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**CONFORMED**

**LOAN NUMBER 4782-IRN**

# **Project Agreement**

**(Alborz Integrated Land and Water Management Project)**

**between**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**and**

**MAZANDARAN AND GOLESTAN REGIONAL WATER COMPANY**

**Dated June 27, 2005**



**LOAN NUMBER 4782-IRN**

**PROJECT AGREEMENT**

AGREEMENT dated June 27, 2005, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and MAZANDARAN AND GOLESTAN REGIONAL WATER COMPANY (MGRWC).

WHEREAS (A) by the Loan Agreement of even date herewith between Islamic Republic of Iran (the Borrower) and the Bank, the Bank has agreed to make a loan to the Borrower in the amount of one hundred and twenty million United States Dollars (\$120,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that MGRWC agrees to undertake such obligations toward the Bank as are set forth in this Agreement;

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

WHEREAS MGRWC, 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 term "MGRWC-PIU" means the Project Implementation Unit established by MGRWC, and referred to in paragraph 1 of Part of Schedule 2 to this Agreement.

**ARTICLE II**

**Execution of the Project**

Section 2.01. (a) MGRWC declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and, to this end, shall carry out Parts B.1(a), C.1, C.3, C.4, D.2 and E.2 of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and environmental practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities,

services and other resources required for Parts B.1(a), C.1, C.3, C.4, D.2 and E.2 of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Bank and MGRWC shall otherwise agree, MGRWC shall carry out Parts B.1(a), C.1, C.3, C.4, D.2 and E.2 of the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement, the ESMP, the Resettlement Plan for the Alborz Dam Reservoir, the Resettlement Policy Framework for Downstream Irrigation and Drainage Area, and the Operations Manual.

Section 2.02. Except as the Bank shall otherwise agree, procurement of the goods, works and services required for Parts B.1(a), C.1, C.3, C.4, D.2 and E.2 of 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, as said provisions shall be further elaborated in the Procurement Plan.

(b) MGRWC shall update the Procurement Plan in accordance with guidelines acceptable to the Bank, and furnish such update to the Bank not later than twelve (12) months after the date of the preceding Procurement Plan, for the Bank's approval.

Section 2.03. (a) MGRWC 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 and Parts B.1(a), C.1, C.3, C.4, D.2 and E.2 of the Project.

(b) For the purposes of Section 9.07 of the General Conditions and without limitation thereto, MGRWC 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 MGRWC, a plan for the future operation of Parts B.1(a), C.1, C.3, C.4, D.2 and E.2 of the Project; and
- (ii) afford the Bank a reasonable opportunity to exchange views with MGRWC on said plan.

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

Section 2.05. (a) MGRWC shall, at the request of the Bank, exchange views with the Bank with regard to progress of Parts B.1(a), C.1, C.3, C.4, D.2 and E.2 of the Project, the performance of its obligations under this Agreement and under the Subsidiary Grant Agreement, and other matters relating to the purposes of the Loan.

(b) MGRWC shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of Parts B.1(a), C.1, C.3, C.4, D.2 and E.2 of the Project, the accomplishment of the purposes of Loan, or the performance by MGRWC of its obligations under this Agreement and under the Subsidiary Grant Agreement.

### **ARTICLE III**

#### **Management and Operations of MGRWC**

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

Section 3.02. MGRWC 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 environmental practices.

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

### **ARTICLE IV**

#### **Financial Covenants**

Section 4.01. (a) MGRWC shall establish and 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 Parts B.1(a), C.1, C.3, C.4, D.2 and E.2 of the Project.

(b) MGRWC shall:

- (i) have its financial statements related to Parts B.1(a), C.1, C.3, C.4, D.2 and E.2 of the Project for each fiscal year (or other period agreed to by the Bank), commencing with the fiscal year in which the first withdrawal under the Project Preparation

Advance was made audited, in accordance with consistently applied auditing standards acceptable to the Bank, by independent 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 MGRWC's reporting obligations set out in Part D of Schedule 2 to this Agreement, MGRWC shall prepare and furnish to the Bank a financial monitoring report, in form and substance satisfactory to the Bank, which:

