Financing Agreement

(Third Emergency Education Project)

between

REPUBLIC OF IRAQ

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 2, 2007
ARTICLE I – GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in the Financing Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II – FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to sixty-nine million, one hundred thousand Special Drawing Rights (SDR 69,100,000) (“Credit”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).

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

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Payment Dates are May 1 and November 1 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is Dollars.
ARTICLE III – PROJECT

3.01. 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 Article IV of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association 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 IV – EFFECTIVENESS

4.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE V – REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s Representative is the Minister of Finance.

5.02. The Recipient’s Address is:

Ministry of Finance
Khulafa Street, near Arrussafi Square
Baghdad, Iraq

5.03. The Association’s Address 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: (202) 477 6391
AGREED at, District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF IRAQ

By /s/ Bayan Jabr
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Joseph P. Saba
Authorized Representative
SCHEDULE 1

Project Description

The main objective of the Project is to alleviate overcrowding in primary and secondary schools in the Recipient’s territory through school construction and provision of furniture and equipment. The Project will also lay the groundwork for broader school reform and reconstruction.

The Project consists of the following parts:

Part 1: Construction of School Buildings

A. Construction of buildings for primary and secondary schools in identified areas in the Recipient’s territory.

B. Provision of furniture and equipment for school buildings to be constructed under Part 1.A of the Project.

Part 2: Institutional Strengthening for System Development and Reform

Development and implementation of a comprehensive program to support system development in key aspects of education, including the formulation and introduction of a school construction and maintenance program to systematically address the school construction backlog, and other system development activities focusing on building the human, institutional and system capacity necessary to conceptualize, design, operationalize and implement policy and system reform. Support for this component may include: (i) technical assistance for studies and data collection in key policy areas; (ii) institutional and organizational development activities; (iii) study tours, seminars and conferences; and (iv) training in key policy areas.

Part 3: Project Management

Project management and support activities necessary for effective implementation of the Project, including the provision of technical assistance and training.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Master Implementation Manual/Project Implementation Manual.

1. The Recipient shall carry out the Project: (i) in accordance with the provisions of the Master Implementation Manual until the Project Implementation Manual satisfactory to the Association shall have been prepared; and (ii) thereafter, in accordance with the provisions of the Project Implementation Manual.

2. Except as the Association shall otherwise agree, the Recipient shall not amend or waive any provision of the Project Implementation Manual or the Master Implementation Manual if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.

B. PMT

1. The Recipient shall maintain PMT in the Ministry of Education with functions, staffing and resources satisfactory to the Association. PMT shall be headed by a PMT Leader. The PMT Leader shall have qualifications and experience, and be appointed on terms and conditions, satisfactory to the Association. The PMT shall be staffed with an adequate number of professionals, including specialists in procurement, engineering, education, financial management, monitoring and reporting, and environmental and social safeguards.

2. PMT shall be responsible for, inter alia: (i) the planning and coordination of all Project activities; (ii) financial management, including accounting and disbursements; (iii) procurement of goods, works and services, including related contract management; and (iv) the monitoring and evaluation of Project activities.

C. Environmental and Social Safeguards

1. The Recipient shall carry out the recommendations of ESSAF in accordance with the objectives, policies, procedures, time schedules and other provisions set forth therein.

2. The Recipient shall refrain from taking any action which shall prevent or interfere with the carrying out of the recommendations of ESSAF.
3. Without limitation to the generality of the foregoing, the Recipient shall implement the environmental and social management plans and mitigation measures satisfactory to the Association, as are set out in the ESSAF, including the following:

(i) ensuring that the technical specifications of contracts for civil works, goods and services contain adequate provisions for the contractors to implement the environmental mitigation measures satisfactory to the Association;

(ii) ensuring that the land to be used for civil works under the Project is in the public domain and free of squatters;

(iii) ensuring that the list of pesticides selected for use in the Project do not include persistent organic pesticides and WHO Category-1 pesticides and that all precautionary measures are taken before school children use the facilities where pesticides were used; and

(iv) ensuring that the technical specifications of contracts for civil works, goods and services include procedures satisfactory to the Association for safeguarding any cultural property, including sites and structures having archaeological, historical, architectural or religious significance, and natural sites with cultural values.

4. The Recipient shall ensure that progress on the implementation of the environmental and social management plans and mitigation measures referred to in paragraph 3 above shall be included in the Project Reports referred to in Part A.1 of Section II below.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth in Schedule 4 to this Agreement. Each Project Report shall cover the period of six (6) months, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.
B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each 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 Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule.

2. **Consultants’ Services.** All consultants’ services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Schedule.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association 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 and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraphs 2 and 3 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **National Competitive Bidding.** Except as otherwise provided in paragraph 3 below, works estimated to cost less than $2,500,000 equivalent per contract may be procured under contracts awarded on the basis of National Competitive...
Bidding, and goods estimated to cost less than $200,000 equivalent per contract may be procured under contracts awarded on the basis of National Competitive Bidding, in each such case subject to the following additional procedures:

(i) Standard bidding documents approved by the Association shall be used.

(ii) 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.

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

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

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

(vi) 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.

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

(viii) 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.

(ix) 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 Association.

