

I3RF GRANT NUMBER TFB4765

**Multi-Donor Trust Fund for the Iraq Reform and Reconstruction Fund
Grant Agreement**

**COVID-19 Adaptation and Recovery Pilot: Supporting Firms' Resilience, Access to
Finance and Growth in Iraq Project**

between

MINISTRY OF FINANCE, ON BEHALF OF REPUBLIC OF IRAQ

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT/INTERNATIONAL DEVELOPMENT ASSOCIATION**

**acting as an administrator of the Multi-Donor Trust Fund for the Iraq Reform and
Reconstruction Fund**

I3RF GRANT NUMBER TFB4765

**MULTI-DONOR TRUST FUND FOR THE IRAQ REFORM AND
RECONSTRUCTION FUND
GRANT AGREEMENT**

AGREEMENT dated as of the Signature Date between Ministry of Finance on behalf of Republic of Iraq ("Recipient") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT/INTERNATIONAL DEVELOPMENT ASSOCIATION ("Bank"), acting as administrator of the Multi-Donor Trust Fund for the Iraq Reform and Reconstruction Fund.

WHEREAS, the Recipient and the Bank have agreed to cooperate with each other and with the Project Implementing Entity (as defined below) towards the implementation of the Project (as defined below);

The Recipient and the Bank hereby agree as follows:

**Article I
Standard Conditions; Definitions**

- 1.01. The Standard Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.
- 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 the Appendix 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 carry out the Project, and cause the Project to be carried out through the Deutsche Gesellschaft Fiir Internationale Zusammenarbeit GmbH (GIZ), the Project Implementing Entity (PIE), in accordance with the provisions of Article II of the Standard Conditions, Schedule 2 to this Agreement, and the Implementation Agreement.

**Article III
The Grant**

- 3.01. The Bank agrees to extend to the Recipient a grant in an amount not to exceed fifteen million United States Dollars (\$15,000,000) ("Grant") to assist in financing the Project.

- 3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section III of Schedule 2 to this Agreement.
- 3.03. The Grant is funded out of the abovementioned trust fund for which the Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the 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 Events of Suspension referred to in Section 4.02 (k) of the Standard Conditions consist of the following:
- (a) the Recipient has taken or permitted to be taken any action which would prevent or interfere with the performance by the PIE of its obligations under the Implementation Agreement;
 - (b) the PIE has failed to perform any obligation under the Implementation Agreement;
 - (c) the PIE status shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the reasonable opinion of the Bank, the ability of the Recipient to perform any of its obligations under this Agreement;
 - (d) the Bank has determined after the Effective Date referred to in Section 5.03 of this Agreement that prior to such date but after the date of this Agreement, an event has occurred which would have entitled the Bank to suspend the Recipient's right to make withdrawals from the Grant Account under the terms of this Agreement, if this Agreement had been effective on the date such event.

**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 execution and delivery of this Agreement on behalf of the Recipient has been duly authorized or ratified by all necessary governmental actions.

- 5.02. As part of the evidence to be furnished pursuant to Section 5.01, there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank or, if the World Bank so requests, a certificate satisfactory to the World Bank of a competent official of the Recipient, showing that, on behalf of the Recipient, this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms;
- 5.03. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article VI
Recipient's Representative; Addresses

- 6.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Finance.
- 6.02. For purposes of Section 7.01 of the Standard Conditions: (a) the Recipient's address is:
- Ministry of Finance
Hay Al Alaloum
Bab Al Mu'dham
Baghdad, Iraq; and
- (b) the Recipient's Electronic Address is:
- E-mail
ministeroffice.mof@gmail.com; debt@mof.gov.iq
- 6.03. For purposes of Section 7.01 of the Standard Conditions: (a) the Bank's address is:
- International Bank for Reconstruction and Development/International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America; and
- (b) the Bank's Electronic Address is:

Telex: 248423 (MCI) or 64145 (MCI) Facsimile: 1-202-477-6391

AGREED as of the Signature Date.

MINISTRY OF FINANCE, ON BEHALF OF REPUBLIC OF IRAQ

By



Authorized Representative

Name: ALI ALLAWI
Title: MINISTER OF FINANCE
Date: 30/09/2021

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as Multi-Donor Trust Fund for the Iraq Reform and Reconstruction Fund**

By



Authorized Representative

Name: SAROJ KUMAR JHA
Title: REGIONAL DIRECTOR
Date: 28/09/2021

SCHEDULE 1

Project Description

The objective of the Project is to test the effectiveness of selected financial and firm-level interventions in providing liquidity, building capacity for targeted small and growing businesses, and mobilizing private investment.

