
LOAN NUMBER 7117-LE

Project Agreement

(Ba'albeck Water and Wastewater Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

COUNCIL FOR DEVELOPMENT AND RECONSTRUCTION

Dated *September 26*, 2002

WAI/a02/2

LOAN NUMBER 7117-LE

PROJECT AGREEMENT

AGREEMENT, dated *September 26*, 2002, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and COUNCIL FOR DEVELOPMENT AND RECONSTRUCTION (CDR).

WHEREAS (A) by the Loan Agreement of even date herewith between LEBANESE REPUBLIC (the Borrower) and the Bank, the Bank has agreed to make a loan to the Borrower in the amount of forty three million five hundred thirty thousand United States Dollars (US\$43,530,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that CDR agree to undertake such obligations toward the Bank as are set forth in this Agreement;

(B) by a subsidiary agreement to be entered into between the Borrower and CDR, the proceeds of the loan provided for under the Loan Agreement will be made available to CDR as a grant on the terms and conditions set forth in said Subsidiary Agreement; and

WHEREAS CDR, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Loan Agreement, the Preamble to this Agreement and the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) CDR declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate

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Office of the Minister of State for Administrative Reform
Center for Public Sector Projects and Studies
(C.P.S.P.S.)

administrative, financial, technical, engineering, water conservation and environmental practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Bank and CDR shall otherwise agree, CDR shall: (i) carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement, and the provisions of the Project Implementation Plan, the Environmental Assessment, the Environmental Management Plan and the Land Acquisition Plan; and (ii) ensure that the carrying out of the Project shall not involve the involuntary resettlement of local population.

Section 2.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.03. (a) CDR shall carry out the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement.

(b) For the purposes of Section 9.07 of the General Conditions and without limitation thereto, CDR shall:

- (i) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Bank and CDR, a plan for the future operation of the Project;
- (ii) afford the Bank a reasonable opportunity to exchange views with CDR on said plan; and
- (iii) thereafter carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking into account the Bank's comments thereon.

(c) Without limitation upon Section 9.09 of the General Conditions, CDR shall carry out the Land Acquisition Plan in a manner and in accordance with a time table satisfactory to the Bank.

Section 2.04. CDR shall duly perform all its obligations under the Subsidiary Agreement. Except as the Bank shall otherwise agree, CDR shall not take or concur in

any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Agreement or any provision thereof.

Section 2.05. (a) CDR shall, at the request of the Bank, exchange views with the Bank with regard to progress of the Project, the performance of its obligations under this Agreement and under the Subsidiary Agreement, and other matters relating to the purposes of the Loan.

(b) CDR shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Loan, or the performance by CDR of its obligations under this Agreement and under the Subsidiary Agreement.

ARTICLE III

Management and Operations of CDR

Section 3.01. CDR shall carry on its operations and conduct its affairs in accordance with sound administrative, financial, technical, engineering, water conservation and environmental practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. CDR shall take out and maintain with responsible insurers insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE IV

Financial Covenants

Section 4.01. (a) CDR shall maintain a financial management system, including records and accounts, and prepare financial statements, all in accordance with accounting standards acceptable to the Bank, consistently applied, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to the Project.

(b) CDR shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) related to the Project for each fiscal year audited, in accordance with auditing standards acceptable to the Bank,

consistently applied, by independent auditors acceptable to the Bank;

- (ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section, for such year as so audited, and (B) an opinion on such statements and report of such audit, by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning such records, accounts and financial statements, and the audit thereof, as the Bank may from time to time reasonably request.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, CDR shall prepare and furnish to the Bank quarterly Financial Monitoring Reports, acceptable to the Bank in form and substance, each of which:

(i) sets forth sources and use of funds for the Project, both cumulatively and for the period covered by said report, showing separately expenditures financed out of the proceeds of the Loan during the period covered by said report and explains variances, if any, between the actual and planned uses of such funds;

(ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and

(iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) the first Financial Monitoring Report shall be furnished to the Bank not later than forty five (45) days after the end of first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each Financial Monitoring Report shall be furnished to the Bank not later than forty five (45) days after each subsequent calendar quarter, and shall cover such period.

ARTICLE V

Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.

