

CONFORMED COPY

CREDIT NUMBER 2926 BD

Project Agreement

(Fourth Dhaka Water Supply Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

DHAKA WATER SUPPLY AND SEWERAGE AUTHORITY

Dated January 8, 1997

CREDIT NUMBER 2926 BD

PROJECT AGREEMENT

AGREEMENT, dated January 8, 1997, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and DHAKA WATER SUPPLY AND SEWERAGE AUTHORITY (DWASA).

WHEREAS (A) by the Development Credit Agreement of even date herewith between People's Republic of Bangladesh (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to fifty-one million Special Drawing Rights (SDR 51,000,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that DWASA agree to undertake such obligations toward the Association as are set forth in this Agreement;

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

WHEREAS DWASA, in consideration of the Association's entering into the Development Credit 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 Development Credit Agreement, the Preamble to this 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. (a) DWASA declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and public utility 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 Association and DWASA shall otherwise agree, DWASA 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 Association 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 Credit shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.03. (a) DWASA shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 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) Without limitation upon the provisions of paragraph (a) of this Section, DWASA shall: (i) prepare, on the basis of guidelines acceptable to the Association and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Association and DWASA, a plan for the future operation of the Project; (ii) afford the Association a reasonable opportunity to exchange views with DWASA on said plan; and (iii) thereafter, carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking into account the Association's comments thereon.

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

Section 2.05. (a) DWASA shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of its obligations under this Agreement, the Subsidiary Loan Agreement and the Performance Agreement, and other matters relating to the purposes of the Credit.

(b) DWASA shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by DWASA of its obligations under this Agreement, the Subsidiary Loan Agreement and the Performance Agreement.

ARTICLE III

Management and Operations of DWASA

Section 3.01. DWASA shall carry on its operations and conduct its affairs in accordance with sound administrative, financial, engineering and public utility practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. DWASA shall at all times operate and maintain its plant, machinery, 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 public utility practices.

Section 3.03. DWASA shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE IV

Financial Covenants

Section 4.01. (a) DWASA shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) DWASA 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 Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six 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 said records, accounts and financial statements as well as the audit thereof, as the Association 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 Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of DWASA 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) the date 20 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 DWASA of this event.

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 Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

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

For DWASA:

Dhaka Water Supply and Sewerage Authority
98 Kazi Nazrul Islam Avenue
WASA Bhaban
Kawran Bazar
Dhaka, Bangladesh

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 DWASA, may be taken or executed by the Managing Director or such other person or persons as the Managing Director shall designate in writing, and DWASA shall furnish to the Association 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 DEVELOPMENT ASSOCIATION

By /s/ Mieko Nishimizu

Acting Regional Vice President
South Asia

DHAKA WATER SUPPLY AND SEWERAGE AUTHORITY

By /s/ K.M. Shehabuddin

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 1996 and August 1996 (the Guidelines) and the following provisions of this Section, as applicable.

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 major civil works shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

(b) Preference for domestically manufactured goods and domestic contractors

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 and works to be carried out by domestic contractors.

Part C: Other Procurement Procedures

National Competitive Bidding

Works estimated to cost \$300,000 equivalent or less per contract and \$7,300,000 equivalent or less in the aggregate, and small items of equipment estimated to cost the equivalent of \$200,000 or less in the aggregate, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

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 Association 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 Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for civil works estimated to cost the equivalent of \$300,000 or more, and each contract for goods estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2 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

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions 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, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications thereto as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Association shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association 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 individual consultants estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Association 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 Association, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 2

Implementation Program

1. DWASA shall appoint by March 31, 1997, Deputy Managing Directors for its Finance and Administration, Technical, and Planning and Development Departments.
 2. DWASA shall promptly carry out a staff rationalization program, satisfactory to the Association, to assess staff strengths and weaknesses, and reassign staff to areas with shortages.
 3. DWASA shall:
 - (a) promptly carry out the strategy study under Part D.5 of the Project;
 - (b) by August 31, 1997 furnish the Association with the findings and recommendations of such study; and
 - (c) by February 28, 1998, commence the implementation of such recommendations as the Borrower and the Association shall agree upon.
 4. DWASA shall:
 - (a) by March 31, 1997, establish and thereafter operate an environmental cell within DWASA to monitor water quality and advise on environmental issues; and
 - (b) by January 31, 1998, commence implementation of the results of the water resources management study carried out under Part D.1 of the Project.
 5. DWASA shall:
 - (a) by March 1, 1997 carry out an assessment and evaluation of all its stores and inventories; and
 - (b) by December 30, 1997 sell or otherwise dispose of all mis-matched, obsolete and slow-moving stocks.
 6. DWASA shall:
 - (a) maintain or cause to be maintained policies and procedures adequate to ensure the monitoring and evaluation, in accordance with guidelines and on the basis of performance indicators agreed with the Association, of the carrying out of the Project and the achievement of the objectives thereof;
 - (b) prepare or cause to be prepared, under terms of reference satisfactory to the Association, and furnish to the Association, by December 31, 1998, a report integrating the results of the monitoring and evaluation activities performed pursuant to subparagraph (a) of this paragraph, 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 during the period following such date; and
 - (c) review with the Association, by March 31, 1999, or such other date as may be agreed between the Borrower and the Association, the said report and, thereafter, take or cause to be taken all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the recommendations of the said report and the Association's views on the matter.
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