World Bank Iraq Trust Fund
Grant Agreement

(Emergency Banking Sector Reform Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as administrator of the World Bank Iraq Trust Fund

and

CENTRAL BANK OF IRAQ

Dated April 17, 2009
WORLD BANK IRAQ TRUST FUND GRANT AGREEMENT

AGREEMENT dated April 17, 2009, entered into between:

INTERNATIONAL DEVELOPMENT ASSOCIATION (“World Bank”), acting as administrator of grant funds (“Grant Funds”) contributed by various donors (collectively “Donors”)\(^1\) to the World Bank Iraq Trust Fund (“ITF”); and

CENTRAL BANK OF IRAQ (“Recipient”).

The Recipient and the World Bank hereby agree as follows:

**Article I**

**Standard Conditions; Definitions**

1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 1, 2008 (“Standard Conditions”), with the modifications set forth below, constitute an integral part of this Agreement:

(a) Section 4.02(d) is modified to read in its entirety as follows:

“(d) **Cross Suspension.** IBRD or IDA has suspended in whole or in part the right of the Recipient (or of the Member Country if the Recipient is not the Member Country) or of any other recipient of grant funds contributed by various donors to the World Bank Iraq Trust Fund to make withdrawals under any agreement with IBRD or with IDA because of a failure by the Recipient (or by the Member Country) or by such other recipient to perform any of its obligations under such agreement or any other agreement with IBRD or IDA.”

(b) A new Section 4.02(k) is added after Section 4.02(j), to read in its entirety as follows, and the existing Section 4.02(k) is re-lettered as Section 4.02(l):

“(k) **Payment Failure.** The Member Country has failed to make payment (notwithstanding the fact that such payment may have been made by a third party) of principal, interest, service charge or any other amount due to IBRD or IDA: (i) under any agreement between the Member Country and IBRD; or (ii) under any agreement between the Member Country and IDA; or (iii) in consequence of any

\(^1\) The following donors have provided contributions to the World Bank Iraq Trust Fund: Australia, Canada, European Community, Finland, Iceland, India, Japan, Republic of Korea, Kuwait, Netherlands, Norway, Qatar, Spain, Sweden, Turkey, United Kingdom, and United States.
guarantee extended or other financial obligation of any kind assumed by IBRD or IDA to any third party with the agreement of the Member Country.”

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 and the following additional terms have the following meanings:

(a) “CBI” means the Central Bank of Iraq.

(b) “Executive Steering Committee” means the inter-ministerial committee established by the Government of Iraq for overall Project coordination and supervision and referred to in paragraph 1 of Part A of Section I of Schedule 2 to this Agreement.

(c) “Operating Costs” means incremental operating costs incurred by the PMU on account of Project implementation, management and monitoring, including maintenance of office and office equipment; office supplies and utilities, translation and interpretation, printing and advertising, including production of bidding documents, communication costs, commercial bank charges, transportation and travel, including per diem allowance for PMU staff in travel status to attend supervision missions, and any other miscellaneous costs directly associated with the Project implementation all based on periodic budgets acceptable to the World Bank.

(d) “PMU” means the project management unit established by the CBI for day-to-day Project management, coordination, monitoring and evaluation pursuant to Section 4.01 (a) of this Agreement and referred to in paragraph 2 of Part A of Section I of Schedule 2 to this Agreement.

(e) “Participating Banks” means Rafidain Bank and Rasheed Bank of Iraq or any successors to these banks.

(f) “Project Implementation Manual” means the manual adopted by the CBI pursuant to Section 4.01 (b) of this Agreement and setting forth the operational requirements, criteria, institutional arrangements and operational procedures for the implementation of the Project, including, inter alia, procurement, financial management, disbursement, accounting, audit requirements and monitoring and evaluation arrangements.
“Training” means Project related study tours, training courses, seminars, workshops and other training activities, not included under goods or service providers’ contracts, including costs of training materials, space and equipment rental, travel, accommodation and per diem costs of trainees and trainers, trainers’ fees, and other training related miscellaneous costs.

Article II
The Project

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement (“Project”). To this end, the Recipient shall carry out the Project in accordance with the provisions of Article II of the Standard Conditions.

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 ($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 above-mentioned trust fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions, the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

Article IV
Recipient’s Representative; Addresses

4.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Governor of the CBI.
4.02. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

10 Rasheed Street
Shorja
Baghdad
Republic of Iraq

Facsimile:
009 641 8166-802

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

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

Cable: INDEVAS
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391
AGREED at Amman, The Hashemite Kingdom of Jordan, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as administrator of World Bank Iraq Trust Fund

By /s/ Ziad Badr
Authorized Representative

CENTRAL BANK OF IRAQ

By /s/ Ahmad S. Mohamad
Authorized Representative

IRAQI STRATEGIC REVIEW BOARD

By /s/ Huda Malik
Authorized Representative
SCHEDULE 1

ProjectDescription

The objective of the Project is to strengthen the supervisory framework for financial intermediation and to build capacity of Iraqi financial institutions to support implementation of Phase I of the Iraq Banking Reform Strategy.

