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ITF GRANT NUMBER TF057818-IQ

# **World Bank Iraq Trust Fund Grant Agreement**

**(Emergency Electricity Reconstruction Project)**

**between**

**MINISTRY OF ELECTRICITY OF THE REPUBLIC OF IRAQ**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION  
(Acting as Administrator of the World Bank Iraq Trust Fund)**

**Dated April 4, 2007**

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**ITF GRANT NUMBER TF057818-IQ**

**WORLD BANK IRAQ TRUST FUND GRANT AGREEMENT**

AGREEMENT dated April 4, 2007, entered into between MINISTRY OF ELECTRICITY OF THE REPUBLIC OF IRAQ (the "Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION (the "World Bank"), acting as administrator of grant funds contributed by various donors (collectively "Donors") to the World Bank Iraq Trust Fund ("ITF").

WHEREAS, the Republic of Iraq (for the purposes of this Agreement, "Iraq") intends to obtain financing on credit terms from the International Development Association for Part 1 of the project (the "Project") as described in Schedule 1 to this Agreement.

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 from Various Funds dated July 20, 2006 ("Standard Conditions"), with the modifications set forth 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 this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement, including the Appendix hereto.

**ARTICLE II - THE PROJECT**

- 2.01. 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 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 six million United States Dollars (\$6,000,000) ("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.

**ARTICLE IV - RECIPIENT'S REPRESENTATIVE; ADDRESSES**

- 4.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Electricity.
- 4.02. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Electricity  
Baghdad, Iraq

- 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:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	1-202-477-6391

This Agreement may be executed in counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

INTERNATIONAL DEVELOPMENT ASSOCIATION  
(as Administrator of the World Bank Iraq Trust Fund)

By/ s/ Joseph P. Saba

Authorized Representative

MINISTRY OF ELECTRICITY OF THE REPUBLIC OF IRAQ

By /s / Kareem W. Hassan

Authorized Representative

IRAQI STRATEGIC REVIEW BOARD

By /s/ Ali Baban

Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objectives of the Project are to: (i) alleviate the Iraq's current power supply shortfall by restoring the base load generation capacity of the Hartha Power Station; and (ii) lay the groundwork for improved power system planning and fuel supply by providing tools and other support necessary to enhance in-house capability to prepare, implement, and operate current and future projects.

The Project consists of the following parts:

Part 1: Rehabilitation of Hartha Power Plant. This component will comprise the following activities:

- 1.1. Rehabilitation and commissioning of units 2 and 3 at the Hartha power plant.
- 1.2. Support to the Ministry of Electricity for bid evaluation and construction supervision.
- 1.3. Implementation of the Environmental and Social Management Plan.
- 1.4. Support for the Project Management Team by financing incremental operating costs and office equipment.

Part 2: Support Services. This component will involve the following activities:

- 2.1. Consultancy support, advisory services and training for staff of the Ministry of Electricity in preparing least-cost reconstruction and expansion plans, feasibility studies for future projects, and for securing fuel supply and reducing gas flaring.
- 2.2. Regional and overseas training for staff in technical areas of operations, maintenance, planning, environment, and general project management; as well as in financial, legal, and general management aspects of power utilities.
- 2.3. Independent audits for the Project.
- 2.4. Support for the Project Management Team by financing incremental operating costs and office equipment.
- 2.5. Assistance in the form of consulting services to the Ministry of Electricity for various matters, including carrying out of an independent review of Project implementation, and advisory services relating to the power sector in Iraq.



## SCHEDULE 2

### **Section I. Institutional and Other Arrangements**

#### **A. Master Implementation Manual and Project Implementation Manual**

1. The Recipient shall ensure that the Project will be carried out: (i) in accordance with the provisions of the Master Implementation Manual until the Project Implementation Manual satisfactory to the World Bank shall have been prepared; and (ii) thereafter, in accordance with the provisions of the Project Implementation Manual.
2. Except as the World Bank shall otherwise agree, the Recipient shall ensure that no provision of the Project Implementation Manual or the Master Implementation Manual is amended or waived if, in the opinion of the World Bank, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.

#### **B. Project Management Team**

1. The Recipient shall ensure that the Project Management Team is maintained with functions, staffing and resources satisfactory to the World Bank. The Project Management Team shall be headed by a project director and include a project site director. The Recipient shall ensure that the Project Management Team is staffed with an adequate number of professionals, including specialists in procurement, engineering, financial management, monitoring and reporting, and environmental and social safeguards.
2. The Project Management Team shall be responsible for, among other things: (i) the planning and coordination of all Project activities; (ii) financial management, including accounting and disbursements under the Project; (iii) procurement of goods, works and services, including related contract management under the Project; and (iv) the monitoring and evaluation of Project activities.

#### **C. Environmental and Social Safeguards**

1. The Recipient shall ensure that the Project is carried out and implemented in accordance with the applicable provisions of the ESSAF.
2. The Recipient shall ensure that no action is taken which shall prevent or interfere with the carrying out of any activities required under the ESSAF.

