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CREDIT NUMBER 385 JO

# Project Agreement

(Amman Water Supply and Sewerage Project II)

BETWEEN

INTERNATIONAL DEVELOPMENT ASSOCIATION

AND

AMMAN MUNICIPAL AREA WATER AND SEWERAGE AUTHORITY

DATED MAY 24, 1973

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## PROJECT AGREEMENT

AGREEMENT, dated May 24, 1973, between INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association) and AMMAN MUNICIPAL AREA WATER AND SEWERAGE AUTHORITY (hereinafter called AWSA).

WHEREAS by the Development Credit Agreement of even date herewith between the Hashemite Kingdom of Jordan (hereinafter called the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to eight million seven hundred thousand dollars (\$8,700,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that AWSA agree to undertake such obligations toward the Association as hereinafter set forth;

WHEREAS by a subsidiary loan agreement between the Borrower and AWSA, the proceeds of the credit provided for under the Development Credit Agreement for Part 1 of the Project will be relented to AWSA on the terms and conditions therein set forth; and

WHEREAS AWSA, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

### ARTICLE I

#### Definitions

Section 1.01. Wherever used in this Agreement, unless the context shall otherwise require, the several terms defined in the Development Credit Agreement and in the General Conditions as so defined have the respective meanings therein set forth.

### ARTICLE II

#### Execution of the Project

Section 2.01. AWSA shall carry out Part 1 of the Project described in Schedule 2 to the Development Credit Agreement with due diligence and efficiency

and in conformity with sound 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 purpose.

Section 2.02. In order to assist in the preparation of detailed designs and tender documents, evaluate bids and supervise construction of the Project, AWSA shall at all times employ engineering consultants acceptable to the Association upon terms and conditions satisfactory to the Association. Furthermore AWSA shall engage management and accounting consultants acceptable to the Association if the United Kingdom Overseas Development Administration (ODA) assistance is terminated before satisfactory management and accounting systems have been established by AWSA.

Section 2.03. In carrying out Parts 1A and 1B of the Project, AWSA shall employ contractors acceptable to the Association upon terms and conditions satisfactory to the Association.

Section 2.04. Except as the Association shall otherwise agree, the goods and services (other than services of consultants) required for the Project and to be financed out of the proceeds of the Credit, shall be procured on the basis of international competition under procedures consistent with the Guidelines for Procurement under World Bank Loans and IDA Credits, published by the Bank in April 1972, as revised in October 1972 and in accordance with, and subject to, the provisions set forth in Schedule 1 to this Agreement.

Section 2.05. (a) AWSA undertakes to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Credit relented to it by the Borrower against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by AWSA to replace or repair such goods.

(b) Except as the Association may otherwise agree, AWSA shall cause all goods and services financed out of the proceeds of the Credit relented to it by the Borrower to be used exclusively for the Project.

Section 2.06. (a) AWSA shall furnish to the Association promptly upon their preparation, the plans, specifications, reports, contract documents and construction and procurement schedules for Part 1 of the Project, and any material modifications thereof or additions thereto, in such detail as the Association shall reasonably request.

(b) AWSA: (i) shall maintain records adequate to record the progress of Part 1 of the Project (including the cost thereof) and to identify the goods and services financed out of the proceeds of the Credit relented to it by the Borrower, and to disclose the use thereof in the Project; (ii) shall, without limitation upon the provisions of Section 5.03 of this Agreement, enable the Association's representatives to examine Part 1 of the Project, the goods financed out of such proceeds and any relevant records and documents; and (iii) shall furnish to the Association all such information as the Association shall reasonably request concerning Part 1 of the Project, the expenditure of the proceeds of the Credit so relented to it and the goods and services financed out of such proceeds.

Section 2.07. AWSA shall borrow the proceeds of the Credit from the Borrower under such terms and conditions as set forth in a Subsidiary Loan Agreement acceptable to the Association and such other terms as the Association shall approve and shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Association shall otherwise agree, AWSA 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.

### ARTICLE III

#### Management and Operations of AWSA

Section 3.01. AWSA shall at all times carry out its operations under the supervision of a competent general manager as well as competent senior staff.

Section 3.02. AWSA shall adequately maintain the works, installations and equipment under its jurisdiction and promptly make all necessary renewals and repairs thereof, all in accordance with sound engineering standards and practices. To that end AWSA shall employ before January 1, 1974 a qualified firm for staff training in operation and maintenance of its facilities under terms of reference satisfactory to the Association.

