

**The World Bank**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION1818 H Street N.W.  
Washington, D.C. 20433  
U.S.A.(202) 477-1234  
Cable Address: INTBAFRAD  
Cable Address: INDEVAS**CONFORMED COPY**

September 30, 2010

H.E. Baqir Jabur Al-Zubaidy  
Minister of Finance  
Ministry of Finance  
Hay Alaloom,  
Bab Al Mu'dham  
Baghdad, Iraq

Re: Iraq - Trust Fund for EITI Implementation Support  
Grant No.TF097358  
Implementation of the Iraqi Extractive Industry Transparency  
Initiative Project

Excellency:

In response to the request for financial assistance made on behalf of the Republic of Iraq ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank"), acting as administrator of grant funds provided by Australia, Belgium, Canada, the European Commission, Finland, France, Germany, the Netherlands, Norway, Spain, the United Kingdom, and the United States of America ("Donor(s)") to the Extractive Industries Transparency Initiative (EITI) Implementation Support Facility, proposes to extend to the Recipient a grant in an amount not to exceed eight hundred and forty thousand United States Dollars (US\$ 840,000) ("Grant") from the Trust Fund for EITI Implementation Support (TF071337) on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project"). This 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 (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within ninety (90) days after the date of signature of this

Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,

**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT**

By /s/Hedi Larbi  
Director  
Middle East Department  
Middle East and North Africa Region

AGREED:  
**REPUBLIC OF IRAQ**

By /s/ Baqer Jabor Al-Zubaidy  
Minister of Finance

Date: October 27, 2010

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010
- (2) Disbursement Letter dated September 30, 2010 together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006

## **Article I**

### **Standard Conditions; Definitions**

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated July 31, 2010 (“Standard Conditions”) constitute an integral part of this Agreement.

1.02. **Definitions.** 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.

- (a) “Stakeholder Council” means the Council of Stakeholder Groups established under Cabinet Administrative Order No.12, dated January 26, 2010 of the Secretary General of the Council of Ministers, and consists of representatives of the Government of Iraq, local and international oil, gas and mining companies operating in Iraq, and civil society organizations.
- (b) “EITI” means Extractive Industry Transparency Initiative.
- (c) “IEITI” means Iraqi Extractive Industry Transparency Initiative.
- (d) “IEITI Secretariat” means the secretariat established at the Ministry of Oil of Iraq under Cabinet Administrative Order No.12, dated January 26, 2010 of the Secretary General of the Council of Ministers with responsibilities, *inter alia*, to coordinate and facilitate the implementation of IEITI Work Plan.
- (e) “IEITI Work Plan” means the document approved by the Stakeholder Council detailing out the plan for carrying out EITI validation process for Iraq.
- (f) “MOO” means the Ministry of Oil of Iraq, or any successor thereto.
- (g) “PIU” means Project Implementation Unit established within the IEITI Secretariat with responsibilities to carry out the day-to-day implementation and fiduciary functions of the Project, including procurement, financial management and Project reporting.

## **Article II**

### **Project Execution**

2.01. **Project Objectives and Description.** The objective of the Project is to strengthen the Recipient’s capacity to carry out IEITI and to obtain EITI validation. The Project consists of the following parts:

**Part A. Capacity Building and Training**

- (a) Provision of support for building the capacity, and sensitizing the key stakeholders of the Iraqi extractive industry, including the MOO, IEITI Secretariat, civil society, media, Iraqi government agencies, international and national oil, gas and mining companies and parliamentarians, in the area of EITI; and
- (b) Provision of support for building the capacity of the IEITI Secretariat to monitor physical and financial flows in the oil and gas sector of Iraq, including support for developing a monitoring model.

**Part B. Communication and Outreach**

- (a) Provision of support for developing a communication strategy to ensure broad participation in, and effective implementation of, IEITI; and
- (b) Provision of support for implementing the communication strategy by carrying out national public awareness programs on IEITI and participating in related international events.

**Part C. Production and Dissemination of EITI Report; and EITI validation support**

- (a) Provision of support for preparation and dissemination of the first EITI Report, including support for engaging an independent EITI administrator for the preparation of the EITI Report; and
- (b) Provision of support for initiating and progressing Iraq's EITI validation process.

**Part D. Project Management and Operational Support**

Provision of support to strengthen the capacity of the PIU.

