H.E. Minister Fayza Aboulnaga  
Minister of International Cooperation  
Ministry of International Cooperation  
Cairo, Arab Republic of Egypt

Re: Arab Republic of Egypt: Support for the Integrated Sanitation Program in Egypt  
Grant No. TF095965

Excellency:

In response to the request for financial assistance made on behalf of the Arab Republic of Egypt (“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 Swiss State Secretariat for Economic Affairs (SECO), proposes to extend to the Recipient, a grant in an amount not to exceed nine million United States Dollars (U.S.$9,000,000) (“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 fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

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 and the Bank being informed by the Recipient of the completion of the Recipient’s internal procedures, this Agreement shall become effective as of the date of the countersignature, provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement and confirmation of the completion of the Recipient’s internal procedures within 90 days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.
Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By /s/ A. David Craig
Country Director for Egypt, Djibouti and Yemen
Middle East and North Africa Region

AGREED:

ARAB REPUBLIC OF EGYPT

By: /s/ Fayza Aboulnaga
Authorized Representative

Date: July 28, 2010

Enclosures:

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 1, 2008 (“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.

   (i) “ESMMF” or “Environmental and Social Management and Monitoring Framework” means the Recipient’s environmental and social management and monitoring framework referred to under Loan 7512 EGT, as such framework may be updated from time to time by agreement between the Recipient and the Bank, setting forth the mitigating, monitoring and institutional measures to be taken during the implementation and operation of the Project to offset or reduce adverse environmental and social impacts to levels acceptable to the Bank.

   (ii) “HCWW” means the Egyptian Holding Company for Water and Wastewater established and operating pursuant to Presidential Decree No. 135 dated April 27, 2004, under the Ministry of Housing, Utilities and Urban Development, or any successor thereof.

   (iii) “NOPWASD” means the National Organization for Potable Water and Sanitary Drainage of the Recipient’s Ministry of Housing, Utilities and Urban Development established under Presidential Decree No. 197 of 1981, or any successor thereof.

   (iv) “PIM” means the project implementation manual dated prepared in February 2008 and further referred to in Section 2.02 (d) of this Agreement, setting forth the procurement, financial management, disbursement, accounting, audit requirements, and monitoring and evaluation arrangements acceptable to the World Bank. The PIM shall not be amended, suspended, abrogated, repealed or waived without prior approval by the World Bank.

   (v) “WSCs” means the water sanitation companies in the following governorates, namely: Beheira, Gharbeya, and Kafr El Sheikh.

Article II

Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to finance technical assistance for the institutional development and capacity building of the national and local public
institutions responsible for sanitation implementation under Part C of the Integrated Sanitation and Sewerage Infrastructure Project (Loan No. 7512 EGT). The Project consists of the following parts:

**Part A: Consultancy services for technical and engineering support**

Provision of consultant services in: (i) supporting the HCWW in project coordination, implementation and monitoring, including project design of sanitation systems and related strategic planning, detailed implementation plan of the sanitation system, developing environmental management systems, procurement and financial management; (ii) assisting NOPWASD in implementing Phase 1 wastewater treatment including preparation of the design and tender documents for Phase 2 plants, procurement and financial management; and (iii) assisting the Rural Sanitation Units (RSUs) within the WSCs in the implementation of sanitation projects, strengthening the RSUs for assisting communities in the governorates with wastewater collection and safe sludge disposal, developing sustainable capacity within the WSCs to promote and manage future programs, and assisting the RSUs in the selection and implementation of sub-projects, project identification, design, procurement and financial management, contract management, and cost recovery aspects of operation and maintenance (O&M).

**Part B: Training**

Provision of consultant services to support institutional strengthening of HCWW, NOPWASD and WSCs.

**Part C: Pilot performance-based O&M of two waste water treatment systems**

Provision of consultant services in supporting HCWW and WSCs in the structuring and supervision of performance based O&M contracts with private sectors for two wastewater treatment systems, and developing terms of reference and bidding documents for piloting the performance based contracting of two plants to be selected by HCWW.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the Project to be carried out by HCWW (“Project Implementing Entity” or “PIE”) 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 (“Anti-Corruption Guidelines”) with the modifications set forth in Section I of the Appendix to this Agreement; (c) this Article II; (d) the ESMMF”; and (e) the PIM.

2.03. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient shall cause the PIE to 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 indicators set forth below in paragraph (b) of this Section. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than forty-five (45) days 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) Successful implementation of ISSIP Phase I and II by HCWW, WSCs of Beheira, Kafr El Sheikh and Gharbiya, and the NOPWSD.
(ii) ISSIP Phase 2 planning, design of wastewater treatment plants and networks, and bidding documents successfully prepared in a timely manner.
(iii) Successful design and execution of two Public-Private Partnership (PPP) pilot O&M performance contract.
(iv) Staff working in all the implementing agencies fully trained and their capacity built.
(v) PIM reviewed and updated.
(vi) A robust project reporting system set up and made operational.
(vii) Quarterly, semi-annual and annual progress reports reflecting the full range of project activities prepared and submitted on schedule.
(viii) Successful coordination between the different consultants funded by other sources and working on the ISSIP project.

(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 six months after the Closing Date. In order to assist the Recipient in preparing the Completion Report, the Recipient shall employ consultants in accordance with the provisions of Section 2.06 of this Agreement.

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

(b) The Recipient shall ensure that PIE prepare an interim unaudited financial reports for the Project and furnished to the World Bank as part of the Project Report 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 cause the PIE to have the Financial Statements related to the Project 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. 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.

2.05. **Procurement**

(a) **General.** All 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 and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 (“Consultant Guidelines”) in the case of consultants’ services; and
(ii) 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 1.24 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 Consultant Guidelines.

(c) 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 may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants’ Qualifications; (E) Single-source Selection; (F) Selection of Individual Consultants; and (G) Sole Source Procedures for the 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. The first contract to be awarded in accordance with each procurement method and each contract for consultants’ services provided by a firm estimated to cost the equivalent of $200,000 or more shall be subject to 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) Article III of the Standard Conditions; (b) this Section; and (c) such additional arrangements 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 100% of Eligible Expenditures consisting of Consultant Services.

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.

3.03. Withdrawal Period. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2013.
Article IV

Recipient’s Representative; Addresses

4.01. **Recipient’s Representative.** The Minister of International Cooperation of the Recipient and the Assistant to the Minister in charge of International, Regional and Arab Financing Organizations of the Ministry of International Cooperation are severally designated as the Recipient’s Representative referred to in Section 7.02 of the Standard Conditions.

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

Ministry of International Cooperation  
8 Adly Street,  
Cairo, Egypt

Facsimile:

(202) 2391 2815  
(202) 2391 5167

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

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

Cable: INTBAFRAD  
Telex: 248423 (MCI) or 64145 (MCI)  
Facsimile: 1-202-477-6391
APPENDIX

Modifications to the Anti-Corruption Guidelines

Section I. The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

   “…(b)  These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. Section 11(a) is modified to read as follows:

   “… (a)  sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”
“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”