Section 3.03. AWSA shall at all times take all steps necessary to maintain its rights to carry on its operations, and shall, except as the Association shall otherwise agree, take all steps necessary to acquire and retain such land, interest in land and properties and to acquire, maintain and renew such licenses, consents, franchises and other rights, as may be necessary or useful for carrying out the project and to avoid delays in project implementation.

Section 3.04. AWSA shall take out and maintain with responsible insurers, or make other provisions satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate public utilities practice.

Section 3.05. Except as the Association shall otherwise agree, AWSA shall charge not less than an average water rate of 75 fils/m<sup>3</sup> for water sold to the general public during the period up to December 31, 1976.

Section 3.06. (a) Except as the Association shall otherwise agree, AWSA shall take all necessary steps to establish and maintain water tariffs at a level sufficient to yield an annual rate of return on the value of water supply net fixed assets in operation of not less than 6% in 1977 and not less than 7-1/2% from January 1, 1978 onward.

(b) For the purposes of this Section:

- (i) The required annual rate of return shall be calculated by using as the denominator in respect of each fiscal year the average of net fixed assets in service for water supply at the beginning and at the end of each such year and as the numerator AWSA's operating income from water supply operations for that same year.
- (ii) The terms "net fixed assets" shall mean the gross value of such assets in service less accumulated depreciation, all determined in accordance with sound valuation and depreciation methods, acceptable to the Association.
- (iii) The term "operating income" shall mean the difference between:
  - (A) gross revenues from water supply, plus other recurring fees and charges associated with water supply; and
  - (B) the operating and administrative expenses, including adequate provision for maintenance and repairs, provision for depreciation of all fixed assets in service and for taxes but before provision for interest and other charges on debt.

Section 3.07. Except as the Association shall otherwise agree, AWSA shall:

- (i) complete a study of water tariff structure to assess its suitability under prevailing socio-economic conditions not later than June 30, 1974;
- (ii) submit the findings and recommendations of said study to the Association for its comments; and
- (iii) implement such recommendations as shall have been agreed upon by AWSA, and the Association.

Section 3.08. Except as the Association shall otherwise agree AWSA shall by January 1, 1974 (a) employ a leak detection specialist to undertake leakage survey; (b) establish a leak detection and repair section; (c) start a house-to-house survey to detect illegal connections and to update records; and (d) submit to the Association for comment proposals for reorganizing its billing and collection system so as to establish proper internal control; and implement a mutually agreed upon system soon thereafter.

Section 3.09. AWSA shall ensure that rates for sewerage services shall be fixed so as to yield sufficient revenue to meet operating and maintenance costs, provision for depreciation, and debt service requirements to the extent they exceed the provision for depreciation.

Section 3.10. AWSA shall upgrade its salary structure so as to provide salaries and career development prospects that will enable it to attract and retain sufficient qualified staff in competition with other organizations, authorities and corporations in Jordan.

Section 3.11. AWSA shall by September 30, 1973 appoint and at all times employ a qualified and experienced senior engineer acceptable to the Association to the position of Chief Engineer (Engineering) responsible for project administration.

Section 3.12. AWSA shall enforce the requirements of the Amman Public Sewerage Law No. 1 of 1965 as amended or may be amended from time to time regarding house connections. To that end AWSA shall take all necessary steps to ensure that all premises for which sewer laterals are constructed under the project shall have service connections made within six months and in any case not later than nine months following completion of said sewer laterals.

Section 3.13. AWSA shall submit to the Association for comment not later than January 1, 1974 the hydrological work program and data to be gathered by NRA.

## ARTICLE IV

### Financial Covenants

Section 4.01. AWSA shall maintain records adequate to reflect in accordance with consistently maintained appropriate accounting practices its operations and financial condition. To that end AWSA shall, not later than September 30, 1973, prepare and submit to the Association for its comments:

- (a) a chart of accounts and accounting procedures and rules;
- (b) an inventory control system; and
- (c) a timetable for the implementation of a new accounting system.

Section 4.02. AWSA shall: (i) have its accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with sound auditing principles consistently applied, by independent auditors acceptable to the Association; (ii) furnish to the Association as soon as available, but in any case not later than four 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 Association shall have reasonably requested; and (iii) furnish to the Association such other information concerning the accounts and financial statements of AWSA and the audit thereof as the Association shall from time to time reasonably request.

Section 4.03. AWSA shall employ before September 30, 1973 a qualified accountant experienced in utility accounting, budgeting and costing.