2.02. ***Project Execution Generally.*** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the MOO and IEITI Secretariat in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) 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"), with the modifications set forth in Appendix 1 to this Agreement; and (c) this Article II.

2.03. ***Institutional and Other Arrangements.*** (a) The Stakeholder Council shall provide overall strategic and policy direction to the Project and oversee the use of the Grant in order to ensure its effective and efficient use.

(b) Recipient shall maintain, until the completion of the Project, the PIU with personnel, resources and terms of reference as shall be required for the PIU to perform its duties in respect of the day-to-day implementation of the Project.

(c) The Recipient will and must not use the proceeds of the Grant for the purpose of any payment to persons or entities, or for the import of goods, if such payment or import, to the

Recipient's knowledge or belief, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations, including under United Nations Security Council Resolution 1373 and related resolutions.

2.04. ***Donor Visibility.*** The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donors' support for the Project.

2.05. ***Project Monitoring, Reporting and Evaluation.*** (a) 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 acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.

(b) 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 months after the Closing Date. In order to assist the Recipient in preparing the Completion Report, the Recipient shall employ consultants in accordance with the provisions of Section 2.06 of this Agreement.

2.06. ***Financial Management.*** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than one month after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient or any period agreed with the World Bank. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

#### 2.07. ***Procurement***

(a) **General.** 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:

(i) 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 and May 2010 ("Procurement Guidelines"), in the case of goods; and

(ii) 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 and May 2010 ("Consultant Guidelines") in the case of consultants' services; and

(iii) the provisions of this Section, 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”).

(b) Definitions. The capitalized terms used in the following paragraphs of 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 the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods

(i) Except as otherwise provided in sub-paragraph (ii) below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) 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, subject to the additional provisions set forth in the Appendix 2 to this Annex; (B) Shopping; (C) Direct Contracting; and (D) Limited International Bidding.

(d) Particular Methods of Procurement of Consultants’ Services

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) 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) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants’ Qualifications; (E) Single-source Selection; (F) Selection of Individual Consultants; and (G) Sole Source Procedures for the Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. 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.

### **Article III Withdrawal of Grant Proceeds**

3.01. ***Eligible Expenditures.*** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) 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 following table. The 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 USD)</b>	<b>Percentage of Expenditures to be Financed</b>
(1) Goods, consultants' services, including audit and Training	790,000	100%
(2) Operating costs	50,000	100%
<b>TOTAL AMOUNT</b>	<b>840,000</b>	

For the purposes of this Section:

- (a) the term 'Training' means training courses, workshops, conferences, seminars and outreach activities carried out under the Project, including costs of purchase and publication of materials, rental of facilities and equipment, travel expenditures and subsistence of trainees; and
- (b) the term 'Operating Costs' means incremental operating costs incurred by the PIU on account of the Project implementation, management and monitoring, including costs of office space, office equipment rental and purchase, maintenance and repair, office supplies, utility charges, communication, transportation, banking charges, and other miscellaneous costs directly associated with the Project and acceptable to the World Bank.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made, namely, for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is October 22, 2012.

#### **Article IV Recipient's Representative; Addresses**

4.01. **Recipient's Representative.** The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its Minister of Finance.

4.02. **Recipient's Address.** The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance  
Hay Alaloom,

Bab Al Mu'dham  
Baghdad, Iraq

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

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

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

**APPENDIX 1**  
**Modifications to the Anti-Corruption Guidelines**

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“...(b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. Section 11(a) is modified to read as follows:

“... (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are

not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”

**APPENDIX 2**  
**Additional Provisions Applicable to**  
**National Competitive Bidding**

1. Standard bidding documents approved by the World Bank shall be used.
2. 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.
3. Bids shall not be invited on the basis of percentage premium or discount over the estimated cost.
4. Bidding documents shall be made available, by mail or in person, to all who are willing to pay the required fee.
5. Foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders.
6. 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.
7. Bidders may deliver bids, at their option, either in person or by courier service or by mail.
8. 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.
9. 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.
10. Bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the World Bank.
11. 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.
12. 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.

13. 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.
14. Negotiations shall not be allowed with the lowest evaluated or any other bidders.
15. Re-bidding shall not be carried out without the World Bank's prior concurrence.
16. 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.
17. A provision shall be included in bidding documents and in contracts financed by the Grant requiring bidders, suppliers and contractors to permit the World Bank to inspect their accounts and records and other documents relating to the bid submission and contract performance and to have them audited by auditors appointed by the World Bank.