

CONFORMED COPY

LOAN NUMBER 7226 HR

Project Agreement

(Coastal Cities Pollution Control Project)

between

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

and

HRVATSKE VODE

Dated July 2, 2004

LOAN NUMBER 7226-HR

PROJECT AGREEMENT

AGREEMENT, dated July 2, 2004, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and HRVATSKE VODE (HV).

WHEREAS (A) by the Loan Agreement of even date herewith between Republic of Croatia (the Borrower) and the Bank, the Bank has agreed to make a loan to the Borrower in the amount of forty million Euro (Euro 40,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that HV agrees to undertake such obligations toward the Bank as are set forth in this Agreement;

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

WHEREAS HV, 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, and the following additional terms have the following meaning:

(a) "EMP" means environmental management plan prepared for each eligible Sub-project in accordance with the provisions of the Safeguard Policies;

(b) "Environmental Assessment" means an analysis of potential environmental impacts and appropriate mitigation measures carried out for each eligible Sub-project in accordance with the provisions of the Safeguard Policies;

(c) "Implementation Agreement" means an agreement, to be entered into between HV and SPSC pursuant to paragraph 1 of Schedule 2 to this Agreement;

(d) “Land Acquisition Plan” means a plan to be developed for a Sub-project which includes acquisition of land for proposed investments, and which is prepared in accordance with the provisions of the Safeguard Policies;

(e) “Resettlement Plan” means a plan to be developed for a Sub-project which involves reallocation of residents, and which is prepared in accordance with the provisions of the Safeguard Policies;

(f) “Safeguard Policies” means policies and guidelines, incorporated in the Operational Manual, setting forth requirements and procedures for environmental screening of Sub-projects, for conducting Environmental and Social Assessments and preparation of EMPs, Land Acquisition and Resettlement Plans for Sub-projects;

(g) “Social Assessment” means an analysis of target population and social risks carried out for each eligible Sub-project in accordance with the provisions of the Safeguard Policies; and

(h) “Sub-loan and Implementation Agreements” means agreements to be entered into between the SPSC and an eligible MWSC for lending the proceeds of the Loan for financing a Sub-project under Part A of the Project.

ARTICLE II

Execution of the Project

Section 2.01. (a) HV declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and, to this end, shall and shall cause SPSC to 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) HV shall make available the proceeds of the Loan allocated from time to time to Categories (1), (2) and (3) in the table set forth in paragraph 1 of Schedule 1 to the Loan Agreement under the Implementation Agreement, under terms and conditions which shall have been approved by the Bank.

(c) HV shall exercise its rights under the Implementation Agreement in such manner as to protect the interests of the Borrower and the Bank, and to accomplish the purposes of the Project, and, except as the Bank shall otherwise agree, HV shall not assign abrogate or waive the Implementation Agreement or any provision thereof.

(d) Without limitation upon the provisions of paragraph (a) of this Section and except as the Bank and HV shall otherwise agree, HV shall carry out the Project, through SPSC, 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) HV shall carry out or cause to be carried 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, HV, through SPSC, shall:

- (i) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months before the Closing Date or such later date as may be agreed for this purpose between the Bank and HV, a plan for the future operation of the Project; and
- (ii) afford the Bank a reasonable opportunity to exchange views with HV on said plan.

Section 2.04. HV shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Bank shall otherwise agree, HV shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Loan Agreement or any provision thereof.

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

(b) HV shall and shall cause SPSC to 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 HV of its obligations under this Agreement and under the Subsidiary Loan Agreement.

ARTICLE III

Management and Operations

Section 3.01. HV shall and shall cause SPSC to carry on their operations and conduct their affairs in accordance with sound administrative, financial, environmental and business practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. HV shall and shall cause SPSC to, at all times, operate and maintain its equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and business practices.

Section 3.03. HV shall and shall cause SPSC to take out and maintain with responsible insurers, or make other provisions satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

Section 3.04. During Project execution, HV shall maintain SPSC, as its subsidiary, with a corporate structure, staffing and other resources adequate for enabling SPSC to carry its implementation responsibilities under the Project and shall not assign, amend, abrogate or waive by-laws and charter of SPSC without the Bank's prior concurrence.

ARTICLE IV

Financial Covenants

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

(b) HV shall and shall cause SPSC to:

- (i) have its financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year (or other period agreed to by the Bank) commencing with the fiscal year in which the Effective Date falls to, and including the fiscal year in which the last withdrawal from the Loan is made, audited, in accordance with consistently applied auditing standards acceptable to the Bank, by 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 (or such other period agreed to by the Bank), (A) certified copies of the

financial statements referred to in paragraph (a) of this Section, for such year (or such other period agreed to by the Bank), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and

- (iii) furnish to the Bank such other information concerning such records and accounts and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.

