

CONFORMED COPY

LOAN NUMBER 7064-LE

Project Agreement

(Community Development Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

and

COUNCIL FOR DEVELOPMENT AND RECONSTRUCTION

Dated September 10, 2001

LOAN NUMBER 7064-LE

PROJECT AGREEMENT

AGREEMENT, dated September 10, 2001, 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 equivalent to twenty million United States dollars (US\$20,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that CDR agrees 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 objective 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, and the provisions of the PIP and the Operations Manual, including the environmental guidelines.

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; and
- (ii) afford the Bank a reasonable opportunity to exchange views with CDR on said plan.

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 the 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.

Section 2.06. CDR shall ensure that the sites referred to under Part A of the Project are acquired in accordance with the provisions 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 out 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 at all times 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 the 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 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, and concerning said auditors, 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 carry out a time-bound action plan acceptable to the Bank for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable CDR, not later than November 15, 2002, or such later date as the Bank shall agree, to prepare quarterly Project Management Reports, acceptable to the Bank, each of which:

- (i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Loan during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Loan during the six-month period following the period covered by said report;
- (ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and
- (iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Loan, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Bank, and furnish to the Bank not later than 45 days after the end of each calendar quarter a Project Management Report for 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. 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

Facsimile:

961 1 981 252  
961 1 981 253

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 Beirut, Lebanese Republic, as of the day and year first above written.

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Joseph Saba

Acting Regional Vice President  
Middle East and North Africa Region

COUNCIL FOR DEVELOPMENT AND

## RECONSTRUCTION

By /s/ Mahmoud Osman

Authorized Representative

### SCHEDULE 1

#### Procurement and Consultants' Services

##### 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

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.

###### Part C: Other Procurement Procedures

###### 1. National Competitive Bidding

Works estimated to cost less than US\$500,000 equivalent per contract, up to an aggregate amount not to exceed \$4,000,000 equivalent, and goods estimated to cost less than US\$300,000 equivalent per contract, up to an aggregate amount not to exceed US\$1,000,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

###### 2. National Shopping

Goods estimated to cost less than US\$25,000 equivalent per contract, up to an aggregate amount not to exceed US\$250,000 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 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.

###### 4. Procurement of Goods and Small Works with Community Participation

Goods under Part A of the Project estimated to cost less than US\$50,000 equivalent per contract, up to an aggregate amount not to exceed US\$2,000,000 equivalent and small works under Part A of the Project estimated to cost less than US\$100,000 equivalent per contract, up to an aggregate amount not to exceed US\$6,000,000 equivalent, shall be procured in accordance with procedures acceptable to the Bank, including simplified bidding and contract documents with basic description and specifications of the required goods and small works, posting of Invitations to Bid in a public place within the community, transparent procedures for accepting sealed bids, public bid opening, bid evaluation, and contract award to the bidder with the lowest price who can provide the requisite skills, equipment and other resources to complete the contract satisfactorily. Such contracts for goods and small works awarded on this basis shall be for fixed prices or lump sums.

###### Part D: Review by the Bank of Procurement Decisions

###### 1. Procurement Planning

Prior to the issuance of any invitations 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 works estimated to cost the equivalent of US\$100,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract for goods estimated to cost the equivalent of US\$50,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(c) With respect to the first contract for works and the first contract for goods under each Subproject Agreement to be procured in accordance with the procedures referred to in paragraph 4 of Part C above, 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 goods under each Subproject Agreement to be procured in accordance with the procedures referred to in paragraph 2 of Part C above, the following procedures shall apply:

(i) prior to the selection of any supplier under shopping procedures, the CDR shall provide to the Bank a report on the comparison and evaluation of quotations received; and

(ii) the procedures set forth in paragraphs 2(f), 2(g) 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 C 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 estimated to cost less than US\$100,000 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, thematic studies, impact assessments and social surveys under the Project estimated to cost less than US\$200,000 equivalent per contract 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 under Parts B and C of the Project 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. Single Source Selection

(a) Services provided by consultant firms under the Project which are estimated to cost less than US\$100,000 equivalent per contract, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

(b) Services provided by individual consultants under the Project which are estimated to cost less than US\$50,000 equivalent per contract, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

4. 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.

