

CONFORMED COPY

TF020018

Canadian Grant Agreement  
Enterprise and Financial Sector Restructuring Project

between

LATVIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

as Administrator of Grant Funds  
provided by CANADA

Dated February 16, 1995

TF020018

CANADIAN GRANT AGREEMENT

AGREEMENT, dated February 16, 1995, between LATVIA (the Recipient) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as Administrator (the Administrator) of grant funds provided by CANADA (Canada).

WHEREAS (A) pursuant to a letter agreement dated February 6, 1995 between Canada and the Bank, Canada has requested the Bank, and the Bank has agreed, to administer grant funds to be made available by Canada for the financing of technical assistance for the implementation of the Enterprise and Financial Sector Restructuring Project (Loans 3795 and 3796 LV); and

WHEREAS (B) Canada has agreed to make available to the Recipient a grant out of said grant funds (the Grant) to finance the cost of carrying out the technical assistance described in Schedule 2 to this Agreement (the Technical Assistance) on the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. (a) The following provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 1, 1985, with the

modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
  - (ii) Sections 2.01 (1), (2), (3), (4), (6), (8), (9), (10), (11), (18) and (20), 2.02 and 2.03;
  - (iii) Section 3.01;
  - (iv) Section 4.01 and the first sentence of Section 4.09;
  - (v) Article V;
  - (vi) Sections 6.01, 6.02 (a), (c), (d), (e), (f), (i) and (k), 6.03, 6.04 and 6.06;
  - (vii) Section 8.01 (b);
  - (viii) Sections 9.01 (a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;
  - (ix) Sections 10.01, 10.03 and 10.04; and
  - (x) Article XI.
- (b) The General Conditions shall be modified as follows:
- (i) the term "Bank," wherever used in the General Conditions, other than in Sections 2.01 (8) and 6.02 (f) thereof and the last use of such term in Section 5.01 thereof, means the International Bank for Reconstruction and Development acting as Administrator of the Grant pursuant to the letter agreement between Canada and the Bank referred to in Recital (A) of this Agreement, except that in Section 6.02, the term "Bank" shall also include the International Bank for Reconstruction and Development acting in its own capacity;
  - (ii) the term "Borrower," wherever used in the General Conditions, means the Recipient;
  - (iii) the term "Loan Agreement," wherever used in the General Conditions, means this Agreement;
  - (iv) the term "Loan," wherever used in the General Conditions, means the Grant;
  - (v) the term "Loan Account," wherever used in the General Conditions, means the Grant Account, an account opened by the Administrator on its books in the name of the Recipient to which the amount of the Grant is credited;
  - (vi) the term "Project," wherever used in the General Conditions, means the technical assistance described in Schedule 2 to this Agreement; and
  - (vii) Section 4.01 shall be modified to read:

"Withdrawals from the Grant Account shall be made in Dollars; provided, however, that if the expenditures to be financed out of the Grant have been paid or are payable in another currency, the Administrator shall, at the request of the Recipient, purchase such currency with the proceeds of such withdrawal."

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Recitals to this Agreement have the respective meanings therein set forth and the following additional term has the following meaning: "LPA" means the Latvian Privatization Agency.

## ARTICLE II

### The Grant

Section 2.01. The Administrator agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the Grant in an amount of \$480,420 (four hundred thousand four hundred twenty dollars).

Section 2.02. (a) The amount of the Grant may be withdrawn from the Grant Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and the Administrator, for expenditures made (or, if the Administrator shall so agree, to be made) in respect of the reasonable cost of carrying out the Project and to be financed out of the Grant.

(b) The Recipient shall, for the purposes of the Project, open and maintain in dollars a special deposit account in a commercial bank acceptable to the Administrator on terms and conditions satisfactory to the Administrator, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be July 31, 1998 or such later date as the Administrator shall establish. The Administrator shall promptly notify the Recipient of such later date.

### ARTICLE III

#### Execution of the Project

Section 3.01. The Recipient shall carry out the Project with due diligence and efficiency and in conformity with appropriate financial, banking and administrative practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. Except as the Administrator shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the Grant shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. (a) The Recipient shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Recipient responsible for carrying out the Project or any part thereof.

