

CONFORMED COPY

LOAN NUMBER 3899 LE

Project Agreement

(Solid Waste/Environmental Management Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

COUNCIL FOR DEVELOPMENT AND RECONSTRUCTION

Dated September 6, 1995

Loan No. 3899

PROJECT AGREEMENT

AGREEMENT, dated September 6, 1995, 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 the Lebanese Republic (the Borrower) and the Bank, the Bank has agreed to make available to the Borrower an amount in various currencies equivalent to fifty-five million dollars (\$55,000,000), 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 administrative, financial, engineering 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 carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

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) Without limitation upon the provisions of paragraph (a) of this Section, 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.

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.

2.06. CDR shall ensure that the sites referred to under Part B.1 of the Project are acquired in accordance with the provisions of Section 2 of Schedule 2 to this Agreement and pursuant to a timetable acceptable to the Bank.

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, engineering 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 records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) CDR shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles 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 nine (9) months after the end of each such year, (A) certified copies of its financial statements for such year as so audited and (B) the 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 said records, accounts and financial statements as well as the audit thereof, as the Bank shall from time to time reasonably request.

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 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. The addresses so specified are:

For the Bank:

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)

For CDR:

P.O. Box 116-5351
Beirut
Lebanese Republic

Cable address:

CDR, Tallet El-Seray
Beirut, Lebanese Republic

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, United States of America, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Inder Sud

Acting Regional Vice President
Middle East and North Africa Region

COUNCIL FOR DEVELOPMENT AND
RECONSTRUCTION

By /s/ Nabil El Jisr

Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I: Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines), and in accordance with the following additional procedures:

(a) When contract award is delayed beyond the original bid validity period, such period may be extended once, subject to and in accordance with the provisions of paragraph 2.59 of the Guidelines, by the minimum amount of time required to complete the evaluation, obtain necessary approvals and clearances and award the contract. The bid validity period may be extended a second time only if the bidding documents or the request for extension shall provide for appropriate adjustment of the bid price to reflect changes in the cost of inputs for the contract over the period of extension. Such an increase in the bid price shall not be taken into account in the bid evaluation. With respect to each contract made subject to the Bank's prior review in accordance with the provisions of Part D.1 (a) of this Section, the Bank's prior approval will be required for (i) a first extension of the bid validity period if the period of extension exceeds sixty (60) days and (ii) any subsequent extension of the bid validity period.

(b) In the procurement of goods and works in accordance with this Part A.1, CDR shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Bank shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, CDR shall use bidding documents based on other internationally recognized standard forms agreed with the Bank.

2. To the extent practicable, contracts for the supply of goods shall be grouped into bid packages estimated to cost the equivalent of \$250,000 or more.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in

the Lebanese Republic may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Goods estimated to cost the equivalent of \$250,000 or less per contract, up to an aggregate amount equivalent to \$1,500,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from a list of at least three suppliers from at least three different countries eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

2. Goods estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount equivalent to \$500,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

3. Works estimated to cost the equivalent of \$500,000 or less per contract, and works under Parts B.1 and B.2 of the Project, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract estimated to cost the equivalent of \$250,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 4 to the Loan Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Loan Account are to be made on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II: Employment of Consultants

1. In order to assist CDR in carrying out the Project, CDR shall employ consultants 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 (the Consultant Guidelines). For

complex, time-based assignments, CDR shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, CDR shall use other standard forms agreed with the Bank.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Bank review shall not apply to (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Bank, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

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 limiting the generality of the foregoing, CDR shall, pursuant to the provisions of Section II of Schedule 1 to this Agreement, continue to employ an environmental expert, to assist CDR in the day-to-day monitoring of the carrying out of environmental assessments under the Project.

(c) CDR shall vest in PCU the authority to monitor activities carried out under Parts A, B and D of the Project.

(d) The Technical Coordination Committee (TCC), established by the Borrower to coordinate the implementation of the ERRP, shall be responsible for coordinating the implementation of the Project. Membership of the TCC shall be expanded to include representatives of the Participating Municipalities.

2. Environmental Assessments

CDR shall, in accordance with a timetable acceptable to the Bank:

a) carry out an environmental assessment (EA) in connection with each disposal site to be used under the Project, including, without limitation, the landfills referred to under Part B.1 of the Project, the compost plants referred to under Part B.3 of the Project, the compost plant and incinerator referred to under Part B.4 of the Project and the incinerator referred to under Part B.5 of the Project;

b) furnish to the Bank, for its approval, a report, including findings and recommendations, in connection with each EA carried out pursuant to the provisions of paragraph (a) of this Section;

c) following receipt of the Bank's approval of an EA, in connection with which a report shall have been furnished to the Bank pursuant to the provisions of paragraph (b) of this Section, cause the Participating Municipality in whose jurisdiction the EA shall have been carried out to acquire the disposal site or sites recommended under the corresponding EA report, provided, however, that no such site or sites shall be acquired if, in so doing, involuntary resettlement of local population shall occur; except that CDR itself shall acquire the required sites in those cases where the municipalities are incapable of performing the envisaged responsibilities under the Project; and

d) ensure that all environmental mitigation and monitoring measures, recommended under each report furnished to the Bank in connection with an EA which shall have been carried out pursuant to the provisions of paragraph (a) of this Section, shall be implemented.

3. Part B.2 of the Project

CDR shall, not later than September 30, 1996, prepare and furnish to the Bank for its review and comments a plan to rehabilitate the waste dumps referred to under Part B.2 of the Project, and shall, after exchanging views with the Bank with respect to said plan, commence implementation thereof, not later than March 31, 1997, taking into account the Bank's comments thereon.

4. Eligibility Criteria for Participating Municipalities

CDR shall ensure that equipment financed out of the proceeds of the Loan allocated to Part A of the Project shall be made available to a Participating Municipality only after CDR shall have received evidence, satisfactory to the Bank, that said Participating Municipality has:

a) acquired the requisite number of disposal sites pursuant to the procedure provided for under the provisions of paragraphs (a), (b) and (c) of Section 2 of this Schedule, or made alternative disposal arrangements satisfactory to the Bank;

b) entered into an agreement with a private sector contractor pursuant to which said contractor shall perform, on behalf of the Participating Municipality, solid waste collection and disposal services, or provided evidence, satisfactory to the Bank, of its own capacity to perform the same; and

c) prepared a plan designed to ensure recovery of the costs to the Participating Municipality of providing solid waste collection services.

However, in those cases where CDR has acquired the landsites, on an exceptional basis, in accordance with the provisions of Section 2(c) of this Schedule, CDR shall enter into the appropriate arrangements with private sector contractors and prepare cost recovery plans, until such time as the operation can be taken over by the appropriate municipality.

5. Progress Reports

Without prejudice to the provisions of Section 9.07 of the General Conditions, CDR shall, not later than March 31, and September 30 of each year until completion of the Project, commencing March 31, 1996, prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, describing the progress achieved in the implementation of the Project.

6. 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 October 31, 1998, 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 December 31, 1998, 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.