3. The Recipient shall ensure that the Project is carried out and implemented strictly in accordance with the Environmental and Social Impact Assessment and the Environmental and Social Management Plan for the Project.
4. The Recipient shall ensure that: (i) standard environmental codes of practice are included in the repair and reconstruction bidding documents used for the Project; (ii) disposal of waste, including oil and scrap, is in accordance with environmentally and socially acceptable procedures; and (iii) appropriate staffing and additional budgetary resources are allocated for the effective implementation and monitoring of the ESSAF and any environmental management and social plans to be prepared pursuant to the ESSAF and the Environmental and Social Impact Assessment.

**Section II. Financial Management, Project Monitoring, Reporting, and Evaluation**

**A. Financial Management and Audits**

1. The Recipient shall maintain a financial management system and prepare financial statements in accordance with Section 2.07 of the Standard Conditions and consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Project.
2. The Recipient shall have the financial statements, referred to above, audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank. Each audit of these financial statements shall cover the period of one fiscal year of the Recipient. The audited financial statements for each period shall be furnished to the World Bank not later than six (6) months after the end of the period.

**B. Project Reports and Financial Reports**

1. The Recipient shall monitor and evaluate the progress of the Project and shall 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 each calendar quarter, and shall be furnished to the World Bank not later than one (1) month after the end of the period covered by such report.
2. The Recipient shall prepare and furnish to the World Bank as part of the Project Report, referred to above, interim un-audited financial reports for the Project covering the period of each calendar quarter in form and substance satisfactory to the World Bank.

### **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 Grant 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 Grant 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 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 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 \$5,000,000 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 World Bank 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 World Bank.
- (x) Bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the World Bank.
- (xi) 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.
- (xii) 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.
- (xiii) 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.
- (xiv) Negotiations shall not be allowed with the lowest evaluated or any other bidders.

- (xv) Re-bidding shall not be carried out without the World Bank's prior concurrence.
- (xvi) 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:

<b>Procurement Method</b>
(a) Shopping

**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.

<b>Procurement Method</b>
(a) Single-source Selection
(b) Sole Source Procedures for the Selection of Individual Consultants
(c) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(d) Least Cost Selection
(e) Selection based on Consultants' Qualifications

**D. Review by the World Bank of Procurement Decisions**

1. 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 the Proceeds of the Grant**

**A. General**

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of Article III of the Standard Conditions, this Section, and 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:

<b>Category</b>	<b>Amount of the Grant Allocated (Expressed in US dollars)</b>	<b>Percentage of Expenditures to be Financed</b>
(1) Goods & equipment	\$500,000	100%
(2) Consultants services and training	\$3,500,000	100%
(3) Incremental operating costs	\$1,000,000	100%
(4) Unallocated	\$1,000,000	
<b>TOTAL AMOUNT</b>	<b>\$6,000,000</b>	

**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 date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$1,200,000 equivalent may be made for payments made prior to this date but on or after December 31, 2006, for Eligible Expenditures.
2. The Closing Date referred to in Section 3.06(c) of the Standard Conditions is September 30, 2007.

## APPENDIX

### Section I. Definitions

1. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
2. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the International Bank for Reconstruction and Development in May 2004.
3. “Environmental and Social Impact Assessment” means the comprehensive Environmental and Social Impact Assessment for the Project.
4. “Environmental and Social Management Plan” means the Environmental and Social Management Plan for the Project to mitigate environmental and social impacts from carrying out the Project.
5. “ESSAF” means the Revised Environmental and Social Screening and Assessment Framework furnished by the World Bank to Iraq in April 2006, for use in projects to be carried out by Iraq and financed by the World Bank, in its own capacity or as administrator of the World Bank Iraq Trust Fund; setting out, among other things, 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.
6. “Incremental Operating Costs” means incremental costs of operation of the Project Management Team, including maintenance and rental of office equipment and vehicles, transportation and travel costs, including per-diem allowances, but excluding salaries and benefits of employees.
7. “Master Implementation Manual” means the Master Implementation Manual prepared by the World Bank in August 2005, for use in projects to be carried out by Iraq and financed by the World Bank, in its own capacity or as administrator of the World Bank Iraq Trust Fund, setting out, among other things, details of procedures and guidelines relating to procurement, financial management, and other operational and administrative arrangements for the carrying out of such projects.
8. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the International Bank for Reconstruction and Development in May 2004.



9. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated January 24, 2007, 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.
10. “Project Implementation Manual” means the Project Implementation Manual to be prepared by the Recipient, setting out, among other things, 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.
11. “Project Management Team” means the Project Management Team to be constituted by the Recipient and maintained pursuant to Section I of Schedule 2 to this Agreement.

## **Section II. Modifications to the Standard Conditions**

The Standard Conditions are modified as follows:

1. Article IV, Section 4.02 (c) is modified to read in its entirety as follows:

“(c) *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.”
2. After Article IV, Section 4.02 (h), a new Section 4.02 (i) is added to read in its entirety as follows, and the existing Section 4.02 (i) is re-lettered as Section 4.02 (j):

“(i) *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 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.”

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