meet at least twice during the implementation of the project to monitor progress achieved. The Project consists of the following parts:

**Part A: Making a diagnosis of the governance of basic services** in intermediate cities in all the continents and in a sample of metropolitan cities (a limited group of megacities from developed and developing countries) to better understand the role and vision of local authorities with regard to basic services, analyzing current experience of partnering (with private sector, NGOs, etc) and building policy recommendations to improve service delivery.

**Part B: Development of policy dialogues on access to basic services and of the general governance of these services in a limited number of countries, based on the diagnosis planned above.** These dialogues with a spectrum of stakeholders - the central and local authorities, service providers (public and private companies but also NGOs and cooperatives), users (especially citizens or civil society organizations representing the poor) — will result in the development of negotiated strategies to improve the provision of basic services.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out Parts A and B of the Project in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) 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 (“Anti-Corruption Guidelines”); and (c) this Article II.
2.0.3. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators (i.e. activities, results and deliverables) set forth below in paragraph (b) of this Section agreed with the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.

(b) The performance indicators referred to above in paragraph (a) consist of the following:

(i) For Part A:

i. A global publication on the “Governance of local basic services: working together to meet citizens’ needs” that presents a synthesis of the regional reports (described below) assessing the views and specific needs of local authorities from different countries of the world and their partners (private sector, national governments, NGOs).

ii. Seven regional reports on the “Governance of local basic services” for: Africa, Asia Pacific, Eurasia, Europe, Latin America, Middle East and West Asia, North America.

iii. One report the “Governance of local basic services in Metropolitan Cities” based on a sample of metropolitan areas from different regions of the world (consisting of developed and developing countries).

The Recipient commits to send the World Bank copies of all reports once published.

(ii) For Part B:

i. Official Minutes of national policy dialogues on access to basic services in two or three countries in Africa, Asia and Latin America and aimed at developing negotiated strategies to improve the provision of basic services in developing countries.

ii. Official minutes of the discussions from the meetings of the Steering Committee.

(c) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than three months after the Closing Date.

2.0.4. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of the Project Report not later than one month after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient for the entire period during which withdrawals from the Grant Account were made. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.
2.0.5. **Procurement**

(a) **General.** All goods and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

   (i) Section I (excluding paragraph 1.18) of the “Guidelines: Procurement of goods, works, and Non-consultant Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers” published by the World Bank in January, 2011 (“Procurement Guidelines”), in the case of goods and non-consultant services, and


(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods and Non-Consultant Services**

   (i) Except as otherwise provided in sub-paragraph (ii) below, goods and non-consultant services shall be procured under contracts awarded on the basis of Shopping.

(d) **Particular Methods of Procurement of Consultants’ Services**

   (i) The following methods may be used for the procurement of consultants’ services for those assignments which the Bank agrees meet the requirements set forth in the Consultant Guidelines for their use: (A) Selection based on Consultants’ Qualifications; (B) Single-source Selection; (C) Selection of Individual Consultants; and (D) Single Source Procedures for the Selection of Individual Consultants as set forth in paragraph 5.6 of the Consultant Guidelines.

(e) **Review by the World Bank of Procurement Decisions.** Except as the World Bank shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the World Bank: Each contract for consultants’ services provided under Single Source Selection. All other contracts shall be subject to Post Review by the World Bank.
Article III
Withdrawal of Grant Proceeds

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the PPIAF Grant Allocated (US$) TF011027</th>
<th>Amount of the CA Grant Allocated (US$) TF011033</th>
<th>Percentage of Expenditures to be Financed (exclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Consultants((e)) services</td>
<td>$188,000</td>
<td>-</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Regional((b)) Seminars</td>
<td>$12,000</td>
<td>$20,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Operational Costs by UCLG((c))</td>
<td></td>
<td>$30,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>$200,000</td>
<td>$50,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

(a) “Consultancy services” means: i) reasonable fees charged by Consultant/firm contracted for the project, ii) reasonable travel, room/board and per diem expenditures incurred by the contracted Consultant/firm.

(b) “Regional Seminar” means the costs associated with training, workshops, and seminars carried out under the Project, including travel and subsistence costs for speakers and trainers, rental of facilities, preparation and reproduction of materials, and other costs directly related the preparation and implementation of regional seminars.

(c) “Operation Costs” are the incremental costs incurred by UCLG directly related to the implementation, management and supervision of the Project.

3.02. **Withdrawal Conditions.** Withdrawal of the proceeds of the grant will be made according to the following schedule:
Following countersignature of the Grant letter, US$ 75,000 from the PPIAF TF0110277 and US$ 25,000 from the Cities Alliance TF 011033.

During the 3rd quarter of 2012 and following receipt by PPIAF and Cities Alliance, in form and substance satisfactory to PPIAF and Cities Alliance, of: (i) validated methodology, survey questionnaires and draft inception reports on governance and access to basic services in the various regions, which will constitute the basis for the regional synthesis, produced to that date, (ii) complete minutes of the regional dialogues conducted to that date, and (iii) minutes of the 1st meeting of the Steering Committee, US$ 105,000 from the PPIAF TF011027 and US$ 25,000 from the Cities Alliances TF 011033.

During the 1st quarter of 2013 and following receipt by PPIAF, in form and substance satisfactory to PPIAF, of: (i) draft regional synthesis prepared to that date; (ii) minutes of additional regional dialogues conducted, and (iii) minutes of the 2nd meeting of the Steering Committee, US$ 20,000 from the PPIAF TF011027.

3.03. Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made:

   (a) for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.04. Withdrawal Period. The Closing Date referred to in Section 3.06 (e) of the Standard Conditions is April 30, 2013.

Article IV
Recipient’s Representative; Addresses

4.01. Recipient’s Representative. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is Emilia Saiz

4.02. Recipient’s Address. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

   Carrer Avinyó 15
   08002 - Barcelona
   España

   Facsimile : 34 93 342 87 60

4.03. World Bank’s Address. The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

   The World Bank
   1818 H Street, N.W.
   Washington, D.C. 20433
   United States of America
Attention: Clemencia Torres de Mäistle
Public Private Infrastructure Advisory Facility
Mail Stop MC-4-789

Telephone Number: 1-202-458-5042
Email Address: cторres@worldbank.org
Fax Number: (1-202) 522 7466