

CONFORMED COPY

GRANT NUMBER TF058085-LE

Trust Fund for Lebanon Grant Agreement

(West Beka'a Emergency Water Supply Project)

between

LEBANESE REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

**Acting as administrator of the Trust Fund for Lebanon, established pursuant to
Resolution No. 580 of the Board of Governors**

Dated May 7, 2007

GRANT NUMBER TF058085-LE

**TRUST FUND FOR LEBANON
GRANT AGREEMENT**

AGREEMENT dated May 7, 2007, entered into between: LEBANESE REPUBLIC ("Recipient"); and INTERNATIONAL DEVELOPMENT ASSOCIATION ("World Bank"), acting as administrator of the Trust Fund for Lebanon, established pursuant to Resolution No. 580 of the Board of Governors of the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT.

The Recipient and the World Bank hereby agree as follows:

ARTICLE I

Standard Conditions; Definitions

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

ARTICLE II

The Project

- 2.01. The Recipient declares its commitment to the objectives of the project described in Schedule I to this Agreement ("Project"). To this end, the Recipient shall cause the Project to be carried out by the Council for Development and Reconstruction in accordance with the provisions of Article II of the Standard Conditions and the agreement dated the same date as this Agreement between the World Bank and the Council for Development and Reconstruction, as such agreement may be amended from time to time (the "Project Agreement").
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement and the Schedule to the Project Agreement.

ARTICLE III

The Grant

- 3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to fifteen million United States Dollars (\$15,000,000) (the "Grant") to assist in financing the Project.
- 3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

ARTICLE IV

Additional Remedies

- 4.01. The Additional Events of Suspension referred to in Section 4.02(i) of the Standard Conditions consist of the following:
 - (a) The Recipient has taken or permitted to be taken any action which would prevent or interfere with the performance by Council for Development and Reconstruction of its obligations under the Project Agreement.
 - (b) The Council for Development and Reconstruction has failed to perform any obligation under the Project Agreement.
 - (c) IBRD or IDA has declared the Council for Development and Reconstruction ineligible to be awarded a contract financed by IBRD or IDA.
 - (d) As a result of events which have occurred after the date of this Agreement, an extraordinary situation has arisen which makes it improbable that the Council for Development and Reconstruction will be able to perform its obligations under the Project Agreement.
 - (e) Legislative Decree No. 5, dated January 31, 1977, and Law No. 295, dated April 3, 2001, pursuant to which the Council for Development and Reconstruction has been established and is operating have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Council for Development and Reconstruction to perform any of its obligations under the Project Agreement.
 - (f) Water Law No. 221, dated 29 May 2000, and Amendment Law No. 377, dated December 14, 2001, pursuant to which the BRWA has been established and entrusted with the responsibility of, and resources for, administering the water public facilities in the Project Selected Area, have been

amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the BRWA to ensure the future operability and sustainability of the water facilities built under the Project.

- (g) The World Bank has determined after the Effective Date referred to in Section 5.03 of this Agreement that prior to such date but after the date of this Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient's right to make withdrawals from the Grant Account if this Agreement had been effective on the date such event occurred.

ARTICLE V

Effectiveness; Termination

- 5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied.
 - (a) The execution and delivery of this Agreement on behalf of the Recipient and the Project Agreement on behalf of the Council for Development and Reconstruction have been duly authorized or ratified by all necessary governmental and corporate action.
 - (b) If World Bank so requests, the condition of the Council for Development and Reconstruction, as represented or warranted to the World Bank at the date of the Project Agreement, has undergone no material adverse change after such date.
 - (c) The Subsidiary Agreement referred to in Section I.1 of Schedule 2 to this Agreement has been executed on behalf of the Recipient and the Council for Development and Reconstruction.
- 5.02. As part of the evidence to be furnished pursuant to Section 5.01(a) and (c), there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank or, if the World Bank so requests, a certificate satisfactory to the World Bank of a competent official of the Recipient, showing the following matters:
 - (a) on behalf of the Recipient, that this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms;

- (b) on behalf of the Council for Development and Reconstruction, that the Project Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms; and
 - (c) the Subsidiary Agreement referred to in Section I. of Schedule 2 to this Agreement has been duly authorized or ratified by the Recipient and the Council for Development and Reconstruction and is legally binding upon each such party in accordance with its terms.
- 5.03. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 (the "Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.
- 5.04. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

ARTICLE VI

Recipient's Representative; Addresses

- 6.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Recipient's Minister of Finance.
- 6.02. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance Building
P.O. Box 11/5544
Riad El Solh
Beirut, Lebanese Republic

Facsimile: 961-1-642-762

6.03. The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

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

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

AGREED at Beirut, Lebanese Republic, as of the day and year first above written.

LEBANESE REPUBLIC

By /s/ Jihad Azour

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION
Administrator of the Trust Fund for Lebanon

By /s/ Joseph B. Saba

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to improve health conditions of the population in the Project Selected Area, through the provision of non-contaminated water in increased quantities by completely rehabilitating the Project Selected Area's water network.

The Project consists of the following parts:

Part A: Construction of Water Networks and Facilities

Carry out a program of works for the construction and rehabilitation of the water supply network in the Project Selected Area, consisting of:

- (i) the drilling of approximately six (6) water wells in the Chamsine spring basin;
- (ii) the rehabilitation of the Chamsine spring catchment;
- (iii) the construction of a regional reservoir in the village of Anjar, with a capacity of approximately 6,000 m³, and two distribution reservoirs in the villages of El Khiara and Haouche El Harime, with a capacity of approximately 300m³ and 1,000m³, respectively;
- (iv) the construction of a new pumping station near the Chasmine spring basin, that will transfer water to the new regional reservoir to be built under (iii) above;
- (v) the construction of approximately twenty-nine kilometers (29 km) of transmission mains (with diameters of 100mm to 500 mm) to supply water to villages in the Project Selected Area; and
- (vi) the construction and/or rehabilitation of approximately eighty kilometers (80 km) of water distribution networks and house connections of villages in the Project Selected Area.

