H.E. Fayza Aboulaga  
Minister of International Cooperation  
Ministry of International Cooperation  
8 Adly Street, Downtown  
Cairo, Arab Republic of Egypt

Re: Arab Republic of Egypt: JSDF Grant for Piloting Community Management and Accountability Systems in Rural Sanitation Service Delivery  
Grant No.TF095515

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 Japan under the Japanese Social Development Fund, proposes to extend to the Recipient, a grant in an amount not to exceed two million nine hundred eleven thousand one hundred seventy-five United States Dollars (U.S.$2,911,175) (“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. This Agreement shall become effective upon receipt by the World Bank of this Agreement countersigned by you and upon the World Bank being informed by the Recipient of the completion of the Recipient’s internal procedures; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement and the World Bank being informed by the Recipient of the completion of the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

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

AGREED:

ARAB REPUBLIC OF EGYPT

By: /s/ Fayza Aboulnaga
Authorized Representative

Date: August 5, 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) “Holding Company for Water and Wastewater” or “HCWW” is a public company established under Presidential Decree No. 135 dated April 27, 2004, under the Ministry of Housing, Utilities and Urban Development, or any successor thereof.

(ii) “Project Implementation Manual” or “PIM means the project implementing manual 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.

(iii) “Water Sanitation Companies” or “WSCs” means each of the following water and sanitation companies in their respective governorates, namely: Beheira Water and Sanitation Company, Gharbeya Water and Sanitation Company, and Kafr El Sheikh Water and Sanitation Company.

Article II

Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to enhance the institutional capacity and accountability mechanisms between local authorities and beneficiary communities for better service delivery in the rural sanitation sector through piloting innovative mechanisms for community participation in planning, implementation, management and monitoring of small scale sanitation systems in the rural areas, in order to put a much stronger emphasis on community empowerment and voice, particularly of the small and hamlet villages in the Delta, characterized with high poverty incidence and poor environmental conditions. The Project consists of the following parts:
Part A: Support for delegated community management of decentralized sanitation system

Provision of goods, consulting services, training and workshops to provide targeted capacity building and training to community organizations and local water and sanitation company teams for the effective piloting of delegated community management accountability systems in rural sanitation service delivery by: (i) supporting community development associations (CDAs) providing managerial and technical training; (ii) providing legal support to WSCs and CDAs on model agreements, respective roles and responsibilities, and oversight reporting and supervision procedures; (iii) supporting the WSCs in transforming their role to supervision of the operations and maintenance processes and audit performance; and (iv) raising awareness through community ownership campaigns, cost recovery and sustainability.

Part B: Capacity building for social mobilization, hygiene education and communication in rural sanitation

Provision of goods, consulting services, training and workshops to strengthen capacity and training to relevant local institutions by: (i) developing and implementing a unified strategy and tools for social marketing, hygiene promotion and communication in rural sanitation; (ii) carrying out ongoing social and participatory planning processes, with targeted activities aimed at women; (iii) implementing hygiene education activities at the household level with targeted interlocutors such as education and religious institutions and media services; and (iv) carrying out outreach programs for hygiene promotion and social awareness on rural sanitation solutions and benefits for centralized and decentralized schemes.

Part C: Monitoring and evaluation and public disclosure system

Provision of goods, consulting services, training and workshops to: (i) foster stronger community-based monitoring of community satisfaction regarding infrastructure progress, water quality improvements, environmental conditions and hygiene practices; (ii) promote social mobilization and accountability tools as part of the feedback mechanisms to policy markers at the national level; and (iii) engage users and stakeholder communities in the process of establishing a participatory result-based monitoring system (including joint development of outcome indicators) within the PIE and WSCs that links the improvements in sanitation coverage, thereby, allowing the beneficiary communities to track progress and impacts of sanitation system construction and report back to local utilities and national institutions.

Part D: Grant management and audit

Provision of goods and consulting services to support the implementation and supervision of grant activities, including procurement, financial management, and audit.

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; and (d) the PIM.
2.03  **Donor Visibility and Visit.** (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor’s support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, take all measures required on its part to enable the representatives of the Donor to visit any part of the Recipient’s territory for purposes related to the Project.

2.04.  **Project Monitoring, Reporting and Evaluation.** (a) The Recipient shall cause the PIE to monitor and evaluate the progress achieved under of the Project and to prepare Project Reports 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 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 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.

2.05.  **Financial Management.** (a) The Recipient shall ensure that the PIE maintains 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 the PIE prepare an interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than one month after the end of each calendar six month period, covering the six month period, 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.

2.06.  **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 of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 (“Procurement Guidelines”), in the case of goods;
(ii) Sections 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

(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 1.16 of the Procurement Guidelines and 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 Procurement Guidelines, or the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods

(i) The following method may be used for procurement of goods for those contracts which the Bank agrees meet the requirements set forth in the Procurement Guidelines for their use: (A) Shopping.

(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 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) 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 Service Delivery Contractors which have been found acceptable to the World Bank; (G) Selection of Individual Consultants; and (H) 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. 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 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</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Consultants’ Services, Including Audit</td>
<td>900,300</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Training and Workshops</td>
<td>1,767,275</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods</td>
<td>186,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Incremental Operating Cost</td>
<td>57,600</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>2,911,175</strong></td>
<td></td>
</tr>
</tbody>
</table>

For the purpose of this paragraph, the terms: (i) “Training and Workshops” means costs incurred for training and workshop activities, including translation and reproduction or printing of training materials, interpretation expenses, and rental of equipment; and (ii) “Incremental Operating Costs” means recurrent expenditures incurred in connection with Project on account of office supplies, vehicle rental and operating charges, maintenance of office equipment, telephone and other communication charges, rental of office space, banking charges, utility charges, domestic travel expenses and salaries of contractual staff, but excluding salaries of officials of the Recipient’s civil service;

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 June 30, 2014.

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

Facsimile:
+202 2458 3884

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: INTRABFRAD
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.”