Section 4.02. (a) Without limitation upon HV's reporting obligations set out in paragraph 4 of Schedule 2 to this Agreement, HV, through SPSC, shall prepare and furnish to the Bank a financial monitoring report (FMR), in form and substance satisfactory to the Bank, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan, and explains variances 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 FMR shall be furnished to the Bank not later than forty-five (45) days after the end of the 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 FMR shall be furnished to the Bank not later than forty-five (45) days after each subsequent calendar quarter, and shall cover the period not covered by the previous FMR until the end of such calendar quarter.

ARTICLE V

Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall enter 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 HV thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify HV 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, telex or facsimile 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 Hrvatske vode:

Ulica grada Vukovara 220
100000 Zagreb
Republic of Croatia

Facsimile:
(385-1) 6155-910
(385-1) 6118-570

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 HV, may be taken or executed by the General Director of HV or such other person or persons as the General Director shall designate in writing, and HV shall furnish to the Bank sufficient evidence of the authority and the authentic specimen signature of each 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 Zadar, Republic of Croatia, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Anand K. Seth

Authorized Representative

HRVATSKE VODE

By /s/ Davorin Androsic

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 goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Prequalification

Bidders for works estimated to cost more than Euro 10,000,000 equivalent, shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

(b) Notification and Advertising

The invitation to prequalify or bid for each contract estimated to cost Euro 10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

(c) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Works estimated to cost less than Euro 1,000,000 and goods estimated to cost less than Euro 500,000 equivalent per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of sub-paragraph (a) of this paragraph:

(i) Procedures

The public bidding method shall apply to all contracts. Invitations to bid shall be advertised in the Borrower's Official Gazette and in at least one widely circulated national daily newspaper allowing a minimum of thirty (30) days for the preparation and submission of bids.

(ii) Assessment of Bidders' Qualifications

When pre-qualification shall be required for large or complex works contracts, invitations to pre-qualify for bidding shall be advertised in the Borrower's Official Gazette and at least one widely circulated national daily newspaper a minimum of thirty (30) days prior to the deadline for the submission of pre-qualification applications. Minimum experience, technical and financial requirements shall be explicitly stated in the pre-qualification documents, which shall be determined by a 'pass/fail' method, not through the use of a merit point system. Where pre-qualification is not used, the qualifications of the bidder who is recommended for award of contract shall be assessed by post-qualification, applying minimum experience, technical and financial requirements which shall be explicitly stated in the bidding documents.

(iii) Participation of Government-owned Enterprises

Government-owned enterprises located and operating on the Borrower's territory, shall be eligible to participate in the bidding only if they can establish, to the Bank's satisfaction, that they are legally and financially autonomous, operate under commercial laws and are not a dependent agency of the

Borrower's Government. Said enterprises shall be subject to the same bid and performance security requirements as other bidders.

(iv) Bidding Documents

Procuring entities shall use the appropriate standard bidding documents for the procurement of goods, works or services, as defined in the paragraph 1.1 of the Guidelines, which shall contain draft contract and conditions of contract acceptable to the Bank.

(v) Bid Submission, Opening and Evaluation

- (A) Bids shall be submitted in a single envelope containing the bidder's qualification information, technical and price bids, which shall be opened simultaneously at the public bid opening.
- (B) Bids shall be opened in public, immediately after the deadline for submission of bids. The name of the bidder, the total amount of each bid and any discounts offered shall be read aloud and recorded in the minutes of the public bid opening.
- (C) The evaluation of bids shall be done in strict adherence to the monetarily quantifiable criteria specified in the bidding documents and a merit point system shall not be used.
- (D) Extension of bid validity shall be allowed once only for not more than thirty (30) days. No further extensions should be granted without the prior approval of the Bank.
- (E) Contracts shall be awarded to qualified bidders having submitted the lowest evaluated substantially responsive bid.
- (F) No preference shall apply under National Competitive Bidding.

(vi) Price Adjustment

Civil works contracts of long duration (e.g., more than eighteen (18) months) shall contain an appropriate price adjustment clause.

(vii) Rejection of All Bids

(A) All bids shall not be rejected and new bids solicited without the Bank's prior written concurrence.

(B) When the number of bids received is less than two, re-bidding shall not be carried out without the Bank's prior concurrence.

(viii) Securities

Bid securities should not exceed 2% (two percent) of the estimated cost of the contract; and performance securities -- not more than 10% (ten percent). No advance payments shall be made to contractors without a suitable advance payment security. The wording of all such securities shall be included into the bidding documents and shall be acceptable to the Bank.

2. International Shopping

Goods of standard specification estimated to cost less than Euro 100,000 equivalent per contract 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.