The Project consists of the following parts:

Part 1. Financial Inclusion

1.1 *Provide liquidity support to most affected micro- and small business owners through MFIs*

1.1.1 Provision of grants to Eligible MFIs (“MFI Grants”) to enable them to support their financial clients in restructuring and rescheduling previously issued loans or issuing new loans.

1.1.2 Capacity building of Eligible MFIs in key underwriting areas.

1.2 *Strengthen the legal and institutional framework for MSME finance in Iraq*

1.2.1 Establishment and operation (including provision of IT equipment) of a Non-Bank Financial Institution (NBFI) Unit at the Central Bank of Iraq, designed to (a) enhance data collection from financial institutions, and information dissemination; and (b) enhance monitoring, supervision and improve compliance.

Part 2. SME-Support Measures

2.1 *Enhance SME capabilities and resilience through blended learning, vouchers, matching grants*

2.1.1 Provision of online learning programs to MSMEs to build (a) managerial and organizational capabilities; (b) implementation of business resiliency measures and business relaunch measures to respond to COVID-19 crisis; (c) strategy and leadership skills; and (d) understanding of technological tools.

2.1.2 Provision of financial Vouchers to select MSMEs for pre-defined set of expenses, including, *inter alia* firm-level diagnostics, advanced trainings, business advisory services, and software subscriptions.

2.1.3 Provision of COVID-19 Matching Grants to eligible Small Growing Businesses (SGBs) to finance customized expenses based on firm-level diagnostics and improvement plan, including *inter alia*, access to digital

technologies, upskilling and reskilling of staff, critical investments essential for adapting and sustaining firms' operations and building resilience.

2.1.4 Development of a website and related online infrastructure for the implementation of Part 2 of this project.

2.2 *Catalyze private investment into SGBs through Ecosystem Support Grants to SGBs*

2.2.1 Provision of Pre-Investment Grants to eligible SGBs to address product/service and business shortcomings to prepare SGBs for subsequent investments.

2.2.2 Provision of matching Co-Investment Grants to eligible SGBs to enable them to raise capital by de-risking investment by private investors.

2.2.3 Provision of Capacity Development Grants to eligible emerging seed/early-stage investment programs to support set-up costs, initial operations, technical training, capacity building and to pilot initial investments that enable the firms to build a track record and attract additional capital.

2.2.4 Capacity building of eligible sponsors of eligible emerging seed/early-stage investment programs and early stage investors.

Part 3. Project Management

Project implementation support to the PIE and the Ministry of Finance for the management, coordination, and monitoring and evaluation of the Project, and to cover the Project-related management and Operating Costs, including costs of audits, financial management and compliance Environmental and Social Standards, including ESCP.

Part 4. Contingent Emergency Response Component

Providing immediate response to an Eligible Crisis or Emergency.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements.

- (a) The Recipient shall cause the Project Implementing Entity, to maintain overall responsibility for the Project.
- (b) The Recipient shall establish and maintain throughout the life of the Project a Project Steering Committee (PSC). The PSC shall be chaired by the Ministry of Finance and shall include representatives from relevant Iraqi authorities, *inter alia*, Ministry of Planning, Central Bank of Iraq, and at least three representatives from the financial and private sector. The PSC shall monitor project progress and provide feedback to the Recipient and the PIE.
- (c) The Recipient shall cause the PIE to maintain throughout the Project implementation period, with composition, mandate and resources satisfactory to the World Bank, a number of technical specialists and business advisors with skills and experience necessary to implement activities under the Project.

B. Implementation Agreement

- 1. For the purpose of implementing the Project, no later than 30 days after the Effective Date, the Recipient shall enter into an Implementation Agreement with the PIE. The PIE shall be responsible for the day-to-day administration of overall planning, coordination, technical, fiduciary (i.e. procurement and financial management), monitoring, evaluation, reporting and communication of the activities under the Project, all in accordance with the provisions of this Agreement, the Implementation Agreement and the Project Operations Manual. The Implementation Agreement shall include terms and conditions approved by the World Bank, including, *inter alia*:
 - (a) The Ministry of Finance's obligation to provide financing to the PIE in accordance with the terms of the Implementation Agreement;
 - (b) The PIE's obligation to carry out its respective activities under the Project with due diligence and efficiency, in conformity with appropriate administrative, financial, technical, Environmental and Social Standards, including the requirements of ESCP, all under the supervision of qualified and experienced management assisted by competent staff in adequate

numbers, and in accordance with the provisions of this Agreement and the POM;

