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CONFORMED COPY

GRANT NUMBER TF092582

Trust Fund for Lebanon Grant Agreement

(Second Emergency Social Protection Implementation Support Project)

between

LEBANESE REPUBLIC

and

**INTERNATIONAL DEVELOPMENT ASSOCIATION
(acting as Administrator of the Trust Fund for Lebanon)**

Dated November 5, 2008

GRANT NUMBER TF092582

**TRUST FUND FOR LEBANON
GRANT AGREEMENT**

AGREEMENT dated November 5, 2008, entered into between the LEBANESE REPUBLIC (“Recipient”) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (“World Bank”), acting as administrator of the Trust Fund for Lebanon.

The Recipient and the World Bank hereby agree as follows:

**Article I
Standard Conditions; Definitions**

- 1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 1, 2008 (“Standard Conditions”), 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.

**Article II
The Project**

- 2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement (“Project”). To this end, the Recipient shall carry out Part I of the Project through NSSF and MOL, Part II of the Project through MOPH, Part III of the Project through MOSA and PCM, Part IV of the Project through MEHE and Part V of the Project through PCM 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 (US\$6 million) (“Grant”) to assist in financing the Project.

- 3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.
- 3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions, the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

Article IV Additional Remedies

- 4.01. The Additional Event of Suspension referred to in Section 4.02 (i) of the Standard Conditions consists of the following:

Event prior to Effectiveness. The World 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 World Bank to suspend the Recipient's right to make withdrawals from the Grant Account if this Agreement had been effective on the date such event occurred.

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 following condition has been satisfied, namely, that the execution and delivery of this Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary governmental action.
- 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 Member Country, showing the following matter, namely, 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. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01

("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

- 5.04. *Termination for Failure to Become Effective.* 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 Recipient's Minister of Finance.
- 6.02. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance
Riad El-Solh Square
Beirut
Lebanese Republic

Facsimile:

961 1 642 762

- 6.03. The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

International 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

AGREED at Beirut, Lebanese Republic, as of the day and year first above written.

LEBANESE REPUBLIC

By /s/ Mohamad Chatah

Authorized Representative

INTERNATIONAL DEVELOPMENT
ASSOCIATION

(acting as administrator of the Trust Fund for Lebanon)

By /s/ Hedi Larbi

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to improve the administration, delivery, financial sustainability, and targeting of Social Insurance, social safety net, health and public education services.

The Project consists of the following parts:

Part I: Modernization of the Social Insurance System

1. Provision of advisory services, Training and goods to:

(A) ensure that the National Social Security Fund (NSSF) converges to financial equilibrium by the year 2010 through the development of policies and systems that will increase revenues, control expenditures, and improve financial management of said NSSF; and

(B) improve the administration and quality of NSSF services, through the implementation of reforms that will enable NSSF to optimize business and administrative processes, adapt its institutional organization, and develop and implement a strategy responding to its needs in human resources.

2. Provision of advisory services to improve the technical capacities of MOL to follow up the implementation of the reform plan of NSSF and related Social Insurance policies.

Part II: Rationalizing Public Sector Health Expenditures

Provision of advisory services, Training and goods to improve the efficiency of MOPH expenditures by: (A) consolidating the utilization management function; and (B) implementing performance-based contracts with hospitals.

Part III: National Poverty Targeting Program for Social Safety Nets

Provision of advisory services, Training and goods to implement the National Poverty Targeting Program for Social Safety Nets (NPTP), through: (A) the establishment of the NPTP Data Base on Poor and Vulnerable Population; (B) the carrying out of public information campaigns; (C) capacity building to develop monitoring and evidence-based policy making, including the revision of the Proxy-Means Testing targeting method; and (D) the management of the NPTP national rollout.

Part IV: Education Sector Performance and Quality Enhancement

Provision of advisory services, Training and goods to institutionalize the performance-based and quality focused approaches in MEHE and at the school level, through: (A) the development of an education sector-wide approach; (B) the adoption of performance-based principles and practices in the education sector; and (C) the development of tools for quality enhancement of learning outcomes and school-based quality management practices.

Part V: Fiduciary Operations

Support to the Fiduciary Operations Team in the carrying out of the Project, through the provision of advisory services, Training and equipment and financing of Operating Costs, including the preparation of audits for purposes of the Project.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. The Inter-Ministerial Committee for Social Policy (Social IMC) shall be responsible for providing overall policy guidance for, and monitoring the carrying out of the Project.

B. Not later than two (2) months after the Effective Date, the Recipient shall establish, and thereafter maintain throughout the duration of the Project, the Fiduciary Operations Team (FOT) with a composition and terms of reference satisfactory to the World Bank. FOT, which shall be maintained under PCM, shall be responsible for handling all procurement and financial management aspects of the Project. FOT shall comprise a Coordinator and experts in procurement and financial management, all with terms of reference and qualifications satisfactory to the World Bank.

C. To facilitate overall implementation, monitoring and evaluation of the Project, the Recipient shall cause PCM, MOSA, MEHE, NSSF, MOPH and MOL to, not later than three (3) months after the Effective Date, designate their respective Project implementation coordinator (IC) responsible for managing and monitoring implementation of their respective Project activities.