## Implementation Program

### A. Project Implementation and Coordination

1. CDR shall carry out the Project in accordance with the Project Implementation Plan and the Operations Manual and, except as CDR and the Bank shall otherwise agree, CDR shall not amend or waive any provision of the Project Implementation Plan or the Operations Manual if, in the opinion of the Bank, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objective thereof.

2. CDR shall appoint a full time Project Coordinator, with qualifications and experience and on the basis of terms of reference acceptable to the Bank. The Project Coordinator shall be in charge of coordinating and facilitating the functions of the PMT within CDR and shall report directly to the president of CDR pursuant to the laws and regulations of the Borrower.

3. Day-to-day management of all Project activities shall be carried out by the PMT which shall, at all times during Project implementation, be maintained, within CDR under the supervision of the Project Coordinator, with professional staffing in adequate number, whose qualifications and experience shall be acceptable to the Bank. The PMT shall comprise a project manager, a financial management specialist, an accountant, a procurement officer, a monitoring and evaluation specialist and an environmental specialist as well as supervision and support staff.

4. CDR shall require the PMT to ensure that any proposed Subproject complies with the provisions of the Operations Manual particularly with regard to CDR's obligation to seek the Bank's pre-approval in accordance with the provisions of Schedule 1 to this Agreement.

5. The PIs shall, in accordance with the provisions of this Agreement and the Operations Manual, be responsible for: (a) conducting social assessments of the beneficiary communities in coordination with the concerned stakeholders; (b) designing demand-driven priority needs programs for the proposed Subprojects, based on such assessments; (c) carrying out the implementation of the Subproject programs approved by CDR; (d) supervising, monitoring and evaluating the implementation of the eligible Subprojects including the environment requirements set forth in the environmental guidelines; and (e) furnishing CDR through the PMT with progress and financial reports integrating the results of the monitoring and evaluation activities.

### B. Mid-Term Review

CDR shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing 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, on or about December 31, 2003, a report integrating the results of the monitoring and evaluation activities performed pursuant to 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; and

(c) review with the Bank, by January 31, 2004, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

### C. Eligibility Criteria for Subprojects

No Subproject shall be eligible for financing out of the proceeds of the Loan unless CDR is satisfied that the Subproject meets the eligibility criteria specified below and in the Operations Manual, which shall include, inter alia, the following:

(a) the Subproject shall be initiated by the PIs on a demand-driven basis;

(b) the Subproject shall be financially and technically viable and shall meet the criteria specified in the Operations Manual; and



(c) the Subproject shall comply with the standards set forth in the applicable laws of the Borrower relating to health, safety and environmental protection and in a manner acceptable to the Bank.

D. Terms and Conditions of Subproject Grants made for approved Subprojects

Subprojects shall be carried out pursuant to Subproject Agreements, to be concluded between CDR and the PIs under terms and conditions set forth in the Operations Manual and satisfactory to the Bank which, inter alia, shall include the following:

(a) financing on a grant basis;

(b) the obligation to carry out the Subproject in accordance with criteria set forth in the Operations Manual, with due diligence and efficiency and in accordance with sound environmental, engineering, technical, financial, and managerial standards and to maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Subproject;

(c) the right of CDR to inspect by itself, or jointly with the Bank, if the Bank shall so request, the equipment, sites, services and training, included in the Subproject, the operations thereof and any relevant records and documents;

(d) the right of CDR to obtain from the PI all information as, CDR, the Borrower or the Bank shall reasonably request regarding the administration, operation and financial conditions of the Subproject; and

(e) the right of CDR to suspend or terminate the right of the PI to use the proceeds of the Subproject Grant for the Subproject upon the failure by the PI to perform any of its obligations under its Subproject Agreement, such failure to be determined by external audits carried out in accordance with the procedures set forth in the Operations Manual.