- (c) The PIE's obligation to procure goods and services required for carrying out the Project and to be financed out of the proceeds of the Grant, in accordance with the Procurement Regulations, Procurement Plan and the POM;
- (d) The PIE's obligation to implement the terms of the World Bank Anti-Corruption Guidelines;
- (e) The PIE's obligation to: (i) maintain a separate financial management system for implementing the Project; (ii) prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, adequate to reflect its operations and financial condition; and (iii) register separately the operations, resources and expenditures related to the Project;
- (f) The PIE's obligation to promptly inform the Recipient and the World Bank of any condition which interferes or threatens to interfere with the progress of the Project and the performance of its obligations under the Implementation Agreement;
- (g) The PIE's obligation to neither take nor concur in any action which would have the effect of amending, abrogating, assigning or waiving the Implementation Agreement.

2. The Recipient shall cause the PIE to ensure that the Implementation Agreement includes a provision stipulating that in the case of conflict between the Implementation Agreement, on the one hand, and this Agreement, on the other, the provisions of this Agreement shall apply.

3. The Recipient shall cause the PIE to exercise its rights under the Implementation 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 cause the PIE not to assign, amend, abrogate or waive the Implementation Agreement or any of its provisions.

D. Project Operational Manual

1. The Recipient shall cause the PIE to adopt the Project Operational Manual, satisfactory to the World Bank, and, thereafter, carry out the Project in accordance with said manual, which shall include the rules, methods, guidelines, standard documents and procedures for the carrying out of the Project, including the following:

- a. detailed description of Project implementation activities and the detailed institutional arrangements of the Project to ensure inter-institutional coordination;
 - b. conditions and mechanism for disbursing MFI Grants under Part 1 of the Project, including *inter alia*, a model Sub-Grant Agreement, operating procedures governing the activities to be financed by MFI Grants, specific criteria for activities to be eligible for financing under the MFI Grants, eligibility criteria for eligible MFIs, guidelines for approval, implementation, monitoring and evaluation of said activities;
 - c. conditions and mechanism for disbursing Vouchers under Part 2.1.2 of the Project, including, *inter alia*, eligibility criteria for the recipients, specific criteria for activities eligible to be financed under the Vouchers and the maximum amount of the Voucher;
 - d. conditions and mechanism for disbursing COVID 19 Matching Grants under Part 2.1.3 of the Project, including *inter alia*, a model Sub-Grant Agreement, COVID 19 Matching Grant operating procedures governing the activities to be financed by COVID 19 Matching Grants, specific criteria for activities to be eligible for financing under the COVID 19 Matching Grants, eligibility criteria for eligible firms, guidelines for approval, implementation, monitoring and evaluation of said activities;
 - e. conditions and mechanism for disbursing Pre-investment Grants, Co-investment Grants and Capacity Development Grants (collectively, "Ecosystem Support Grants") under Part 2.2 of the Project, including *inter alia*, a model Sub-Grant Agreement, the Ecosystem Support Grant operating procedures governing the activities to be financed by Ecosystem Support Grants, specific criteria for activities to be eligible for financing under the Ecosystem Support Grants, eligibility criteria for eligible firms, guidelines for approval, implementation, monitoring and evaluation of said activities;
 - f. monitoring, evaluation, reporting and governance procedures for the Project; and
 - g. overall Project administrative, accounting, auditing, reporting, financial, environmental and social, procurement and disbursement procedures.
2. In the event that any provision of the Project Operational Manual conflicts with this Agreement, the terms of this Agreement shall prevail.
 3. The Recipient shall cause the PIE to ensure that the Project Operational Manual is not amended without the prior written agreement of the Bank.

E. Provision of MFI Grants under Part 1.1 of the Project

The Recipient shall cause the PIE to provide MFI Grants to Eligible MFIs in accordance with terms and conditions, eligibility criteria and procedures set forth in the POM for the specific type of MFI Grant for which the Eligible MFI is applying, including the requirement for the PIE to:

- a. conduct a selection based on a qualitative and quantitative analysis of the microfinance standard indicators (i.e. a due diligence assessment), in accordance with the POM;
- b. select Eligible MFI based on eligibility criteria set forth in the POM, *inter alia*: (i) duly registered entity under the Iraqi laws; (ii) entity operating in the Republic of Iraq;
- c. ensure that each MFI Grant does not exceed the ceiling established in the POM;
- d. ensure that each MFI Grant supports activities deemed to be eligible under the POM and does not finance an Excluded Expenditure; and
- e. enter into a Sub-Grant Agreement with each Eligible MFI consistent with the terms outlined in Section 1.F(2) below prior to disbursing the MFI Grant to the Eligible MFI.