D. Not later than three (3) months after the Effective Date, the Recipient, through PCM, shall adopt the Project Operational Manual satisfactory to the World Bank.

E. Without prejudice to its other obligations under this Agreement, the Recipient shall carry out Part I of the Project through NSSF and MOL, Part II of the Project through MOPH, Part III of the Project through MOSA and PCM, Part IV of the Project through MEHE and Part V of the Project through PCM, in accordance with the procedures and the provisions contained in the Project Operational Manual.

F. Anti-Corruption: The Recipient shall ensure that the Project is carried out in accordance with the provisions of the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 (“Anti-Corruption Guidelines”).

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators agreed with the World Bank. Each Project Report shall cover the period of one calendar quarter, and shall be

furnished to the World Bank not later than one month after the end of the period covered by such report.

2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

B. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.
2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.
3. The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, or any other period agreed upon with the World Bank. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Procurement and Consultant Guidelines.** All goods and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:
 - (a) Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 (“Procurement Guidelines”) in the case of goods, and Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 (“Consultant Guidelines”) in the case of consultants’ services; and
 - (b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.16 of the

Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines (“Procurement Plan”).

2. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods.** The following methods, other than International Competitive Bidding, may be used for procurement of goods for those contracts specified in the Procurement Plan: (a) National Competitive Bidding; (b) Shopping; and (c) Direct Contracting.

C. Particular Methods of Procurement of Consultants’ Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
2. **Other Methods of Procurement of Consultants’ Services.** The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (a) Selection under a Fixed Budget; (b) Least Cost Selection; (c) Selection based on Consultants’ Qualifications; (d) Use of Non Governmental Organizations; (e) Single-source Selection; (f) Selection of Individual Consultants; and (g) Sole Source Procedures for the Selection of Individual Consultants.
3. **Short lists composed exclusively of local consulting firms:** Short lists for consulting services estimated not to exceed US\$100,000 may be composed exclusively of local consulting firms provided at least three (3) suited for the assignment are available.

D. Review by the World Bank of Procurement Decisions

All single source, sole source and direct contracts, along with those in the Procurement Plan shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of (a) Article III of the Standard Conditions, (b) this Section, and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

| Category | Amount of the Grant Allocated (expressed in USD) | Percentage of Expenditures to be Financed (inclusive of Taxes) |
|--|---|---|
| (1) Goods, consultants’ services and Training under Part I of the Project | 2,250,000 | 100% |
| (2) Goods, consultants’ services and Training under Part II of the Project | 735,000 | 100% |
| (3) Goods, consultants’ services and Training under Part III of the Project | 1,250,000 | 100% |
| (4) Goods, consultants’ services and Training under Part IV of the Project | 1,000,000 | 100% |
| (5) Goods, consultants’ services, Training, audits and Operating Costs under Part V of the Project | 765,000 | 100% |
| TOTAL AMOUNT | <u>6,000,000</u> | |

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 \$50,000 equivalent may be made for payments made prior to this date but on or after September 1, 2008, for Eligible Expenditures under Categories (1), (2), (3), (4) and (5).
2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is March 31, 2012.

APPENDIX**Definitions**

1. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
2. “Fiduciary Operations Team” or “FOT” means the Fiduciary Operations Team referred to in Section I.B of Schedule 2 to this Agreement.
3. “Inter-Ministerial Committee for Social Policy” or “Social IMC” means the Recipient’s Inter-Ministerial Committee for Social Policy established by Decree No. 10/2007 of the Prime Minister dated January 22, 2007.
4. “MEHE” means the Recipient’s Ministry of Education and Higher Education, or any successor thereto.
5. “MOL” means the Recipient’s Ministry of Labor, or any successor thereto.
6. “MOPH” means the Recipient’s Ministry of Public Health, or any successor thereto.
7. “MOSA” means the Recipient’s Ministry of Social Affairs, or any successor thereto.
8. “NSSF” means the Recipient’s National Social Security Fund established and operating pursuant to legislative Decree No. 13955 dated September 26, 1963.
9. “Operating Costs” means the costs incurred (i) by FOT on account of Project implementation comprising: maintenance of office equipment; office supplies, utilities and office administration, including translation, printing and advertising; communication costs; costs for production of bidding documents; and commercial bank charges; and (ii) by NSSF, MOPH, MOSA, PCM and MEHE on account of implementation of Parts I, II, III and IV of the Project comprising: communication costs and limited office supplies; but in all cases excluding salaries of the Recipient’s civil servants.
10. “PCM” means the Presidency of the Council of Ministers of the Recipient.
11. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.

12. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated September 5, 2008 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.
13. “Project Operational Manual” means the manual describing the implementation, financial management, procurement, disbursement and monitoring and evaluation arrangements for the Project, and referred to in Section I.D of Schedule 2 to this Agreement.
14. “Social Insurance” means programs and policies in the areas of pension, health insurance and unemployment insurance.
15. “Standard Conditions” means the Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 20, 2006.
16. “Training” means expenditures incurred by the Recipient in connection with carrying out training under the Project, including workshops, study tours, travel, hotel and per diem, and printing, presentation material, equipment rental, room rental and catering for training attendees.