Section 5.02. This Agreement and all obligations of the Bank and of CDR thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify CDR thereof.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex, facsimile or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. Deliveries made by facsimile transmission shall also be confirmed by mail. The addresses so specified are:

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America

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

For CDR:

P.O. Box 116-5351
Beirut
Lebanese Republic

Cable address:

Telex:

Facsimile:

42490

CDR, Tallet El-Seray

9611-981-252/253

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of CDR, or by CDR on behalf of the Borrower under the Loan Agreement, may be taken or executed by the President of CDR or such other person or persons as the President of CDR shall designate in writing, and CDR shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By

Regional Vice President

COUNCIL FOR DEVELOPMENT AND
RECONSTRUCTION

By

Authorized Representative

SCHEDULE 1

Procurement

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.
2. The following provisions shall apply to works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Notification and Advertising

The invitation to pre-qualify or bid for each contract estimated to cost US\$3,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: National Competitive Bidding

Works estimated to cost less than US\$3,000,000 equivalent per contract, up to an aggregate amount not to exceed US\$10,000,000 equivalent, and goods estimated to cost less than US\$250,000 equivalent per contract, up to an aggregate amount not to exceed US\$2,000,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

Part D: Other Procurement Procedures

1. International Shopping

Goods estimated to cost less than US\$150,000 equivalent per contract, up to an aggregate amount not to exceed US\$1,500,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

2. National Shopping

Goods estimated to cost less than US\$50,000 equivalent per contract, up to an aggregate amount not to exceed US\$750,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting

Works which should be procured as an extension of an existing contract and costing US\$500,000 equivalent or less in the aggregate, and goods which must be purchased from the original supplier to be compatible with existing equipment, or are of a proprietary nature, and costing US\$200,000 equivalent or less in the aggregate, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

Part E: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for goods and each contract for works to be procured prior to Loan effectiveness, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract for works estimated to cost the equivalent of US\$1,000,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(c) With respect to each contract for goods estimated to cost the equivalent of US\$200,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(d) With respect to the first contract for works to be procured in accordance with the procedures referred to in Part C above, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(e) With respect to each contract for goods and each contract for works to be procured in accordance with the procedures referred to in paragraph 3 of Part D above, the following procedures shall apply:

- (i) prior to the execution of any contract procured under direct contracting procedures, CDR shall provide to the Bank a copy of the specifications and the draft contract; and
- (ii) the procedures set forth in paragraphs 2(f), 2(g) and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services under Part D of the Project, estimated to cost less than US\$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for training under the Project estimated to cost less than US\$200,000 equivalent per contract, and supervision services for works may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services for institutional building, training and assignments under other consultancies estimated to cost less than US\$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of US\$200,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of US\$100,000 or more, but less than the equivalent of US\$200,000, the procedures set forth in paragraphs 1, 2 (other than the second

subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of US\$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 2

Implementation Program

1. Project Management

(a) CDR shall at all times have the overall responsibility for managing and implementing the Project, including responsibility for the procurement and disbursement processes under the Project, the maintenance of Project accounts, the award and supervision of contracts and the employment of consultants.

(b) Without limitation to the generality of the foregoing, CDR shall, pursuant to the provisions of Section II of Schedule 1 to this Agreement, no later than December 31, 2002, employ an environmental expert, on the basis of terms of reference and qualifications satisfactory to the Bank, to assist CDR in the monitoring of the carrying out of environmental assessments under the Project.

2. Environmental Management Plan

For purposes of Part E (iv) of the Project, CDR shall, in accordance with a timetable acceptable to the Bank, implement the Environmental Management Plan, ensure that all environmental mitigation, monitoring and institutional strengthening measures set forth in the EMP shall be implemented in a manner satisfactory to the Bank, and furnish to the Bank progress reports in form and substance satisfactory to the Bank, describing the progress achieved in the implementation of the Project, including findings and recommendations, in connection with the EMP.

3. Mid-term Review

CDR shall:

- (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an on going basis, in accordance with indicators satisfactory to the Bank, the carrying out of the Project and the achievement of the objectives thereof;
- (b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, not later than December 31, 2004, a report integrating the results of the monitoring and evaluation activities, performed pursuant to the provisions of paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of

the Project and the achievement of the objectives thereof during the period following such date;

- (c) review with the Bank, not later than June 30, 2005, the report referred to under paragraph (b) of this Section, and, thereafter, take all measures required on CDR's part to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.