3. Procurement of Small Works

Works estimated to cost less than Euro 100,000 equivalent per contract, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: 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: (a) all contracts for goods and works to be procured in accordance with the procedures referred to in Part B above; and (b) the first contract for goods and the first contract for works procured in accordance with the procedures referred to in Part C.1, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to the first contract for goods procured in accordance with the procedures referred to in Part C.2 above and the first contract for works procured in accordance with the procedures referred to in Part C.3 above, the following procedures shall apply:

- (i) prior to the selection of any supplier/execution of any contract under shopping procedures, the Borrower shall provide to the Bank a report on the comparison and evaluation of quotations received;
- (ii) prior to the execution of any contract procured under shopping procedures, the Borrower shall provide to the Bank a copy of the specifications and the draft contract; and
- (iii) 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 Sections I and 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, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

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, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Quality-based Selection

Services estimated to cost less than Euro 250,000 equivalent per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Least-cost Selection

Services of standard nature, including audit and simple design, estimated to cost less than Euro 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.

3. Selection Based on Consultants' Qualifications

Services estimated to cost less than Euro 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.

4. Individual Consultants

Services of individual consultants for services including Project management support and tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded in accordance with the provisions of paragraphs 5.1 through 5.4 of the Consultant Guidelines.

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

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Bank for its review and approval prior to the issuance to consultants of any requests for proposals. Such plan shall be updated every six (6) months during the execution of the Project, and each such updating shall be furnished to the Bank for its review and approval. Selection of all consultants' services shall be undertaken in accordance with such selection plan (as updated from time to time) as shall have been approved by the Bank.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of Euro 100,000 or more, the procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of Euro 50,000 or more, the report on the comparison of the qualifications and experience of candidates, 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. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

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. HV shall cause SPSC to implement Parts A, B, and C.2 of the Project in accordance with the provisions of the Operational Manual and of this Agreement and, for the purposes of carrying out Parts A, B, and C.2 of the Project, HV shall make available the proceeds of the Loan allocated from time to time to Categories (1), (2), and (3) in the table set forth in paragraph 1 of Schedule 1 to the Loan Agreement to SPSC, as a loan on terms and conditions acceptable to the Bank, under Implementation Agreement, and which shall include, *inter alia*, provisions whereby:

(a) SPSC shall be required to: (i) implement the Project in accordance with the Operational Manual and the provisions of this Agreement; (ii) verify fulfillment of the eligibility criteria in respect of participating MWSCs and proposed Sub-projects under Part A of the Project, including compliance with environmental requirements of the Operational Manual; and (iii) review Environmental Assessments, Social Assessments, EMPs, and where applicable, Land Acquisition Plans and/or Resettlement Plans for each Sub-project and establish their compliance with the Safeguard Policies.

(b) SPSC shall be required: (i) to maintain the Project financial records and accounts and to make said records and accounts available to the Borrower; (ii) to supervise the implementation of the Project including supervising the progress of each Sub-project; and (iii) to prepare and furnish to the Borrower and the Bank quarterly reports on the progress of implementation of the Project, not later than forty-five (45) days after each subsequent calendar quarter; and the first such report shall be furnished to the Borrower and the Bank not later than forty-five (45) days after the end of the first calendar quarter after the Effective Date.

2. For the purposes of carrying out Part A of the Project, HV shall cause SPSC to provide to eligible MWSCs goods, works and services for approved Sub-projects on the basis of Sub-loan and Implementation Agreements to be entered into between SPSC and each MWSC under terms and conditions acceptable to the Bank, and which shall include, *inter alia*:

(a) a description of the Sub-project together with the cost thereof;

(b) the implementation schedule and implementation arrangements for the Sub-project;

(c) the degree to which cost sharing, in accordance with the principles set forth in the Operational Manual, shall be required to be made by the MWSC with respect to the financing of the Sub-project, including provisions for transfer by MWSC of collected surcharges and other payments to a special designated account of SPSC;

(d) the obligation of SPSC and MWSC to enable representatives of the Borrower and the Bank, if the Bank shall so request, to visit the facilities or other activities to be financed under the Sub-project contract;

(e) the terms and conditions of the Sub-project Loan provided to MWSC by SPSC for the financing provided for the Sub-project;

(f) compliance of the Sub-project with the Safeguard Policies;

(g) compliance of MWSC, during execution of the Project, with financial performance ratios, including but not limited to: (i) operating ratio of not less than 1.1; (ii) current ratio of not less than 1.2; and (iii) the interest coverage ratio of not less than 1.5; and

(h) obligation of MWSC to have their financial statements audited, according to international standards, by qualified independent auditors on annual basis and to submit reports to SPSC and the Bank not later than May 31 of each year during execution of the Project.

3. HV shall cause SPSC to obtain the Bank's prior approval for the first four Sub-projects, and for each Sub-loan and Implementation Agreements which involves acquisition of land and/or resettlement of residents, and thereafter shall cause SPSC to submit for prior approval to the Bank the annual investment plan.

4. HV shall and shall cause SPSC to:

(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 Borrower and the Bank, on or about September 1, 2005, 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 Borrower and the Bank, by January 1, 2006, 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 objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.