GRANT AGREEMENT

(Municipal Services Emergency Project)

between

REPUBLIC OF LEBANON

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
acting as Administrator of the Lebanon Syrian Crisis Trust Fund (LSCTF)

Dated September 12, 2014
AGREEMENT dated September 12, 2014, entered into between:

REPUBLIC OF LEBANON ("Recipient"); and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("World Bank"), acting as administrator of the Lebanon Syrian Crisis Trust Fund (TF072143).

The Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions


1.02. 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
The Project

2.01. The Recipient declares its commitment to the objective of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall: (i) cause the Council of Development and Reconstruction (CDR) to implement the Project in accordance with the provisions of Article II of the Standard Conditions and the Project Agreement; and (ii) cause the Participating Unions to provide inputs and support required to enable CDR to implement the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.
Article III
The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to ten million United States Dollars (US$ 10,000,000) ("Grant") to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

Article IV
Additional Remedies

4.01. The Additional Event of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the following, namely that: CDR Legislation has been amended, changed, abrogated or repealed in a manner which in the opinion of the World Bank adversely affects the ability of CDR to implement the Project or any part thereof under the Project Agreement.

Article V
Effectiveness; Termination

5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied:

(a) The execution and delivery of this Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary government action.

(b) The Subsidiary Agreement referred to in Section I.A.1 of Schedule 2 of this Agreement has been executed on behalf of the Recipient and CDR.

5.02. There shall be furnished to the World Bank an opinion satisfactory to the World Bank of counsel acceptable to the World Bank, showing the following matters: this Agreement, the Project Agreement, and the Subsidiary Agreement have been duly authorized by, and executed and delivered on behalf of the Recipient and CDR and
are legally binding upon the Recipient and CDR in accordance with its respective
terms.

5.03. Except as the Recipient and the World Bank shall otherwise agree, this
Agreement shall enter into effect on the date upon which the World Bank
dispatches to the Recipient notice of its acceptance of the evidence required
pursuant to Section 5.01 of this Agreement ("Effective Date"). If, before the
Effective Date, any event has occurred which would have entitled the World
Bank to suspend the right of the Recipient to make withdrawals from the Grant
Account if this Agreement had been effective, the World Bank may postpone the
dispatch of the notice referred to in this Section until such event (or events) has
(or have) ceased to exist.

Article VI
Recipient's Representative; Addresses

6.01. The Recipient’s Representative referred to in Section 7.02 of the Standard
Conditions is Minister of Finance.

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

Ministry of Finance
Riad El-Solh Square, Beirut
Lebanese Republic

Facsimile: +961 1 642 762

6.03. 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)
AGREED at BEIRUT, REPUBLIC OF LEBANON as of the day and year first above written.

REPUBLIC OF LEBANON

By

[Signature]

Authorized Representative

Name: Ali Khalil
Title: Minister of Finance

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
acting as administrator of the Lebanon Syrian Crisis Trust Fund

By

[Signature]

Authorized Representative

Name: Ferid Belhaj
Title: Country Director
SCHEDULE 1
Project Description

The objective of the Project is to address urgent community priorities in selected municipal services, targeting areas most affected by the influx of Syrian refugees.

The Project consists of the following parts:

Part I. **Emergency Response**: Supporting high priority municipal services and initiatives that promote social interaction and collaboration in the Participating Unions, including:

(a) **Service Delivery**: Carrying out Sub-projects to improve service delivery in the Participating Unions, including, inter alia, in the areas of water supply and wastewater, solid waste management, roads improvement, and recreational facilities and community centers.

(b) **Community Activities**: Enhancing social cohesion by facilitating interaction and collaboration among local communities and refugees, including, inter alia, establishment of sport teams/leagues, study groups or courses, play groups, skills exchange, organization of awareness campaigns and collective action.

Part II. **Rehabilitation of Critical Infrastructure**: Carrying out Sub-projects to rehabilitate and/or develop critical infrastructure to increase self-reliance of communities, including inter alia: water supply, solid waste management, roads improvement, water and sanitation, recreational facilities and community infrastructure.

Part III. **Project Implementation Support**: Strengthening the capacity of the PMU in the management of the Project, including coordination, reporting, financial management, procurement, social and environmental safeguards; and supporting activities conducive to the decentralized decision making and consultative processes for Sub-project identification.
SCHEDULE 2

Project Execution

Section I. Institutional and Implementation Arrangements

A. Subsidiary Agreement

1. To facilitate carrying out of the Project, the Recipient shall make the proceeds of the Grant available to CDR under a subsidiary agreement to be entered into between the Recipient and CDR (the “Subsidiary Agreement”), under terms and conditions approved by the World Bank.

2. The Recipient shall exercise its rights and carry out its obligations under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

B. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of 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”).

