August 23, 2013

Mr. Sam Parker  
Chief Executive Officer  
Water and Sanitation for the Urban Poor (WSUP)  
91 Waterloo Road  
London, SE1 8RT  
United Kingdom

Dear Mr. Parker:

REPUBLIC OF MOZAMBIQUE: JSDF Grant for Maputo Peri-Urban Sanitation Project (Grant No. TF013234)

In response to the request for financial assistance made on behalf of Water and Sanitation for the Urban Poor (a non-profit organization established through license No. 5419428 in the United Kingdom, and acting through its liaison office in Maputo, Republic of Mozambique (“Liaison Office”)) (“Recipient”), I am pleased to inform you that the International Bank for Reconstruction and Development/International Development Association (“World Bank”), as Administrator of Grant funds provided by Japan (“Donor”) under the Japan Social Development Fund, proposes to extend to the Recipient, for the benefit of the Republic of Mozambique (“Member Country”), a Grant in an amount not to exceed one million seven hundred seventy five thousand nine hundred fifty United States Dollars (U.S.$ 1,775,950) (“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.

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 with 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date of the countersignature ("Effective Date"); provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement by September 30, 2013 unless the World Bank shall have established a later date for such purpose.

Sincerely,

[Signature]
Laurence C. Clarke
Country Director
Mozambique, Angola, and São Tomé e Príncipe
Africa Region

AGREED:

WATER AND SANITATION FOR THE URBAN POOR (WSUP)

By: Carla Barros Costa
Authorized Representative

Name: CARLA BARROS COSTA
Title: GESTORA NACIONAL DO PROGRAMA
Date: 23.08.2013

Enclosures:

(2) Disbursement Letter of the same date as this Agreement, 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 February 15, 2012 ("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, and the following additional terms have the following meaning:

   (a) "Bairro" means the neighborhood, the lowest tier of the municipal administration.

   (b) "Environmental and Social Management Framework Checklist" means the Recipient’s checklist, dated April 22, 2013, referred to in Section 2.05 of the Annex to this Agreement.

   (c) "Maputo Municipal Council" or "MMC" means the council established by the Member Country through Law No. 8/97 of May 31, 1997, with the responsibility to manage and coordinate household sanitation related activities in Maputo.

   (d) "Operating Costs" means operating costs required for the Project including consumable materials and supplies, communications, mass media and printing services, vehicle rental, operation and maintenance, charges for the opening and operation of bank accounts required for the Project, and travel, lodging and per diems, but excluding salaries of officials of the Member Country’s civil service.

   (e) "Target Areas" means unplanned low income peri-urban neighborhoods/Bairros of Maputo, including: Bairros of Nlhamankulo district, Chamanculo A, Chamanculo B, Chamanculo C, Chamanculo D, Malanga, Aeroporto A, Aeroporto B, Unidade 7, Munhuana, Minkadjuine, and Xipamanine.

   (f) "Training" means training conducted in the territory of the Member Country, including purchase and publication of materials, rental of facilities, course fees, and travel and subsistence of trainees.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to improve the sanitation conditions, services and practices in target areas of Maputo and pilot and develop effective approaches for replication.

The Project consists of the following parts:
1. **Sanitation Infrastructure** – Construction of shared user facilities and promotion of the construction or improvement of household facilities, increasing access to and usage of improved facilities to 90% of the population in Target Areas, through: (a) carrying out participatory consultations on communal and shared sanitation facilities; (b) supporting local activists to build the capacity of communities to participate in the construction and design processes of sanitation facilities including undertaking participatory design process for improved communal and shared sanitation facilities; (c) constructing improved communal sanitation facilities for low-cost rental compounds; (d) establishing locally-based operation and maintenance systems with sustainable financing based primarily on user fees; (e) exploring options for financing future communal sanitation facilities with a blend of municipal, community and private sector funds; and (f) facilitating access of owner-occupiers to competent locally-based builders and fabricators of components for latrines.

2. **Development of Desludging Services** – Supporting professional and hygienic services to ensure that new and existing pit latrines are emptied and fecal waste is disposed of safely.

3. **Community Level Sanitation and Hygiene Promotion and Monitoring** – Supporting the monitoring activities to maintain adequate sanitation standards in Target Areas, through:

   (a) carrying out capacity building activities of MMC’s Water and Sanitation Department (“MMC-WSD”) to provide training and backup services to the districts to undertake sanitation planning and to ensure effective operation of the sludge transfer stations;
   (b) carrying out capacity building activities of selected community leaders to undertake regular monitoring and promotion of good sanitation and hygiene in their respective areas;
   (c) investigating and, where feasible, introducing a mobile phone-based system to facilitate the collection of monitoring data and feedback from the community on desludging services;
   (d) supporting the selection and training of Bairro-level water and sanitation community leaders to deal with user complaints and support the monitoring process;
   (e) building capacity at Bairro level to maintain a current database of water and sanitation monitoring;
   (f) building capacity of MMC-WSD and local community based organizations to provide support to community-level sanitation and hygiene promotion activities;
   (g) planning and implementation of community level sanitation and hygiene promotion campaigns in collaboration with district, Bairro and MMC-WSD;
   (h) establishing Bairro-level oversight and support systems for user-managed communal facilities;
   (i) preparing and using promotional materials, including where appropriate printing material, video, audio, community theatre, music and dance, and use of local media;
   (j) developing and implementing a “dirtiness index” based monitoring data and its dissemination to improve sanitation and hygiene conditions in selected Bairros.