(b) The Recipient shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Administrator;
- (ii) furnish to the Administrator as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Administrator shall have reasonably requested; and
- (iii) furnish to the Administrator such other information concerning said records and accounts and the audit thereof as the Administrator shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Grant Account were made on the basis of statements of expenditure, the Recipient shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Administrator has received the audit report for the fiscal year in which the last withdrawal from the Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Administrator's representatives to examine such

records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 3.04. The Recipient shall prepare quarterly reports to the Bank on the progress of the Project, including report on the actual versus planned activities, and a final narrative report within six months of the completion of the Project, including analysis of the activities and results from the Project, problems during the implementation of the Project and conclusions and recommendations.

#### ARTICLE IV

##### Effectiveness; Termination

Section 4.01. This Agreement shall become effective upon its execution by the parties hereto.

Section 4.02. This Agreement shall continue in effect until the Grant has been fully disbursed and the parties to this Agreement have fulfilled all their obligations hereunder.

#### ARTICLE V

##### Representation

Section 5.01. The Minister of Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 5.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Ministry of Finance  
1 Smilsu Street  
Riga, LV 1919  
Latvia

Telex:

871 161 299

For the Administrator:

Director  
Country Department IV  
Europe and Central Asia  
International Bank for  
Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

INTBAFRAD  
Washington, D.C.

Telex:

197688 (TRT),  
248423 (RCA),  
64145 (WUI) or  
82987 (FTCC)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names as of the day and year first above written.

LATVIA

By /s/ Andris Pielbalgs  
Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT  
as Administrator of the Grant

By /s/ Paul Siegelbaum  
Authorized Representative

SCHEDULE 1

Withdrawal of the Grant

1. The table below sets forth the Categories of items to be financed out of the Grant, the allocation of the amount of the Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Grant Allocated	% of Expenditures to be Financed
(1) Consultants' Services	471,620	100%
(2) Equipment and materials	8,800	100% of foreign expenditures; 100% of local (ex-factory cost) expenditures; 80% of local expenditures for other items procured locally
Total	480,420	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

SCHEDULE 2

Description of Technical Assistance

The Technical assistance will consist of consultants' services to the LPA. The consultant employed under the Grant Agreement will have the following functions:

1. Consultation to the Head of the Latvian Privatization Agency (LPA) on strategic, management and operational issues related to the implementation of mass privatization program through the auctioning of shares of privatized companies to the general public.
2. Supervision of the preparation of the terms of reference and the performance of the consultants working on mass privatization with the LPA, negotiation of the contracts with the consultants on behalf of the LPA, supervision and evaluation of the work of the consultants.
3. Negotiation with bilateral and multilateral donors of the contracts for assistance of the operations of the LPA.

4. Supervision of the cooperation between the LPA and the enterprises selected for privatization, including developing the procedures for selection of the enterprises for privatization.

5. Consultation in the selection, supervision and evaluation of the staff of the LPA, including the design of system for staff appraisal and remuneration.

6. Consultation and advice to the Head of the LPA in intergovernmental and external relations.

\* \* \*

The Consultant will report to the Head of the Latvian Privatization Agency.

#### SCHEDULE 3

##### Procurement and Consultants' Services

1. In order to assist the Recipient in the implementation of the technical assistance, the Recipient shall employ consultants, nationals of Canada, whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank, and local support staff. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by The World Bank as Executing Agency" published by the Bank in August 1981. Support staff should be selected from local nationals under terms and conditions acceptable to the Bank.

2. Contracts for the procurement of goods estimated to cost the equivalent of less than \$8,800 shall be awarded in accordance with established commercial practice of the Recipient, due account being taken also of other relevant factors such as time of delivery and efficiency and reliability thereof and availability of maintenance and spare parts.

#### SCHEDULE 4

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 1 and 2 as set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Grant allocated to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$48,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocations, the Borrower shall furnish to the Bank a request or requests for a deposit into the Special Account of an amount or amounts determined by the Bank to be required to pay for eligible expenditures during the four months following the date of each such request, which amount shall not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Grant Account and deposit in the Special Account such amount or amounts as the Bank shall have determined to be so required.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Grant Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Bank from the Grant Account and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Grant Account in accordance with the provisions of Article V of the General conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 3.03 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Grant Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Grant allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Grant Account of the remaining unwithdrawn amount of the Grant allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in a Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Grant Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