Section 4.04. AWSA shall submit the proposals of its training program for its accounting staff to the Association for its approval not later than September 30, 1973.

Section 4.05. AWSA shall consult with the Association prior to adopting a system of computerized billing and monthly accounts.

Section 4.06. Except as the Association shall otherwise agree, AWSA shall not incur any debt without prior approval of the Association, unless its net revenues



for the fiscal year next preceding the date of such incurrence or for any later twelve-month period ended prior to the date of such incurrence, shall be not less than 1.5 times the maximum debt service requirement in any succeeding fiscal year (including the fiscal year in which such debt is to be incurred) on all debt including the debt to be incurred. For the purposes of this Section:

(a) The term "debt" shall mean all indebtedness of AWSA, including debt incurred by others on behalf of AWSA but for the service of which AWSA is responsible, maturing by its terms more than one year after the date on which it is originally incurred.

(b) Debt shall be deemed to be incurred on the date of execution and delivery of a contract, loan agreement or other instrument providing for such debt.

(c) The term "net revenues" shall mean gross revenues from all sources, adjusted to take account of AWSA's rates in effect at the time of the incurrence of debt even though they were not in effect during all or a part of the fiscal year or twelve-month period to which such revenues relate, less all operating and administrative expenses and provision for taxes, if any, but before provision covering depreciation, interest and other charges on debt.

(d) The term "debt service requirement" shall mean the aggregate amount of amortization (including sinking fund payments, if any), interest and other charges on debt.

(e) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt or, if such other currency is not so obtainable, at the rate of exchange that will be reasonably determined by the Association.

## ARTICLE V

### Consultation, Information and Inspection

Section 5.01. The Association and AWSA shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, the Association and AWSA shall from time to time, at the request of either party, exchange views through their representatives with regard to the performance of their respective obligations under this Agreement, the administration, operations and financial condition of AWSA and other matters relating to the purpose of the Credit.

Section 5.02. The Association and AWSA shall promptly inform each other of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit, the performance by either of them of its obligations under this Agreement or the performance by the Borrower and AWSA of their respective obligations under the Subsidiary Loan Agreement.

Section 5.03. AWSA shall enable the Association's representatives to examine all plants, sites, works, properties and equipment of AWSA and any relevant records and documents.

## ARTICLE VI

### Effective Date; Termination; Cancellation and Suspension

Section 6.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 6.02. (a) This Agreement and all obligations of the Association and of AWSA thereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) a date thirty years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a)(ii) of this Section, the Association shall promptly notify AWSA of this event.

Section 6.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the Development Credit Agreement.

## ARTICLE VII

### Miscellaneous Provisions

Section 7.01. 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 Association:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

INDEVAS  
Washington, D.C.

For AWSA:

P. O. Box 2412  
Amman  
Jordan

Cable address:

Amman Water Supply and  
Sewerage Authority  
Amman, Jordan

Section 7.02. Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement on behalf of AWSA may be taken or executed by the Chairman of the Board of Directors of AWSA or such other person or persons as he shall designate in writing.

Section 7.03. AWSA shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of the person or persons who will, on behalf of AWSA, take any action or execute any documents required or permitted to be taken or executed by AWSA pursuant to any of the provisions of this Agreement.

Section 7.04. 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 representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ M. P. Benjenk

*Regional Vice President,  
Europe, Middle East and North Africa*

AMMAN MUNICIPAL AREA  
WATER AND SEWERAGE AUTHORITY

By /s/ Z. Mufti

*Authorized Representative*

**SCHEDULE 1****Procurement****A. *Contracts Governed by Guidelines***

1. With respect to any contract for civil works and equipment estimated to cost the equivalent of \$50,000 or more:

(a) If bidders are required to prequalify, AWSA shall, before qualification is invited, inform the Association in detail of the procedure to be followed and shall introduce such modifications in said procedure as the Association shall reasonably request. The list of prequalified bidders, together with a statement of their qualifications and of the reasons for the exclusion of any applicant for prequalification, shall be furnished by AWSA to the Association for its comments before the applicants are notified and AWSA shall make such additions to or deletions from the said list as the Association shall reasonably request.

(b) Before bids are invited, AWSA shall furnish to the Association, for its comments, the text of the invitations to bid and the specifications and other bidding documents, together with a description of the advertising procedures to be followed for the bidding, and shall make such modifications in the said documents or procedure as the Association shall reasonably request. Any further modification to the bidding documents shall require the Association's concurrence before it is issued to the prospective bidders.