F. Provision of COVID-19 Matching Grants under Part 2.1.3 of the Project

1. For purposes of carrying out Part 2.1.3 of the Project, the Recipient shall cause the PIE to:

- a. form a selection committee, with terms of reference specified in the POM and with the composition acceptable to the Bank, to assess applications from Benefitting Entities for COVID-19 Matching Grants;
- b. provide COVID-19 Matching Grants to Benefitting Entities in accordance with terms and conditions, eligibility criteria and procedures set forth in the POM for the specific type of a COVID-19 Matching Grant for which Benefitting Entity is applying, including the requirement for PIE to:
 - i. conduct a competitive selection process, in accordance with the POM, select eligible Benefitting Entities, based on eligibility criteria set forth in the POM, including, *inter alia*, requirements that each Benefitting Entity: (i) be duly registered under the Iraqi laws; (ii) operate in the Republic of Iraq; (iii) not have participation or ownership by any public entity; (iv) submit a

complete application with supporting documents as set forth in the POM;

- ii. ensure that each COVID-19 Matching Grant does not exceed \$20,000, and that the Benefitting Entity provide the necessary level of contribution, at the level specified in the POM;
- iii. ensure that each COVID-19 Matching Grant supports activities deemed to be eligible under the POM and does not finance an Excluded Expenditure; and
- iv. ensure that no Benefitting Entity receives a COVID-19 Matching Grant without first passing the due diligence assessment undertaken by the PIE.

2. Prior to the PIE providing a COVID-19 Matching Grant under Part 2 of the Project to a Benefitting Entity, the Recipient shall cause the PIE to enter into a Sub-Grant Agreement with each Benefitting Entity under terms and conditions approved by the Bank, which shall be consistent with the requirements of the ESCP, and which shall include, *inter alia*, the following:

- (a) Except for as provided under sub-section 2(j) below, Benefitting Entity shall not be required to repay the COVID-19 Matching Grant to the PIE;
- (b) specific milestones against which the relevant COVID-19 Matching Grant is to be paid and means of verification of the achievement of said milestones;
- (c) the maximum amount of the COVID-19 Matching Grant payable against the milestones specified in the Sub-Grant Agreement, the conditions of payments and the methodology for determining the amount of payments to be made during the payment period;
- (d) the Benefitting Entity shall undertake to: (i) carry out its respective activities with due diligence and efficiency and in accordance with sound technical, financial and managerial standards and practices, including in accordance with the provisions of the World Bank Anti-Corruption Guidelines; (ii) provide, promptly as needed the resources required for these purposes; and (iii) maintain adequate records;
- (e) the Benefitting Entity shall ensure that the goods and/or services to be financed out of the proceeds of the grant shall be procured in accordance with the Procurement Regulations and used exclusively in carrying out the activities to be financed by the grant;

- (f) the Benefitting Entity shall maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with indicators acceptable to the Bank, the progress of its activities and the achievement of its objectives;
- (g) the PIE shall have the right to inspect by itself, or jointly with the Bank and the Recipient, if the Bank and/or the Recipient so requests, the goods, sites, and plants included in the activities, the operations thereof, and any relevant records and documents;
- (h) the Benefitting Entity shall maintain an appropriate financial management system and prepare simplified financial statements acceptable to the Bank, both in a manner adequate to reflect the use of the COVID -19 Matching Grant and, upon request, shall make such statements available to the PIE and the Bank;
- (i) the Benefitting Entity shall prepare and furnish to the PIE and the Bank, all such information as the Bank shall reasonably request, relating to the implementation of the activities, and the performance of its obligations under the Sub-Grant Agreement;
- (j) the PIE may suspend or terminate the right of the Benefitting Entity to use or administer the proceeds of the grant, or to obtain a refund of all or any part of the amount of the COVID-19 Matching Grant then withdrawn, upon failure by the Benefitting Entity to perform its obligations under the Sub-Grant Agreement; and
- (k) the Benefitting Entity shall promptly inform the PIE and the Bank of any condition which interferes or threatens to interfere with the progress of its activities, or the performance by it of its obligations under the Sub-Grant Agreement.

