

CONFORMED COPY

LOAN NUMBER 3769 LE

Project Agreement

(Irrigation Rehabilitation and Modernization Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

COUNCIL FOR DEVELOPMENT AND RECONSTRUCTION

Dated August 10, 1994

LOAN NUMBER 3769 LE

PROJECT AGREEMENT

AGREEMENT, dated August 10, 1994, 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-seven million two hundred thirty thousand dollars (\$57,230,000), 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 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 and engineering 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. 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.

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 and 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, or make other provision satisfactory to

the Bank for, 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 six (6) 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 all such audits 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 audits 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:

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

For CDR:

Council for Development and Reconstruction
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 or such other person or persons as the President 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/ Tariq Husain
Acting Regional Vice President
Middle East and North Africa

COUNCIL FOR DEVELOPMENT AND
RECONSTRUCTION

By /s/ Riad Tabbarah
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).

(a) For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when the contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Bank, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

(b) In the procurement of goods and works in accordance with this Part A.1, the Borrower 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, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Bank.

2. To the extent practicable, contracts for civil works shall be grouped into bid packages estimated to cost the equivalent of \$3,000,000 or more, and contracts for goods shall be grouped into bid packages estimated to cost the equivalent of \$150,000 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. Works estimated to cost the equivalent of \$19,200,000 in total may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

2. Items or groups of items of equipment and materials estimated to cost the equivalent of \$150,000 or less per contract, up to an aggregate amount equivalent to \$600,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from at least three suppliers from at least three different countries eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

3. Items or groups of items of equipment and materials estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount equivalent to \$400,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

4. Items of equipment and materials of a proprietary nature may be procured through direct contracting with suppliers, in accordance with procedures acceptable to the Bank.

5. Certain specialized works, not exceeding the equivalent of \$100,000 per contract, up to an aggregate amount equivalent to \$1,000,000, may either be procured through direct contracting with contractors, in accordance with procedures acceptable to

the Bank, or be carried out by force account.

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 (i) each contract awarded under Part A.1 hereof; (ii) each contract for works estimated to cost the equivalent of \$1,000,000 or more; and (iii) each contract for goods estimated to cost the equivalent of \$150,000 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 ten percent (10%) 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: (i) whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank; and (ii) who 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 contract for consultants' services issued by the Bank, with such modifications as shall have been agreed with 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 \$150,000 equivalent or above, or (e) amendments to contracts for the employment of individuals raising the contract value to \$75,000

equivalent or above.

SCHEDULE 2

Implementation Program

A. Project Management, Implementation and Coordination

1. 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, and for the maintenance of the Project's accounts.

2. MOHER shall be responsible for the execution of the rehabilitation activities under Part A.1 of the Project, as well as Parts A.2, B and C of the Project. LRA and the WAS shall be responsible for operation and maintenance activities under Part A.1 of the Project.

3. The responsibilities of MOHER shall include: (a) preparing feasibility studies; (b) supervising the preparation of engineering and tender documents, the packaging of contracts, the work of consultants, and the execution of civil work contracts and studies; and (c) liaising with MOA to coordinate the execution of the Project.

4. MOA shall be responsible for the execution of Parts D, E and F of the Project, and shall liaise with MOHER in cases where GP participates in the execution of rehabilitation works for small Irrigation Schemes under Part A.1 (b) of the Project.

5. The Technical Coordination Committee (TCC), established by the Borrower to coordinate the implementation of the ERRP, shall coordinate the implementation of the Project, particularly the implementation of activities under Part A.1 of the Project with those under Parts A and C of the ERRP. Representatives of MOA, GP, LRA and ARIL shall be invited to attend the meetings of TCC.

B. Operation and Maintenance Plan

CDR, in coordination with MOHER, shall prepare and furnish to the Bank for its review and comments, not later than July 31, 1995, a plan for the operation and maintenance by the WAS of the Irrigation Schemes to be rehabilitated under Part A.1 of the Project, and shall, not later than December 31, 1995, commence implementation of said plan, taking into account the Bank's comments thereon.

C. Work Program

CDR, in coordination with MOHER and MOA, shall prepare and furnish to the Bank, not later than December 31 of each year, commencing December 31, 1994: (i) a work program, together with a budget, in respect of the activities to be carried out in the course of the twelve months immediately following the date of the above-mentioned program, by the WAS under Part A.1 of the Project, LRA under Parts B (i) and C of the Project, GP under Part B (ii) of the Project and MOA under Parts D, E and F of the Project; and (ii) on a semi-annual basis, commencing June 30, 1995, a report describing the progress achieved by each of the above-mentioned agencies in carrying out its respective Part or Parts of the Project.

D. Mid-Term Review

1. Not later than October 31, 1997, CDR shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, describing, on the basis of indicators agreed upon between CDR and the Bank, the progress achieved in carrying out the Project.

2. The Bank and CDR shall carry out a mid-term review, not

later than December 31, 1997, during which they shall exchange views on the report referred to under Section D.1 of this Schedule, and, thereafter, CDR shall take all action which CDR and the Bank shall have agreed is required on CDR's part for the attainment of the objectives of the Project.

E. Employment of Consultants

CDR shall, pursuant to the provisions of Section II of Schedule 1 to this Agreement, employ (i) not later than December 31, 1994, an irrigation agronomist to assist MOHER in the carrying out of its Project coordination functions; (ii) not later than March 31, 1995, four (4) applied research experts to assist MOA in the execution of Part D of the Project; (iii) not later than March 31, 1995, an irrigation engineer to assist MOHER in the execution of Part A.1 of the Project; and (iv) not later than June 30, 1995, an extension expert to assist MOA in the execution of Part F of the Project.

