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CREDIT NUMBER 4249 - IQ

Project Agreement

(Dokan and Derbandikhan Emergency Hydropower Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

**MINISTRY OF ELECTRICITY OF THE
KURDISTAN REGIONAL GOVERNMENT**

Dated April 26, 2007

CREDIT NUMBER 4249 - IQ

PROJECT AGREEMENT

AGREEMENT dated April 26, 2007, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and THE MINISTRY OF ELECTRICITY OF THE KURDISTAN REGIONAL GOVERNMENT (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement of same date between the Republic of Iraq (“Recipient”) and the Association (the “Financing Agreement”). The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Financing Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in the Project Agreement have the meanings ascribed to them in the Financing Agreement or the General Conditions.

ARTICLE II - PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III – TERMINATION

- 3.01. For purposes of Section 8.05(c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty years after the date of this Agreement.

ARTICLE IV – REPRESENTATIVE; ADDRESSES

- 4.01. The Project Implementing Entity’s Representative is Ministry of Electricity, Kurdistan Regional Government.

4.02. The Association's Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

4.03. The Project Implementing Entity's Address is:

Ministry of Electricity
Kurdistan Regional Government
Erbil
Republic of Iraq

AGREED at, Erbil, Republic of Iraq and District of Columbia, United States of America, respectively, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Joseph P. Saba

Authorized Representative

KURDISTAN REGIONAL GOVERNMENT

By /s/ Hoshyar Siwaily

Authorized Representative

SCHEDULE

Execution of the Project

Section I. Institutional and Other Arrangements

A. Master Implementation Manual and Project Implementation Manual

1. The Project Implementing Entity shall ensure that the Project will be carried out: (i) in accordance with the provisions of the Master Implementation Manual until the Project Implementation Manual satisfactory to the Association shall have been prepared; and (ii) thereafter, in accordance with the provisions of the Project Implementation Manual.
2. Except as the Association shall otherwise agree, the Project Implementing Entity shall ensure that no provision of the Project Implementation Manual or the Master Implementation Manual is amended or waived if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.

B. Project Management Team

1. The Project Implementing Entity shall ensure that the Project Management Team is maintained with functions, staffing and resources satisfactory to the Association. The Project Management Team shall be headed by a project director. The Project Implementing Entity shall ensure that the Project Management Team is staffed with an adequate number of professionals, including specialists in procurement, engineering, financial management, monitoring and reporting, and environmental and social safeguards.
2. The Project Management Team shall be responsible for, among other things: (i) the planning and coordination of all Project activities; (ii) financial management, including accounting and disbursements under the Project; (iii) procurement of goods, works and services, including related contract management under the Project; and (iv) the monitoring and evaluation of Project activities.

C. Environmental and Social Safeguards

1. The Project Implementing Entity shall ensure that the Project is carried out and implemented in accordance with the applicable provisions of the ESSAF.
2. The Project Implementing Entity shall ensure that no action is taken which shall prevent or interfere with the carrying out of any activities required under the ESSAF.

3. The Project Implementing Entity shall ensure that: (i) standard environmental codes of practice are included in the repair and reconstruction bidding documents used for the Project; (ii) disposal of waste, including oil and scrap, is in accordance with environmentally and socially acceptable procedures; and (iii) appropriate staffing and adequate budgetary resources are allocated for the effective implementation and monitoring of the ESSAF and any environmental management plans to be prepared pursuant to the ESSAF.

Section II. Financial Management, Project Monitoring, Reporting, and Evaluation

A. Financial Management and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Project.
2. The Project Implementing Entity shall have the financial statements, referred to above, audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The audited financial statements for each period shall be furnished to the Association not later than six (6) months after the end of the period.

B. Project Reports and Financial Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators agreed with the Association. Each Project Report shall cover the period of each calendar quarter, and shall be furnished to the Association not later than one (1) month after the end of the period covered by such report.
2. The Project Implementing Entity shall prepare and furnish to the Association as part of the Project Report, referred to above, interim un-audited financial reports for the Project covering the period of each calendar quarter in form and substance satisfactory to the Association.

Section III. Procurement

All goods, works and services required for the Project Implementing Entity's Respective Part of the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Schedule 2 to the Financing Agreement.

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