September 21, 2010

Imad Hoballah  
Acting Chairman and CEO  
Telecommunications Regulatory Authority  
Marfaa 200 Building  
Central District (Downtown)  
Beirut  
Lebanon

Re:  Lebanon: IDF Grant for the Telecommunications Regulatory Capacity Building Project  
IDF Grant No. TF096775

Dear Dr. Hoballah:

In response to the requests for financial assistance made by the Lebanese Republic’s Telecommunications Regulatory Authority, an autonomous agency established in accordance with the Lebanese Republic’s Law 431 of 2002 (“Recipient”), I am pleased to inform you that the International Bank for Reconstruction and Development (“World Bank”) proposes to extend to the Recipient, for the benefit of the Lebanese Republic (“Member Country”), a grant from the World Bank’s Institutional Development Fund (“IDF”) in an amount not to exceed four hundred and ninety-two thousand three hundred United States Dollars (U.S.$492,300) (“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”).

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, and that the Member Country’s Council of Ministers has authorized and endorsed the Recipient to enter into this Agreement to carry out the Project.

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 the fully signed agreement 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effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within 90 days after the date of signature of this Agreement by the World Bank,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/ Hedi Larbi
Director
Middle East Department
Middle East and North Africa Region

AGREED:

TELECOMMUNICATIONS REGULATORY AUTHORITY

By /s/ Dr. Imad Hoballah
__________
Authorized Representative

Name: Imad Hoballah

Title: Acting Chairman and CEO

Date: September 28, 2010

Enclosures:

(1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010
(3) Decision of the Lebanese Republic’s Council of Ministers dated June 30, 2010
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.

Article II

Project Execution

2.01. **Project Objectives and Description.** The objectives of the Project are to support the Recipient as it: (a) streamlines its internal processes; (b) strengthens external transparency; and (c) builds technical capacity on specific regulatory and policy issues, in order to enable the Recipient to become a credible, efficient, and responsive regulator for the Member Country’s telecommunications sector and to support its position as a leading force in sector reform.

The Project consists of the following parts:

**Part 1. Streamlining of Internal Processes**

Provision of support to the Recipient to: (i) improve its internal processes and workings with a focus on docketing and budgeting; (ii) migrate its processes from an analogue, paper-based environment to enable management of work in an electronic and on-line environment; and (iii) strengthen knowledge management in relation to technical and regulatory issues, through the financing of consultants’ services, goods and workshops.

**Part 2. Strengthening Transparency**

Provision of support to the Recipient to enable it to remain fully transparent and engaged with all stakeholders in a predictable and efficient manner, with a focus on: (i) improving external communications to stakeholders; (ii) deepening consultation processes to engage with all stakeholders; and (iii) strengthening monitoring and evaluation mechanisms for increased transparency and improved access to information for stakeholders, through the financing of consultants’ services, consultations and workshops.

**Part 3. Regulatory Capacity Building**

Provision of support to the Recipient to: (i) build the knowledge of its staff in technical aspects of innovations and international best practices regarding sector regulation; and (ii) support
capacity development and create mechanisms to engage in strategic thinking, by developing specific policies, regulatory instruments and strategic responses to current market demands, through the financing of consultants’ services, training, workshops and consultations.

Part 4. Telecommunications Policy Capacity Building

Provision of support to the Recipient and the Member Country’s Ministry of Telecommunications (MoT) to develop and support MoT’s institutional capacity in the areas of policy, associated legal reform and effective regulation, through the financing of consultants’ services.

Part 5. Audit

Provision of consultants' services for carrying out the annual audits of the Project.

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 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 the Appendix to this Agreement; and (c) this Article II.

2.03. Institutional and Other Arrangements. (a) The Recipient shall designate and maintain, until completion of the Project, a project management unit (PMU), of the composition, staff, resources and terms of reference satisfactory to the World Bank, which shall be responsible for overall Project coordination and management, including the performance of all fiduciary functions for the Project.