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 its...
Liaison Office in Maputo, and in coordination with MMC, all in accordance with: (a) the provisions of Article II of the Standard Conditions; and (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”).

2.03. **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 acceptable to the World Bank. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the World Bank not later than one (1) month after the end of the period covered by such report.

2.04. **Institutional and Other Arrangements.** The Recipient shall: (a) at all times during the implementation of the Project (and in its Liaison Office), maintain staff in numbers and with functions and qualifications acceptable to the World Bank, for the purpose of effective and efficient implementation of the Project; and (b) not later than three (3) months following Effective Date of this Agreement, appoint the Project’s external auditors with terms, qualifications and experience satisfactory to the World Bank.

2.05. **Environmental and Social Safeguards.**

1. The Recipient shall ensure that the Project is carried out in accordance with the Environmental and Social Management Framework Checklist (ESMF Checklist), including the guidelines, rules and procedures defined in said ESMF Checklist, and required the following actions be taken in a manner acceptable to the World Bank:

   (a) if an environmental management plan or similar safeguard instrument would be required for a selected activity on the basis of the ESMF Checklist: (i) such environmental management plan or similar safeguard instrument shall be prepared in accordance with the requirements of the ESMF Checklist, disclosed locally and furnished to the World Bank for approval; and (ii) such activity shall be carried out in accordance with such environmental management plan or similar safeguard instrument as approved by the World Bank;

   (b) if a resettlement action plan would be required for a selected activity on the basis of the ESMF Checklist: (i) said resettlement action plan shall be prepared in accordance with the requirements of the ESMF Checklist, disclosed locally and furnished to the World Bank for approval; and (ii) no works under the Project shall commence until: (A) all measures required to be taken under said resettlement action plan prior to the initiation of said works have been taken; (B) the Recipient has furnished to the World Bank a report in form and substance satisfactory to the World Bank, on the status of compliance with the requirements of said resettlement action plan; and (C) the World Bank has confirmed that said works may commence.

2. The Recipient shall ensure that all measures required for carrying out any environmental management plan or similar safeguard instrument, and any resettlement action plan are taken in a timely manner.
3. Without limitation to its other reporting obligations under this agreement and under Section 2.06 of the Standard Conditions, the Recipient shall include in the Project Reports referred to in Section 2.03 of this Annex adequate information on the implementation of the ESMF Checklist, any environmental management plan or similar safeguard instrument, and any resettlement action plan, giving details of:

(a) measures taken in furtherance of the ESMF Checklist, any environmental management plan or similar safeguard instrument, and any resettlement action plan;

(b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the ESMF Checklist, any environmental management plan or similar safeguard instrument, and any resettlement action plan; and

(c) remedial measures taken or required to be taken to address such conditions and to ensure the continued efficient and effective implementation of the ESMF Checklist, any environmental management plan or similar safeguard instrument, and any resettlement action plan.

2.06. 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 for 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 (1) 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.

2.07. Procurement

(a) General. All goods, works, non-consulting services and consultants’ 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 and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”), in the case of goods, works and non-consulting services; and

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“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 1.18 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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods, Works and Non-consulting Services

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

(ii) The following methods, other than National Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (A) Shopping; (B) Direct Contracting; and (C) Community Participation procedures which have been found acceptable to the World Bank.

(d) Particular Methods of Procurement of Consultants’ Services

(i) Except as otherwise provided in sub-paragraph (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) Least Cost Selection; (B) Selection based on Consultants’ Qualifications; (C) Single-source Selection of consulting firms; (D) Selection of Individual Consultants; and (E) Single-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 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 US Dollars)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, Works, Consultant’s Services, Training, and Operating Costs</td>
<td>1,775,950</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,775,950</td>
<td></td>
</tr>
</tbody>
</table>

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 four years after the date of countersignature of this Agreement by the Recipient.

Article IV
Additional Remedies

4.01. *Additional Events of Suspension.* The Additional Events of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the following:

(a) *Ineligibility:* The World Bank had declared the Recipient ineligible to be awarded a contract funded by the World Bank; and

(b) License/registration number establishing the Recipient, and its Liaison Office in Maputo, has been amended, suspended, abrogated, repealed, or waived so as to affect materially and adversely the ability of the Recipient, or its Liaison Office, to perform any of its obligations under this Agreement.

Article V
Recipient’s Representative; Addresses

5.01. *Recipient’s Representative.* The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Chief Executive Officer.
5.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Water and Sanitation for the Urban Poor (WSUP)
Capital Tower
91 Waterloo Road
London, SE1 8RT, United Kingdom

Telephone: +44 (0)20 3170 0935
e-mail : info@wsup.com

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

Cable: INTBAFRAD
Telex: INDEVAS 248423 (MCI) or 1-202-477-6391
Facsimile: Washington, D.C. 64145 (MCI)
ATTACHMENT
to the ANNEX

<table>
<thead>
<tr>
<th>TOTAL PROJECT COST BY EXPENDITURE CATEGORY</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>SERVICES</td>
<td>$343,850</td>
</tr>
<tr>
<td>TRAINING</td>
<td>$563,900</td>
</tr>
<tr>
<td>GOODS</td>
<td>$88,000</td>
</tr>
<tr>
<td>WORKS</td>
<td>$473,000</td>
</tr>
<tr>
<td>Other - SUB-PROJECTS</td>
<td>$132,000</td>
</tr>
<tr>
<td>TOTAL PROJECT COST BY EXPENDITURE CATEGORY:</td>
<td>$1,775,950</td>
</tr>
</tbody>
</table>