G. Provision of Ecosystem Support Grants under Part 2.2 of the Project

The Recipient shall cause the PIE to provide Ecosystem Support Grants to Ecosystem Support Benefitting Entities in accordance with terms and conditions, eligibility criteria and procedures set forth in the POM for the specific type of Ecosystem Support Grants for which the Ecosystem Support Benefitting Entity is applying, including the requirement for the PIE to:

- a. conduct a selection based in accordance with the POM;
- b. select eligible Ecosystem Support Benefitting Entities, based on eligibility criteria set forth in the POM , including, *inter alia*, requirements that each Ecosystem Support Benefitting Entity: (i) be duly registered entity under the

Iraqi laws; (ii) be operating in the Republic of Iraq, and (iii) have secured an investment commitment from an eligible investor, if applying to Co-Investment Grant;

- c. conduct a fiduciary background check of the management team for Ecosystem Support Benefitting Entities applying for Ecosystem Support Grants;
- d. ensure that each of the Pre-Investment, Co-Investment and Capacity Development Grants do not exceed the ceiling amounts established in the POM;
- e. ensure that each Ecosystem Support Grant supports activities deemed to be eligible under the POM and does not finance an Excluded Expenditure; and
- f. enter into a Sub-Grant Agreement with each Ecosystem Support Benefitting Entity consistent with the terms outlined in Section I.F(2) above prior to disbursing the Ecosystem Support Grant to the Ecosystem Support Benefitting Entity.

H. Third Party Monitoring Agent (TPMA)

The Recipient shall ensure that TPMA, currently selected under the I3RF, shall carry out, a technical audit of the Project implementation, including, inter alia, of: (a) verification of fiduciary compliance to the World Bank regulations, (b) verification of progress and results under Parts 1 and 2 of the Project.

I. Excluded Expenditures

The Recipient shall undertake that the proceeds of the MFI Grants, COVID-19 Matching Grants and Ecosystem Support Grants shall not be used to finance Excluded Expenditures. If the World Bank determines at any time that an amount of the Grant was used to make a payment for an Excluded Expenditure, the Recipient shall, promptly upon notice from the World Bank, refund an amount equal to the amount of such payment to the World Bank. Amounts refunded to the World Bank upon such request shall be cancelled.

J. Annual Work Plans and Budgets

1. Not later than November 15 in each calendar year, the Recipient shall cause the PIE to submit to the World Bank an annual work plan and budget for the Project for the subsequent calendar year of the Project.
2. The Recipient shall cause the PIE to afford the Bank a reasonable opportunity to review such draft annual work plan and budget, and thereafter shall cause the PIE

to carry out such annual work plan and budget during such subsequent calendar year as shall have been approved by the Bank ("Annual Work Plan and Budget"). Only those activities that are included in an Annual Work Plan and Budget shall be eligible for financing out of the proceeds of the Grant.

3. The PIE may revise Annual Work Plans and Budgets as needed during Project implementation subject to the Ministry of Finance's and the Bank's prior written approval.

K. Environmental and Social Standards

1. The Recipient shall cause the PIE to ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Bank.

2. Without limitation upon paragraph 1 above, the Recipient shall cause the PIE to ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan ("ESCP"), in a manner acceptable to the Bank. To this end, the Recipient shall ensure that:

- (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, and provided in the ESCP;
- (b) sufficient funds are available to cover the costs of implementing the ESCP;
- (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
- (d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Bank shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.

3. Without limitation upon the provisions of paragraph 2 above, if 60 days prior to the Closing Date, the Bank determines that there are measures and actions specified in the ESCP which will not be completed by the Closing Date, the Recipient shall: (a) not later than 30 days before the Closing Date, prepare and present to the Bank, an action plan satisfactory to the Bank on the outstanding measures and actions, including a timetable and budget allocation for such measures and actions (which action plan shall be deemed to be considered an amendment of the ESCP); and (b) thereafter, carry out said action plan in accordance with its terms and in a manner acceptable to the Bank.

4. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.

5. The Recipient shall ensure that:

- (a) all measures necessary are taken to collect, compile, and furnish to the Bank through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Bank, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Bank, setting out, inter alia: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
- (b) the Bank is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.