The Project consists of the following parts:

Part A: Institutional and Operational Restructuring of the Participating Banks

Provision of technical assistance for institutional and operational restructuring of the Participating Banks focusing on the following areas: (i) organizational structure, processes, procedures, and policies; (ii) capacity building of human resources; (iii) finance and accounting; (iv) information technology and management of information systems; (v) risk management; and (vi) internal auditing policies and procedures as well as compliance with rules and regulations.

Part B: Financial Restructuring of the Participating Banks

Provision of technical assistance to the Participating Banks to help them to restore their ability to comply with minimum capital adequacy and other prudential requirements of the CBI, and to restore their full credibility with their business counterparts.

Part C: Strengthening the Regulatory and Supervisory Functions of the CBI

Provision of technical assistance and goods to strengthen the regulatory and supervisory functions of the CBI.

Part D: Project Management, Monitoring and Evaluation

Strengthening the capacity of the PMU for Project management, monitoring and evaluation through the provision of goods, consultant services, including Project audit and Training, and financing of Operating Costs.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

1. The Recipient shall make sure that the Project Executive Steering Committee with a composition, resources and terms of reference satisfactory to the World Bank is maintained at all times during the implementation of the Project.

2. Throughout the duration of the Project the Recipient shall maintain the PMU responsible for overall management, coordination, monitoring and evaluation of the Project with a composition, staff, resources and terms of reference satisfactory to the World Bank.

3. The Recipient shall carry out the Project in accordance with the Project Implementation Manual and shall not amend, suspend, abrogate, repeal or waive said Manual or any provision of it without the prior approval of the World Bank.

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 (“Anti-Corruption Guidelines”).

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. 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 agreed with the World Bank. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.

2. 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 (6) 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 ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of the Project Report not later than one month after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

3. 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 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 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:

   (a) 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, and 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

   (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 1.16 of the Procurement Guidelines and paragraph 1.24 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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.
B. Particular Methods of Procurement of Goods

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

2. **Other Methods of Procurement of Goods.** The following methods, other than International Competitive Bidding, may be used for procurement of goods for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, subject to the additional provisions set forth in the Annex to this Schedule 2; (b) Shopping; and (c) Direct Contracting.

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: (a) Quality-based Selection; (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.

D. Operating Costs

Incremental expenditures included in the Operating Costs category can be procured in accordance with established administrative procedures of the Recipient which have been found acceptable to the World Bank.

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.

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</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods</td>
<td>350,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants’ services and Training</td>
<td>8,900,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Operating Costs</td>
<td>250,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Unallocated</td>
<td>500,000</td>
<td></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 October 31, 2010.
ANNEX to Schedule 2

Additional Provisions Applicable to National Competitive Bidding

1. Standard bidding documents approved by the World Bank shall be used.

2. Invitations to bid shall be advertised in at least one widely circulated national daily newspaper and bidding documents shall be made available to prospective bidders, at least twenty-eight (28) days prior to the deadline for the submission of bids.

3. Bids shall not be invited on the basis of percentage premium or discount over the estimated cost.

4. Bidding documents shall be made available, by mail or in person, to all who are willing to pay the required fee.

5. Foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders.

6. Qualification criteria (in case pre-qualifications were not carried out) shall be stated in the bidding documents, and if a registration process is required, a foreign firm determined to be the lowest evaluated bidder shall be given reasonable opportunity of registering, without any hindrance i.e. no non-registration status should be considered as a non-eligibility-to-bid criterion.

7. Bidders may deliver bids, at their option, either in person or by courier service or by mail.

8. Bids shall be opened in public in one place preferably immediately, but no later than one (1) hour, after the deadline for submission of bids.

9. Evaluation of bids shall be made in strict adherence to the criteria disclosed in the bidding documents, in a format, and within the specified period, agreed with the World Bank.

10. Bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the World Bank.

11. Split award or lottery in award of contracts shall not be carried out. When two or more bidders quote the same price, an investigation shall be made to determine any evidence of collusion, following which: (A) if collusion is determined, the parties involved shall be disqualified and the award shall then be made to the next lowest evaluated and qualified bidder; and (B) if no evidence of collusion
can be confirmed, then fresh bids shall be invited after receiving the concurrence of the World Bank.

12. Contracts shall be awarded to the lowest evaluated bidders within the initial period of bid validity so that extensions are not necessary. Extension of bid validity may be sought only under exceptional circumstances.

13. Extension of bid validity shall not be allowed without the prior concurrence of the World Bank: (A) for the first request for extension if it is longer than eight (8) weeks; and (B) for all subsequent requests for extensions irrespective of the period.

14. Negotiations shall not be allowed with the lowest evaluated or any other bidders.

15. Re-bidding shall not be carried out without the World Bank’s prior concurrence.

16. All contractors or suppliers shall provide performance security as indicated in the contract documents. A contractor’s or a supplier’s performance security shall apply to a specific contract under which it was furnished.

17. A provision shall be included in bidding documents and in contracts financed by the Grant requiring bidders, suppliers and contractors to permit the World Bank to inspect their accounts and records and other documents relating to the bid submission and contract performance and to have them audited by auditors appointed by the World Bank.