

CONFORMED COPY

TF020023

Swedish Grant Agreement

(Enterprise and Financial Sector Assistance Project)

between

REPUBLIC OF LITHUANIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

as Administrator of Grant Funds
provided by SWEDEN

Dated October 12, 1995

TF020023

SWEDISH GRANT AGREEMENT

AGREEMENT, dated October 12, 1995, between Lithuania (the Recipient) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as Administrator (the Administrator) of grant funds provided by SWEDEN (the Donor).

WHEREAS (A) the Government of Sweden wishes to make available to the Recipient a grant in the amount of two hundred two thousand six hundred dollars (\$202,600) to assist the Recipient in the financing of the technical assistance described in Schedule 2 to this Agreement (the Technical Assistance); and

WHEREAS (B) pursuant to a letter agreement dated July 13, 1995, as amended on August 12, 1995, and October 2, 1995, between Sweden and the Bank, Sweden has requested the Bank, and the Bank has agreed, to administer grant funds to be made available by Sweden for the financing of the Technical Assistance in accordance with the provisions of such letter agreement;

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 Sweden 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 terms have the following meanings:

- (a) "EFSAP" means the Enterprise and Financial Sector Assistance Project described in Schedule 2 to the Loan Agreement dated July 19, 1995 between the Recipient and the Administrator;

(b) "Apex" means the Apex Unit established and maintained within the Bank of Lithuania which is responsible for overseeing and coordinating overall project implementation of Part A of the EFSAP;

(c) "Bank of Lithuania" or "BOL" means the central bank of the Recipient, established and operating pursuant to the Recipient's Law on the Bank of Lithuania dated December 23, 1994, as the same may be amended from time to time;

(d) "Consulta" means the Enterprise Restructuring and Consulting Agency, established as a non-profit organization pursuant to Resolution No. 963 of the Government of the Recipient, dated December 21, 1993, as modified by Resolution No. 194 of the Government of the Recipient, dated March 23, 1994, and registered in the Recipient's Enterprise Register on October 11, 1994, which is responsible for implementation of Part B of the EFSAP;

(e) "Participating Financial Institutions" or "PFIs" means the banks and other financial institutions established and operating according to the applicable rules of the Recipient and approved by the Bank for participation in the EFSAP; and

(f) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement.

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 \$202,600 (two hundred two thousand six hundred dollars).

Section 2.02. (a) After the funds are made available to the Bank by the Donor, 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.

(c) The Administrator may invest the Grant funds pending their disbursement. The income earned will be added to the Grant Account and used for the purposes of the Grant. The Administrator will retain 2% of the Grant as fee to cover the cost of administration of the funds by the Administrator. Promptly after the Effective Date, the Administrator shall, on behalf of the Recipient, withdraw from the Loan Account and pay to itself the amount required to repay the administrative costs of the Administrator.

(d) The Administrator will maintain separate records and ledger accounts in respect of the Grant funds and disbursements made therefrom. Within 90 days of each December 31, March 31, June 30 and September 30, the Administrator will prepare a financial statement in United States Dollars with respect to the Grant funds and forward a copy to the Donor. The Administrator will cause the financial statements to be audited by the Administrator's external auditors at the completion of the disbursement of the Grant and will forward a copy of the auditor's report to the Donor. Promptly after the audits are completed, the Administrator shall, on behalf of the Recipient, withdraw from the Loan Account and pay to itself the amount required to repay the audit costs of the Administrator.

Section 2.03. The Closing Date shall be September 30, 1997 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 4.01. The Recipient shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and banking

practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 4.02. Except as the Administrator shall otherwise agree, procurement of 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 4.03. (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.

ARTICLE IV

Effectiveness; Termination

Section 5.01. This Agreement shall become effective upon its execution by the parties hereto.

Section 5.02. 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 6.01. The Ministry of Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Ministry of Finance
Sermuksniy 6
2696 Vilnius
Lithuania

Telex:

261252 FUNA SU

For the Administrator:

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.

REPUBLIC OF LITHUANIA

By /s/ Reinoldijus Sarkinas

Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
as Administrator of the Grant

By /s/ Basil Kavalsky

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	196,048	100%
(2) Refunding of administrative		Amount due pursuant

	expenditures of the Bank	4,052	Section 2.02(c) of this Agreement
(3)	Refunding of audit cost of the Bank	2,500	Amount due pursuant Section 2.02(d) of this Agreement
	TOTAL	202,600	

2. Notwithstanding the provisions of paragraph 1 above, and unless otherwise agreed between the Administrator and the Recipient, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

3. The Administrator may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for expenditures under contracts for goods and services not exceeding \$20,000, equivalent under such terms and conditions as the Administrator shall specify by notice to the Recipient.

SCHEDULE 2

Description of the Technical Assistance

The Technical Assistance shall consist of the provision of consultants' services to assist Apex and Consulta in the implementation of the EFSAP.

The consultants shall perform the following functions:

- (i) assist Apex with the design, implementation and supervision of the accounting and financial reporting systems for the credit line component of the EFSAP;
- (ii) assist Consulta with the design, implementation and supervision of the accounting and financial reporting systems for the technical assistance component of the EFSAP; and
- (iii) provide general management assistance to Apex.

SCHEDULE 3

Consultants' Services

In order to assist the Recipient in the implementation of the Technical Assistance, the Recipient shall employ consultants, nationals of Sweden, whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. 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.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Category 1 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 \$15,000 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 Administrator 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 Recipient shall furnish to the Administrator a request or requests for a deposit into the Special Account of an amount or amounts determined by the Administrator 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 Administrator shall, on behalf of the Recipient, withdraw from the Grant Account and deposit in the Special Account such amount or amounts as the Administrator shall have determined to be so required.

(b) (i) For replenishment of the Special Account, the Recipient shall furnish to the Administrator 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 Recipient shall furnish to the Administrator 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 Administrator shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Account such amount as the Recipient 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 Administrator 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 Recipient out of the Special Account, the Recipient shall, at such time as the Administrator shall reasonably request, furnish to the Administrator 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 Administrator shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Administrator shall have determined that all further withdrawals should be made by the Recipient 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 Recipient shall have failed to furnish to the Administrator, 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 Administrator pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Administrator shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient 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 Administrator 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 Recipient. Such further withdrawals shall be made only after and to the extent that the Administrator 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 Administrator 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 Administrator, the Recipient shall, promptly upon notice

from the Administrator: (A) provide such additional evidence as the Administrator may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Administrator) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Administrator shall otherwise agree, no further deposit by the Administrator into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Administrator 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 Recipient shall, promptly upon notice from the Administrator, refund to the Administrator such outstanding amount.

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

(d) Refunds to the Administrator 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.