6. The Recipient shall cause the PIE to establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Bank.

L. Contingent Emergency Response

1. In order to ensure the proper implementation of contingent emergency response activities under Part 4 of the Project ("Contingent Emergency Response Part"), the Recipient shall:

- (a) prepare and furnish to the Bank for its review and approval, a Contingent Emergency Response Component Manual ("CERCM") which shall set forth detailed implementation arrangements for the Contingent Emergency Response Part, including: (i) any special institutional arrangements for coordinating and implementing the Contingent Emergency Response Part; (ii) specific activities which may be included in the Contingent Emergency Response Part, Eligible Expenditures required therefor ("Emergency Expenditures"), and any procedures for such inclusion; (iii) financial management arrangements for the Contingent Emergency Response Part; (iv) procurement methods and procedures for the Contingent Emergency Response Part; (v) documentation required for withdrawals of Emergency Expenditures; (vi) application of the any relevant safeguard instruments to the Contingent

Emergency Response Part; and (vii) any other arrangements necessary to ensure proper coordination and implementation of the Contingent Emergency Response Part;

- (b) afford the Bank a reasonable opportunity to review the proposed CERCM;
 - (c) promptly adopt the CERCM for the Contingent Emergency Response Part as accepted by the Bank;
 - (d) ensure that the Contingent Emergency Response Part is carried out in accordance with the CERCM; provided, however, that in the event of any inconsistency between the provisions of the CERCM and this Agreement, the provisions of this Agreement shall prevail; and
 - (e) not amend, suspend, abrogate, repeal or waive any provision of the CERCM without the prior written approval by the Bank.
2. The Recipient shall ensure that no activities are undertaken under the Contingent Emergency Response Part, unless and until the following conditions have been met in respect of said activities:
- (a) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Bank a request to include said activities in the Contingent Emergency Response Part in order to respond to said crisis or emergency, and the Bank has agreed with such determination, accepted said request and notified the Recipient thereof; and
 - (b) the Recipient has ensured the disclosure of all Environmental and Social instruments/plans required for said activities in accordance with the ESCP, the Recipient has approved all such instruments, and the Recipient has ensured the implementation of any actions which are required to be taken under said instruments.
3. Notwithstanding any provision to the contrary in this Section, Emergency Expenditures required for activities included in Part 4 of the Project shall be procured in accordance with the procurement methods and procedures set forth in the CERCM.

Section II. Project Monitoring, Reporting and Evaluation

A. Documents; Records

In addition, and without limitation to the obligations set forth in Section 2.05 of the Standard Conditions, the Recipient shall cause the PIE to ensure that:

- (a) all records evidencing expenditures under the Project are retained for seven years and six months after the Closing Date, such records to include:

(i) this Agreement, all addenda thereof, and any amendments thereto; (ii) the PIE's financial and narrative progress reports submitted to the Bank; (iii) the Recipient's financial information related to the Grant, including audit reports, invoices and payroll records; (iv) the PIE's implementation documentation (including sub-agreements, procurement files, contracts, purchase orders); and (v) the corresponding supporting evidence referred to in Section 3.04 of the Standard Conditions; and

(b) the representatives of the Bank are: (i) able to examine all records referred to above in paragraph (a); (ii) provided all such information concerning such records as they may from time to time reasonably request; and (iii) able to disclose such records and information to the Donors.

B. Project Reports

The Recipient shall cause the PIE to ensure that each Project Report is furnished to the Bank not later than one month after the end of each calendar semester, covering the calendar semester.

Section III. 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; and (b) this Section; to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) PIE Costs under the Project	6,400,000	100%
(2) MFI Grants under Part 1.1, Vouchers under Part 2.1.2, COVID-19 Matching Grants under Part 2.1.3, Ecosystem Support Grants under Part 2.2 of the Project	8,400,000	100%
(3) Ministry of Finance's Operating Costs under the Project	200,000	100%
(4) Emergency Expenditures	0	

TOTAL AMOUNT	15,000,000	
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B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made:
 - (a) for payments made prior to the Signature Date.
 - (b) under Category (2), until:
 - (i) the Recipient and the PIE adopt the Project Operational Manual, satisfactory to the Bank; and
 - (ii) the Recipient and the PIE adopt and disclose the Environmental and Social Management Framework.
 - (c) for Emergency Expenditures under Category (4), unless and until the Bank is satisfied that all of the following conditions have been met in respect of said expenditures:
 - (i) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Bank a request to include said activities in the Contingent Emergency Response Part in order to respond to said crisis or emergency, and the Bank has agreed with such determination, accepted said request and notified the Recipient thereof;
 - (ii) the Recipient has prepared and disclosed all environmental/social documents, (including an ESCP) required for said activities, and the Recipient has ensured that any actions which are required to be taken under said documents have been implemented, all in accordance with the provisions of Sections I.L.(2)(b) of this Schedule;
 - (iii) the entities in charge of coordinating and implementing the Contingent Emergency Response Part, have provided sufficient evidence satisfactory to the Bank that it has adequate staff and resources for the purposes of said activities; and
 - (iv) the Recipient has adopted the CERCM, in form and substance acceptable to the Bank, and the provisions of the CERCM remain

relevant or have been updated in accordance with the provisions of Section I.L of this Schedule so as to be appropriate for the inclusion and implementation of the activities under the Contingent Emergency Response Part.

