Honorable Dr. Kwabena Duffuor  
Minister of Finance and Economic Planning  
Ministry of Finance and Economic Planning  
Accra  
Republic of Ghana

Re: Netherlands Grant for Co-financing of Urban Water Project  
(Grant No. TF011457)

Honorable Minister:

In response to the request for financial assistance made on behalf of the Republic of Ghana ("Recipient"), I am pleased to inform you that the World Bank, acting as administrator of grant funds provided by the Netherlands ("Donor") under the Trust Fund for the Co-financing of Urban Water Project ("Original Project") proposes to extend to the Recipient, grant in an amount not to exceed seven million, ninety nine thousand, nine hundred ninety four United States Dollars and eleven cents ($7,099,994.11) ("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 fund for which the World Bank receives periodic contributions from the Donor. 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 Donor under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds. Accordingly, in the event that the Donor cancels or fails to pay any contributions under the trust fund to the World Bank for any reason, or that as a result of currency exchange variations the amount of funds available in the trust fund 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 Donor 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 later of (i) the date of the countersignature, or (ii) the date of the Subsidiary Agreement referred to in Section 2.03 (a) of the Annex to this Agreement.

Very truly yours,
INTERNATIONAL DEVELOPMENT ASSOCIATION

By
Sergiy Kulyk
Acting Country Director for Ghana
Africa Region

AGREED:

REPUBLIC OF GHANA

By

DR. KWABENA DUFFUOR
MIN. OF FIN. & ECON. PLANNING
P. O. BOX MB 40
ACCRA

Date: 29/13/2012

Enclosures:

✓ (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010

✓ (2) Disbursement Letter of even date herewith, together with 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 to: (a) significantly increase access to the piped water system in the Recipient’s urban centers, with an emphasis on improving affordability and service reliability to the urban poor; and (b) restore long term financial stability, viability and sustainability of the Ghana Water Company Limited (GWCL).

The Project consists of the following Parts:

**Part A:** **System Expansion and Rehabilitation**

Carrying out of an investment program to increase the amount of potable water production and distribution for sale through: (i) new production and transmission facilities; (ii) rehabilitation of existing production and transmission facilities; and (iii) network rehabilitation and extension, including meters and house connections, and extensions in urban and peri-urban areas.

**Part B:** **GWCL Capacity Building**

Institutional strengthening of GWCL, including design of an organizational structure, reorganization of GWCL, development of business plans, work plans and budgets, development of a financing plan and establishment of financial controls, installation of a management information system, and preparation of a human resource development and training plan for GWCL’s operations.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through GWCL in accordance with the provisions of Article II of the Standard Conditions and this Article II.

2.03. **Institutional and Other Arrangements.** (a) Without limitation upon the provisions of Section 2.02, the Recipient shall make the proceeds of the Grant available to GWCL under a subsidiary grant agreement ("Subsidiary Agreement") entered into between the Recipient and GWCL, in form and substance satisfactory to the World Bank, and shall not assign, amend, waive or abrogate, or permit to be assigned, amended, waived or abrogated, any provision of the Subsidiary Agreement without the consent of the World Bank.
(b) Without limitation upon the provisions of Section 2.02, the Recipient shall, and shall cause GWCL to, carry out the Project in accordance with the provisions of the Development Grant Agreement for the Original Project (Grant No. H132-GH) between the Recipient and the International Development Association, and the provisions of the related Project Agreement between the International Development Association and GWCL, both dated January 5, 2005 and as may be amended from time to time.

2.04. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient shall ensure that the progress of the Project is monitored and evaluated and that Project Reports are prepared in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators agreed with the World Bank. Each Project Report shall cover the period of one calendar year, and shall be furnished to the World Bank not later than two months after the end of the period covered by such report.

(b) 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 six months after the Closing Date.

2.05. **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 not later than forty five (45) days after the end of each calendar quarter, covering the quarter, 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. Such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.06. **Procurement**

(a) **General.** All goods, works 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 of the “Guidelines: Procurement of Goods, Works and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers” dated January 2011;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers” dated January 2011.
(iii) the provisions of this Section as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(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 Works

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods and works for those contracts specified in the Procurement Plan: (A) National Competitive Bidding; (B) Shopping; and (C) Direct Contracting.

(d) Particular Methods of Procurement of Consultants' Services

(i) Except as otherwise provided in item (ii) below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants' services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Least Cost Selection; (C) Selection based on Consultants' Qualifications; (D) Single-source Selection; and (E) Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. 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) 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 Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Expansion and Rehabilitation under Part A of the Project (Goods, Works, and Consultants’ Services)</td>
<td>2,817,431.20</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Repair, Replacement and Rehabilitation Fund under Part B of the Project</td>
<td>4,137,271.62</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Training and Workshops under Part B of the Project</td>
<td>145,291.29</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>7,099,994.11</strong></td>
<td></td>
</tr>
</tbody>
</table>

For the purposes of this paragraph, the term”

(a) "Repair, Replacement and Rehabilitation Fund" means costs on account of minor works implemented by the private operator during the course of works operation and maintenance under the proposed management contract for the Project; and

(b) "Training and Workshops" means the reasonable costs associated with training, workshops for selected participants, including travel and subsistence costs for participants, fees and costs associated with securing the services of trainers and speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training courses and workshops.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient; except that withdrawals up to an aggregate amount not to exceed $1,420,000 equivalent may be made for payments made prior to this date but on or after April 1, 2011, for Eligible Expenditures under Categories (1) and (2).

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2012.
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 the Minister responsible for finance.

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

Minister for Finance and Economic Planning  
Ministry of Finance and Economic Planning  
P.O. Box MB40  
Accra, Ghana

<table>
<thead>
<tr>
<th>Cable:</th>
<th>Telex:</th>
<th>Facsimile:</th>
</tr>
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<tbody>
<tr>
<td>ECONOMICON</td>
<td>2205 MIFAEP GH</td>
<td>233-21-667069</td>
</tr>
<tr>
<td>Accra</td>
<td></td>
<td>233-21-663854</td>
</tr>
</tbody>
</table>

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

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

<table>
<thead>
<tr>
<th>Cable:</th>
<th>Telex:</th>
<th>Facsimile:</th>
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<tbody>
<tr>
<td>INDEVAS</td>
<td>248423 (MCI) or</td>
<td>1-202-477-6391</td>
</tr>
<tr>
<td>Washington, D.C.</td>
<td>64145 (MCI)</td>
<td></td>
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