- (i) sets forth sources and uses of funds for Parts B.1(a), C.1, C.3, C.4, D.2 and E.2 of 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 for Parts B.1(a), C.1, C.3, C.4, D.2 and E.2 of the Project, 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 Parts B.1(a), C.1, C.3, C.4, D.2 and E.2 of 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 Parts B.1(a), C.1, C.3, C.4, D.2 and E.2 of 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 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 MGRWC thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify MGRWC 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	248423 (MCI) or	(202) 477-
6391 Washington, D.C.	64145 (MCI)	

For Mazandaran and Golestan Regional Water Company:

Km 3, Sari-Ghaemshar Road  
Sari  
Iran

Telephone:

Facsimile:

0098-151-2238102

0098-151-2239101

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 MGRWC may be taken or executed by the Executive Director and Head of the Board of Directors, or such other person or persons as the Executive Director and Head of the Board of Directors shall designate in writing, and MGRWC 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 the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Christiaan J. Poortman

Regional Vice President  
Middle East and North Africa

MAZANDARAN AND GOLESTAN REGIONAL  
WATER COMPANY



By /s/ Masoud Mozayani

Authorized Representative

## **SCHEDULE 1**

### **Procurement Under Parts B.1(a), C.1, C.3, C.4, D.2 and E.2 of the Project**

#### Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), the provisions of the MOU, and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), the provisions of the MOU, and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Bank of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

#### Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower.

#### B. Other Procurement Procedures

##### 1. National Competitive Bidding.

Goods estimated to cost less than \$350,000 equivalent per contract and works estimated to cost less than \$2,000,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding and with additional procedures that are described in the MOU.

2. Shopping. Goods and works estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded on the basis of Shopping.

3. Direct Contracting. Goods which the Bank agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method.

### Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection (QCBS). Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of QCBS. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$200,000 equivalent per contract may comprise entirely national consultants.

#### B. Other Procedures

1. Quality-Based Selection (QBS). Services for assignments which the Bank agrees meet the requirements of paragraph 3.2 of the Consultant Guidelines may be procured under contracts awarded on the basis of QBS in accordance with the provisions of paragraphs 3.2 and 3.4 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

3. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

4. Single Source. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultants' Guidelines for Single Source Selection, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultants Guidelines.

### Section IV. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

## **SCHEDULE 2**

### **Implementation Program**

#### **A. Project Coordination and Implementation**

1. MGRWC shall maintain the Project Implementation Unit (MGRWC-PIU), which shall be responsible for supervising and coordinating the implementation of Parts B.1(a), C.1, C.3, C.4, D.2 and E.2 of the Project, and in particular, preparing draft annual work plans and progress reports in coordination with CLO, and for the procurement, financial management and disbursement processes, within approved thresholds, for Parts B.1(a), C.1, C.3, C.4, D.2 and E.2 of the Project.
2. In implementing Parts C.1, C.3 and C.4 of the Project, MGRWC shall work in close collaboration with the BWC.
3. MGRWC shall coordinate its activities (i) with MOJA, in implementing Part B.1(a) of the Project; and (ii) with MOJA and MDOE, in implementing Part D.2 of the Project.

#### **B. Operations Manual**

1. MGRWC shall carry out the activities under Parts B.1(a), C.1, C.3, D.2 and E.2 of the Project in accordance with the objectives, policies, procedures, time schedules and other provisions set forth in the Operations Manual.

#### **C. ESMP, Resettlement Plan for the Alborz Dam Reservoir, Resettlement Policy Framework for Downstream Irrigation and Drainage Area**

1. MGRWC shall: (a) maintain the ESMP, the Resettlement Plan for the Alborz Dam Reservoir, the Resettlement Policy Framework for Downstream Irrigation and Drainage Area in form and substance satisfactory to the Bank; (b) implement said Plans and Framework in accordance with the objectives, policies, procedures, time schedules and other provisions set forth therein; (c) furnish to the Bank, semi-annual reports incorporating the results of the monitoring and evaluation activities together with any revisions required to meet the objectives, and thereafter, to introduce such revisions into the Plans and Framework as shall have been approved by the Bank; and (d) refrain from taking any action which shall prevent or interfere with the implementation of said Plans and Framework.

D. Reports and Reviews

1. MGRWC shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators acceptable to the Bank, the carrying out of Parts B.1(a), C.1, C.3, D.2 and E.2 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 October 31, 2006, 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 Parts B.1(a), C.1, C.3, D.2 and E.2 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 November 30, 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 Parts B.1(a), C.1, C.3, D.2 and E.2 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.