(c) After bids have been received and evaluated, AWSA shall, before a final decision on the award is made, inform the Association of the name of the bidder to whom it intends to award the contract and shall furnish to the Association, in sufficient time for its review, a detailed report, by the consultants referred to in Section 2.02 of this Agreement, on the evaluation and comparison of the bids received, together with the recommendations for award of the said consultants, and the reasons for the intended award. The Association shall, if it determines that the intended award would be inconsistent with the procedures set forth or referred to in Section 2.04 of this Agreement, promptly inform AWSA and the Borrower, state the reasons for such determination and advise AWSA of any cancellation pursuant to the provisions of paragraph 4(c) of Schedule 1 to the Development Credit Agreement.

(d) The terms and conditions of the contract shall not, without the Association's concurrence, materially differ from those on which bids were asked.

(e) Two conformed copies of the contract shall be furnished to the Association promptly after its execution and prior to the delivery to the Association of the first application for withdrawal of funds from the Credit Account in respect of any such contract.

2. With respect to any other contract for civil works and equipment, AWSA shall furnish to the Association, promptly after its execution and prior to the delivery to the Association of the first application for withdrawal of funds from the Credit Account in respect of any such contract, two conformed copies of such contract, together with the analysis of bids, recommendations for award and such other information as the Association shall reasonably request. The Association shall, if it determines that the award of the contract is not consistent with the procedures set forth or referred to in Section 2.04 of this Agreement, promptly inform AWSA and the Borrower, state the reasons for such determination and advise AWSA of any cancellation pursuant to the provisions of paragraph 4(c) of Schedule 1 to the Development Credit Agreement.

3. Spare parts and other items required to be compatible with existing equipment and such minor items as are, for reasons of economy, customarily procured without competition are exempted from the requirement of international competitive bidding set forth in Section 2.04 of this Agreement.

*B. Supplemental Rules on Bid Evaluation and Comparison*

1. For the purpose of evaluation and comparison of bids, customs duties and other import taxes on imported goods, and sales and similar taxes on locally produced goods, shall be excluded, except to the extent hereinafter provided, and bidders shall be required to state in their bid the c.i.f. (port of entry) price for imported goods, or the ex-factory price for locally produced goods. The cost to the Borrower of inland freight and other expenditures incidental to the delivery of goods to the place of their use or installation shall be taken into account in the evaluation of bids in accordance with paragraph 4.7 of the Guidelines for Procurement.

2. For purposes of the provisions hereinafter set forth, the following terms shall have the following meanings:

(a) Preferred Domestic Bid means a bid offering goods manufactured in Jordan if the bidder shall have established to the satisfaction of the Borrower and the Bank that the manufacturing cost of such goods includes a value added in Jordan of not less than 20% of the ex-factory bid price.

(b) Non-preferred Domestic Bid means any other bid offering goods manufactured in Jordan.

(c) Foreign Bid means any bid other than those specified in (a) or (b) above.

3. For goods included in Category I of the table set out in paragraph 1 of Schedule 1 to the Development Credit Agreement, a margin of preference may be granted by the Borrower to Preferred Domestic Bids. Such preference shall be granted by adding to each Foreign Bid, for the purpose only of comparison with Preferred Domestic Bids, an amount (hereinafter called "Domestic Preference Margin") equal to the smaller of (i) the amount of customs duties and other import taxes which a non-exempt importer would have to pay for the goods offered in the bid, or (ii) 15% of the c.i.f. bid price of such goods.

4. If Preferred Domestic Bids are received, the comparison among all evaluated bids for each contract shall be made in the stages and with the preferences indicated below:

<i>Stage</i>	<i>Bids to be Compared</i>	<i>Preference</i>
I.	All Preferred Domestic Bids and Non-Preferred Domestic Bids.	None
II.	(a) Lowest evaluated bid under Stage I, if Preferred Domestic Bid, with all Foreign Bids;	Add Domestic Preference Margin to Foreign Bids
	<i>or</i>	
	(b) Lowest evaluated bid under Stage I, if Non-preferred Domestic Bid, with all Foreign Bids.	None
III.	If lowest evaluated bid under Stage II is not the lowest evaluated bid under Stage I, all Foreign Bids.	None

5. The bidding documents shall clearly indicate any preference which will be granted to Preferred Domestic Bids, the information required to establish the

eligibility of a bid for such preference and the methods and stages that will be followed in the evaluation and comparison of bids to give effect to such preference.