(b) The Recipient shall adopt a project operations manual for the Project, setting forth the organizational arrangements, procedures and responsibilities for the execution of the Project (POM), in accordance with the following timetable:

(i) all chapters of such POM, except for the procurement chapter, shall be adopted within one (1) month of the date of this Agreement; and

(ii) the procurement chapter of the POM shall be adopted within two (2) months of the date of this Agreement.

(c) The Recipient shall carry out the Project in accordance with the provisions of the POM and shall not amend, suspend, abrogate, repeal or waive any provision of the POM without prior approval of the World Bank.

(d) The Recipient shall provide: (i) office facilities; (ii) counterpart staff time; (iii) training facilities; (iv) trainee staff time and (v) administrative support.

(e) The Recipient shall, within two (2) months of the date of this Agreement, enter into an arrangement with the MoT, acceptable to the World Bank, setting forth the terms related to the implementation of Part 4 of the Project.
The Recipient shall, within two (2) months of the date of this Agreement, appoint a procurement officer to the PMU, with qualifications acceptable to the World Bank, and shall train such procurement officer to the satisfaction of the World Bank.

2.04. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient shall monitor and evaluate the progress of the Project and, upon the World Bank’s request, prepare Project Reports, in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth below in paragraph (b) of this Section. Each Project Report shall cover such period as shall be indicated in the World Bank’s request and shall be furnished to the World Bank not later than one month after the date of such request.

(b) Unless otherwise notified by the World Bank to the Recipient in writing, the performance indicators referred to above in paragraph (a) consist of the following:

(i) The Recipient’s Board approves the installation of electronic work process and document management systems, by August 15, 2011.

(ii) The Recipient’s Board approves the installation and deployment of a web-based knowledge management system to enhance transparency and external communications, by February 15, 2012.


(c) The Recipient shall, upon the World Bank’s request, 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 five 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 30 days 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 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 of the Project shall cover the period of one fiscal year of the Recipient or such other period as agreed upon with the World Bank. 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 and May 2010 (“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 and May 2010 (“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) Except as otherwise provided in sub-paragraph (ii) below, goods shall be procured under contracts awarded on the basis of National Competitive Bidding following procedures acceptable to the World Bank.

(ii) The following methods, other than National Competitive Bidding, may be used for procurement of goods for those contracts specified in the Procurement Plan: (A) Shopping; and (B) 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 may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Selection under a Fixed Budget; (B) Least Cost Selection; (C) Selection based on Consultants’ Qualifications; (D) Single-source Selection; (E) Selection of Individual Consultants; and (F) Sole Source Procedures for the Selection of Individual Consultants.

(iii) Short lists for consulting services estimated not to exceed US$200,000 may be composed exclusively of local consulting firms provided at least three (3) suited for the assignment are available.
(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, including, but not limited to, all contracts procured using the (i) direct contract method for goods, (ii) single source for consulting firms, and (iii) sole source of individual consultants. 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 USD)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Consultants’ Services</td>
<td>406,300</td>
<td>100%</td>
</tr>
<tr>
<td>(including audit)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Goods</td>
<td>48,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Training and Workshops</td>
<td>38,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>492,300</strong></td>
<td></td>
</tr>
</tbody>
</table>

For the purposes of this Section, the term “Training and Workshops” means expenditures incurred to finance the reasonable and necessary costs of organizing and conducting, or participating at, training events such as workshops, seminars, conferences, excluding payments of fees for consultant services provided for such training events, as approved by the World Bank.

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 $50,300 equivalent may be made for payments made prior to this date but on or after March 29, 2010 for Eligible Expenditures under Category (1).
3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is three years after the date of countersignature of this Agreement by the Recipient.

**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 Chairman of the Recipient.

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

- Telecommunications Regulatory Authority  
  Marfaa 200 Building  
  Central District (Downtown)  
  Beirut  
  Lebanon

  Facsimile: +961 1 964 341

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

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, 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.”