2. The Closing Date is October 31, 2023.

APPENDIX

Section I. Definitions

1. "Anti-Corruption Guidelines" means, for purposes of paragraph 2 of the Appendix to the Standard Conditions, 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, and as of July 1, 2016.
2. "Benefitting Entity" means an enterprise which has met the eligibility criteria set forth in the POM to be eligible for COVID -19 Matching Grants under Part 2.1.3 of the Project.
3. "Capacity Development Grant" means a Grant under Part 2.2 of the Project.
4. "Category" means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
5. "Co-Investment Grant" means a Grant under Part 2.2 of the Project.
6. "Contingent Emergency Response Component Manual" or the acronym "CERCM" means the plan referred to in Section I.F of Schedule 2 to this Agreement, to be adopted by the Recipient for the Contingent Emergency Response Part in accordance with the provisions of said Section.
7. "Contingent Emergency Response Part" means Part 4 of the Project.
8. "COVID-19" means the coronavirus disease caused by the 2019 novel coronavirus (SARS-CoV-2).
9. "COVID-19 Matching Grants" means Grants under Part 2.1.3 of the Project.
10. "Ecosystem Support Benefitting Entity" means an enterprise which has met the respective eligibility criteria set forth in the POM to be eligible for COVID -19 Ecosystem Support Grants under Part 2.2 of the Project.
11. "Ecosystem Support Grants" means, collectively, Pre-Investment Grants, Co-Investment Grants and Capacity Development Grants under Part 2.2 of the Project.
12. "Eligible Crisis or Emergency" means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.
13. "Eligible MFI" means a monetary financial institution registered in Iraq, selected for an MFI Grant after having met the eligibility criteria set forth in the POM.

14. "Emergency Expenditure" means any of the eligible expenditures set forth in the Contingency Emergency Response Component Manual in accordance with the provisions of Section I.L of Schedule 2 to this Agreement and required for the Contingent Emergency Response Part.
15. "Environmental and Social Commitment Plan" or "ESCP" means the environmental and social commitment plan for the Project, dated January 19, 2021, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Recipient shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
16. "Environmental and Social Standards" or "ESSs" means, collectively: (i) "Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts"; (ii) "Environmental and Social Standard 2: Labor and Working Conditions"; (iii) "Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management"; (iv) "Environmental and Social Standard 4: Community Health and Safety"; (v) "Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement"; (vi) "Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources"; (vii) "Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan Historically Underserved Traditional Local Communities"; (viii) "Environmental and Social Standard 8: Cultural Heritage"; (ix) "Environmental and Social Standard 9: Financial Intermediaries"; (x) "Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure"; effective on October 1, 2018, as published by the Bank.
17. "Environmental and Social Management Framework" or "ESMF" means the framework prepared and adopted by the Recipient and the PIE, satisfactory to the Bank, disclosed in-country, and the Bank's website on, setting out the principles, rules, guidelines and procedures to screen and assess the potential adverse environmental and social risks and impacts (including health and safety issues) of Project activities, including the risks of gender-based violence and sexual exploitation and abuse, adopt measures to avoid, reduce, mitigate or offset environmental and social adverse risks and impacts, including measures that endeavor to prevent and respond to gender-based violence and sexual exploitation and abuse, procedural, budget and institutional arrangements and actions needed to implement these measures, and information on the agency or agencies responsible for addressing the Projects' risks and impacts; as well as for the preparation of environmental and social management plans, as such framework may be amended by the Recipient from time to time, with the prior written agreement of the Bank.