(x) Bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Association.
(xi) 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.

(xii) Extension of bid validity shall not be allowed without the prior concurrence of the Association: (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.

(xiii) Negotiations shall not be allowed with the lowest evaluated or any other bidders.

(xiv) Re-bidding shall not be carried out without the Association’s prior concurrence.

(xv) 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.

3. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding and National Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Shopping</td>
</tr>
<tr>
<td>(b) Direct Contracting</td>
</tr>
</tbody>
</table>

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 table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.
D. Review by the Bank of Procurement Decisions

1. The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient, 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 Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Least-Cost Selection</td>
</tr>
<tr>
<td>(b) Selection Based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(c) Single-Source Selection</td>
</tr>
<tr>
<td>(d) Selection of Individual Consultants</td>
</tr>
<tr>
<td>Category</td>
</tr>
<tr>
<td>----------</td>
</tr>
<tr>
<td>(1) Eligible Expenditures under Part 1 of the Project</td>
</tr>
<tr>
<td>(2) Eligible Expenditures under Part 2 of the Project</td>
</tr>
<tr>
<td>3) Eligible Expenditures under Part 3 of the Project</td>
</tr>
<tr>
<td>Total Amount</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, except that withdrawals up to an aggregate amount not to exceed $10,000,000 equivalent may be made for payments made prior to this date but on or after October 1, 2005 for Eligible Expenditures.

3. The Closing Date is January 31, 2009.
SCHEDULE 3

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (Expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each May 1 and November 1:</td>
<td></td>
</tr>
<tr>
<td>commencing May 1, 2016 to and including November 1, 2025</td>
<td>1.25%</td>
</tr>
<tr>
<td>commencing May 1, 2026 to and including November 1, 2040</td>
<td>2.50%</td>
</tr>
</tbody>
</table>

*The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.
SCHEDULE 4

Performance Indicators

1. School Construction: Primary Schools
   1.1. Number of Construction Contracts Awarded
   1.2. Number of Primary Schools Completed

2. Primary Enrolment by Sex and Governorate
   2.1. Number of boys enrolled in project schools
   2.2. Number of girls enrolled in project schools

3. School Construction: Secondary Schools
   3.1. Number of Construction Contracts Awarded
   3.2. Number of Secondary Schools Completed

4. Secondary Enrolment by Sex and Governorate
   4.1. Number of boys enrolled in project schools
   4.2. Number of girls enrolled in project schools
APPENDIX

Section I. Definitions

1. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


3. “ESSAF” means the Environmental and Social Screening and Assessment Framework furnished by the Association to the Recipient in April 2004, setting out, inter alia, policies, guidelines and procedures to be applied to the Project regarding environmental impact screening and assessment, environmental mitigation plans and measures, land acquisition, and resettlement policy framework and plans, as the same may be updated or revised from time to time with the agreement of the Association.

4. “General Conditions” means the “International Development Association General Conditions for Credits and Grants” dated July 1, 2005, with the modifications set forth in Section II of this Appendix.

5. “Master Implementation Manual” means the Master Implementation Manual prepared by the Association in August 2005 for use in projects to be carried out by the Recipient and financed by the Association, in its own capacity or as administrator of the World Bank Iraq Trust Fund, setting out, inter alia, details of procedures and guidelines relating to procurement, financial management and other operational and administrative arrangements for the carrying out of such projects.

6. “PMT” means the Project Management Team to be maintained pursuant to Part B of Section I of Schedule 2 to this Agreement.


8. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated October 19, 2005 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

9. “Project Implementation Manual” means the Project Implementation Manual to be prepared by the Recipient, setting out, inter alia, details of all procedures, guidelines, timetables and criteria required for the Project, including the procurement, financial, administrative, safeguard and operational arrangements.
relating to the carrying out of the Project, and incorporating relevant and applicable provisions of the Master Implementation Manual.

Section II. Modifications to the General Conditions

The following modification is made to “International Development Association General Conditions for Credits and Grants” dated July 1, 2005, namely that the existing wording in sub-paragraphs (i) and (ii) of Section 3.03(b), “Accelerated Repayment,” is deleted in its entirety and the following language is substituted in these sub-paragraphs:

(i) At any time after November 29, 2010, the Association may modify the repayment of installments of the Withdrawn Credit Balance as provided in the Financing Agreement in accordance with sub-paragraph (ii) or (iii) of this paragraph whenever all of the following events have occurred: (A) the Recipient’s per capita gross national income, as determined by the Association, has exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association’s resources; (B) the Bank considers the Recipient creditworthy for Bank lending; and (C) after due consideration of the development of the Recipient’s economy, the Executive Directors of the Association have reviewed and approved such modification.

(ii) The Association shall, upon the occurrence of the events referred to in paragraph (b)(i) of this Section: (A) require the Recipient to repay twice the amount of each installment of the Withdrawn Credit Balance not yet due until the Credit has been fully repaid; and (B) require the Recipient to commence such repayment as of the first semiannual Principal Payment Date falling six (6) months or more after the date on which the Association notifies the Recipient that such events have occurred; provided, however, that there shall be a grace period of a minimum of ten (10) years on such repayment.