C. Donor Visibility and Visit

1. The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donors’ support for the Project.

2. 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 Donors to visit any part of the Recipient’s territory for purposes related to the Project.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. The Recipient shall cause CDR 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 the indicators set forth in the Operational Manual acceptable to 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 forty-five (45) days after the end of the period covered by such report.

2. The Recipient shall cause CDR to 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.

B. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. The Recipient shall cause CDR to ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than 45 days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

3. The Recipient shall cause CDR to 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 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.

Section III. Procurement

A. General

1. Procurement and Consultant Guidelines. 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:

(a) 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 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

(b) the provisions of this Section III, 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").

2. **Definitions.** The capitalized terms used below in 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.

B. **Particular Methods of Procurement of Goods, Works and Non-consulting Services:**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International 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) procurement under Framework Agreements in accordance with procedures which have been found acceptable to the World Bank; (c) Direct Contracting; (d) Force Account; and (e) National Competitive Bidding, subject to the World Bank’s procurement procedures and using the World Bank’s standard bidding documents, acceptable and cleared by the Bank.

C. **Particular Methods of Procurement of Consultants’ Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. **Other Methods of Procurement of Consultants’ Services.** The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (i) Selection under a Fixed Budget; (ii) Least-Cost-Selection; (iii) Selection based on Consultants’ Qualifications; (iv) Use of Non-Governmental-Organizations subject to the procedures acceptable to the World Bank; (v) Single Source Selection; (vi) Selection of Individual Consultants; and (vii) Single-source procedures for the Selection of Individual Consultants.
D. 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.

Section IV. Withdrawal of Grant Proceeds

A. General

1. 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 table in paragraph 2 below.

2. The following 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>Goods, works, non-consulting services, and consultants’ services, Training and Incremental Operating Costs</td>
<td>10,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>10,000,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 30, 2017.
APPENDIX

Section I. Definitions


4. “Displaced Persons” means a person who as a result of: (i) the involuntary taking of land under the Project is affected in any of the following ways: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not the affected person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas suffers adverse impacts on his or her livelihood.

5. “ESMF” or “Environmental and Social Management Framework” means the Recipient’s Framework, dated April 1, 2014, acceptable to the World Bank, describing inter alia, the procedures for review and implementation of environmental and social mitigation, enhancement, monitoring, and institutional measures to eliminate any adverse environmental impacts of the Project, offset them, or reduce them to acceptable levels, or enhance positive impacts, as the same may be modified from time to time with the prior written agreement of the World Bank.

5. “Environmental and Social Management Plan” or “ESMP” means a site specific environmental and social management plan to be prepared in accordance with the provisions of the ESMF, as such plan may be amended from time to time with the prior agreement of the World 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 impacts to levels acceptable to the World Bank.

6. “Incremental Operating Costs” means the incremental operating costs under the Project incurred by the PMU for purposes of Project management and implementation, on account of office supplies and consumables, utilities, bank charges, communications, mass media and printing services, vehicle rental,
operation, maintenance, and insurance, building and equipment maintenance, domestic travel, lodging, and subsistence allowances, and salaries of contractual and temporary staff, but excluding salaries and any salary supplements of members of the Recipient’s civil service.


8. “Participating Unions” means the Unions selected by the Recipient to participate in the Project.

9. “Project Implementing Entity” means CDR.

10. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 14, 2014, and referred to in Section III of A.1.b of Schedule 2 to this Agreement.

11. “Project Management Unit” or “PMU” means the unit to be maintained by the CDR in accordance with Section I.A.1 of the Schedule to the Project Agreement.

12. “RAP” or “Resettlement Action Plan” means any site-specific resettlement action plan to be prepared by the Recipient in accordance with the Resettlement Policy Framework.

13. “RPF” or “Resettlement Policy Framework” means the Recipient’s policy framework, dated April 1, 2014, satisfactory to the World Bank, setting forth certain rules, procedures and guidelines for: (i) the acquisition of land and/or other assets from Displaced Persons; (ii) resettlement and rehabilitation of Displaced Persons and the compensation thereof; and (iii) reporting and monitoring arrangements to ensure compliance with said policy framework, as the same may be amended from time to time with the prior agreement of the World Bank.

14. “Safeguards Document” means an ESMP or RAP; and the term “Safeguard Documents” means, collectively, all such documents.

15. “Sub-project” means an activity to be implemented under Part I (a) and Part II of the Project, and the term “Sub-projects” means the plural thereof.

16. “Subsidiary Agreement” means the agreement referred to in Section I.A.1 of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Grant available to CDR.

17. “Training” means the costs associated with training and workshop participation of personnel involved in the implementation of the Project including travel and
subsistence costs for training and workshop participants, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training courses and workshop preparation and implementation.