18. "Excluded Expenditure" means any expenditure:

- (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the World Bank has financed or agreed to finance, or which the World Bank has financed or agreed to finance under another trust fund credit, or trust fund grant;
- (b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the World Bank by notice to the Recipient:

Group	Sub-group	Description of Item
112		Alcoholic beverages
121		Tobacco, un-manufactured, tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitutes)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971		Gold, non-monetary (excluding gold ores and concentrates)

- (c) for goods intended for a military or paramilitary purpose or for luxury consumption;

- (d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws in the Republic Iraq or international agreements to which the Recipient is a party;
 - (e) in the territories (other than Republic of Iraq) of any country which is not a member of the World Bank or for goods procured in, or services supplied from, such territories;
 - (f) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and
 - (g) with respect to which the World Bank determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or of a beneficiary of a Grant without the Recipient having taken timely and appropriate action satisfactory to the World Bank to address such practices when they occur.
19. "GIZ Status" means the GIZ Articles of Association dated December 16, 2010, as may be amended from time to time, in accordance with the applicable law of the Federal Republic of Germany.
 20. "Implementation Agreement" means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Grant available to the GIZ.
 21. "MFI" means Micro Finance Institution.
 22. "MFI Grants" means the Grants under Part 1.1 of the project.
 23. "MOF" means the Ministry of Finance of the Republic of Iraq.
 24. "MSME" means micro- and small medium enterprises.
 25. "Non-Bank Financial Institution" or "(NBFI)" means a unit to be established at the Central Bank of Iraq under the laws of the Recipient for the purpose referred to in Part 1(1.2) of Schedule 1 to this Agreement.
 26. "Operating Costs" means incremental costs incurred by Ministry of Finance on account of the Project coordination, implementation and monitoring, including expenditures for vehicle operation and maintenance, audit fees, legal fees (as required), maintenance of equipment, office supplies and consumables, utilities, communication, translation and interpretation, bank charges, Project-related travel, including per diem and accommodation, and other miscellaneous costs directly associated with the Project implementation and salaries of Project staff but

excluding salaries of the Recipient's civil servants, meeting allowances, other sitting allowances, salary top-ups and all honoraria.

27. "PIE Costs" means incremental costs incurred by PIE on account of the Project coordination, procurable items (goods, consulting services, non -consulting services), operating costs, training, workshops, implementation and monitoring, including expenditures for vehicle operation and maintenance, audit fees, legal fees (as required), maintenance of equipment, office supplies and consumables, utilities, communication, translation and interpretation, bank charges, Project-related travel, including per diem and accommodation, and other miscellaneous costs directly associated with the Project implementation and salaries of Project staff as well as overhead and variable costs incurred by the PIE in relation to the Project, as determined and defined in the detailed budget setting out an analysis of, and calculation for administrative, financing and risk overheads costs, acceptable to the World Bank, as such budget may be updated from time to time by agreement with the prior written agreement of the World Bank.
28. "Pre-Investment Grant" means Grants under Part 2.2 of the Project.
29. "Procurement Regulations" means, for purposes of paragraph 20 of the Appendix to the Standard Conditions, the "World Bank Procurement Regulations for IPF Borrowers", dated July 2016, revised November 2017 and August 2018.
30. "Project Implementing Entity" or "PIE" means Deutsche Gesellschaft Fur Internationale Zusammenarbeit GmbH (GIZ) responsible for the implementation and execution of the activities under the Project, as commissioned by Ministry of Finance of the Republic of Iraq, or any successor thereto acceptable to the Bank.
31. "Project Operations Manual" or "POM" means the manual to be prepared and adopted by the Recipient pursuant to the provisions of Section I.D of Schedule 2 to this Agreement.
32. "Project Steering Committee" or "PSC" means the committee referred to in Section I.A.(b) of Schedule 2 to this Agreement, or its legal successor, to be responsible for, *inter alia*: (i) monitor project progress; (ii) provide feedback to the Recipient and the PIE.
33. "Signature Date" means the later of the two dates on which the Recipient and the Bank signed this Agreement and such definition applies to all references to "the date of the Grant Agreement" in the Standard Conditions.
34. "Small and Growing Business" or "SGB" means a small or medium enterprise which has met the eligible criteria set forth in the POM to be eligible for Grants under Part 2 of the Project.

35. "Standard Conditions" means the "International Bank for Reconstruction and Development and International Development Association Standard Conditions for Grant Financing Made by the Bank out of Trust Funds", dated February 25, 2019.
36. "Training and Workshops" means the reasonable costs of trainings under the Project attributable to seminars and workshops, including: (a) travel and subsistence allowances for training participants, (b) services of trainers, (c) rental of training facilities, (d) preparation and reproduction of training materials, and (e) other activities related to course preparation and implementation.
37. "Voucher" means a financial instrument under Part 2.1.2 of the Project to finance business-related expenses of eligible MSMEs, including, *inter alia* firm-level diagnostics, advanced trainings, business advisory services, and software subscriptions.