Part B: Technical Assistance

Provide support to CDR's PMT for the management and implementation of the Project, including, *inter alia*: (i) the supervision of construction and rehabilitation works; (ii) the implementation of the Environmental Management Plan, Resettlement Policy Framework, Resettlement Action Plans and associated monitoring and reporting requirements; and (iii) the carrying out of technical audits by (A) mid-term Project review; and (B) Project completion.

SCHEDULE 2

Project Execution

Section I. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Grant available to the Council for Development and Reconstruction under a Subsidiary Agreement between the Recipient and the Council for Development and Reconstruction, under terms and conditions approved by the World Bank.
2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient, and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. The Recipient shall, and shall cause the Council for Development and Reconstruction to, monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators agreed with the World Bank. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.
2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than three months after the Closing Date.

B. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.
2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of the Project Report not later than forty-five days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

3. The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions.
4. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall include the auditor's opinion on, *inter alia*: (i) the administration and use of the funds of the Designated Account; (ii) the accuracy of the statement of expenditures submitted to the World Bank during the covered period, (iii) any identified material weaknesses in the accounting and internal control procedures; and (iv) compliance with the financial covenants of this Agreement. The annual audited Financial Statements and the respective auditor's opinion shall be furnished to the World Bank not later than six (6) months after the end of such covered period.

Section III. Procurement

A. General

1. **Procurement and Consultant Guidelines.** All goods, works and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:
 - (a) Section I of the Procurement Guidelines in the case of goods and works, and Sections I and IV of the Consultant Guidelines in the case of consultants' services; and
 - (b) the provisions of this Section III, as the same shall be elaborated in the Procurement Plan prepared and updated on a quarterly basis by CDR for the Project in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines.
2. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods.** The following methods, other than International Competitive Bidding, may be used for procurement of goods for those contracts specified in the Procurement Plan:

- (a) National Competitive Bidding
- (b) Shopping
- (c) Direct Contracting

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those assignments which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single Source Selection, (f) Selection of Individual Consultants and (g) Sole Source Procedures for the Selection of Individual Consultants.

D. Review by the World Bank of Procurement Decisions

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

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant, the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Financing Allocated (Expressed in US Dollars)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Civil Works		
(a) under Part A(i) of the Project	1,508,000	
(b) under Parts A(ii) and A(iii) of the Project	1,240,000	100%
(c) under Part A(iv) of the Project	3,352,000	
(d) under Parts A(v) and A(vi) of the Project	7,650,000	
(2) Goods	50,000	100%
(3) Consultants' Services	750,000	100%
(4) Unallocated	450,000	
TOTAL AMOUNT	15,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made:
 - (a) for payments made prior to the date of this Agreement;
 - (b) under Category (1)(a) unless the Recipient shall have submitted to the World Bank: (i) the Expropriation Decree and Resettlement Action Plan, in form and substance satisfactory to the World Bank; and (ii) evidence, satisfactory to the World Bank, that all land takings and/or resettlement of Displaced Persons, property or businesses have been made, and, when applicable, appropriate monetary compensations have been paid, in accordance with the Resettlement Action Plan;

- (c) under Category (1)(b) unless the Recipient shall have submitted to the World Bank: (i) the Expropriation Decree and Resettlement Action Plan, in form and substance satisfactory to the World Bank; and (ii) evidence, satisfactory to the World Bank, that all land takings and/or resettlement of Displaced Persons, property or businesses have been made, and, when applicable, appropriate monetary compensations have been paid, in accordance with the Resettlement Action Plan;
 - (d) under Category (1)(c) unless the Recipient shall have submitted to the World Bank: (i) the Expropriation Decree and Resettlement Action Plan, in form and substance satisfactory to the World Bank; and (ii) evidence, satisfactory to the World Bank, that all land takings and/or resettlement of Displaced Persons, property or businesses have been made, and, when applicable, appropriate monetary compensations have been paid, in accordance with the Resettlement Action Plan;
2. The Closing Date referred to in Section 3.06(c) of the Standard Conditions is May 20, 2010.

APPENDIX

Definitions:

1. “BRWA” means the Beka'a Regional Water Authority, a public water authority established and operating in the Project Selected Area pursuant to Decree Numbers 14598, 14636, 14599, 14875, and 14916, published in the Official Journal No. 27 (dated June 23, 2005), No. 29 (dated July 7, 2005) and No. 31 (dated July 21, 2005).
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Council for Development and Reconstruction” and the acronym "CDR" means the public authority established and operating pursuant to the Legislative Decree No. 5, dated January 31, 1977 and Law No. 295 dated April 3, 2001.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
5. “Displaced Persons” means persons who, on account of the execution of the Project, have experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land, resulting in: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not such persons must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such persons.
6. “Environmental Management Plan” means the plan, in form and substance satisfactory to the World Bank, prepared by the CDR dated December 2006, providing for appropriate evaluation, monitoring, consultation and mitigation mechanisms, and institutional responsibilities and procedures, required to offset or eliminate any potentially adverse environmental impact of the Project (including, without limitation, any impact on physical cultural resources and cultural heritage sites), as said plan may be amended from time to time with the prior concurrence of the World Bank.
7. “Expropriation Decree” means the Decree to be issued by the Recipient, in accordance with the Resettlement Policy Framework, setting forth a detailed list of plots to be taken (including plot numbers and locations, names of Displaced Persons, etc.) and determining the monetary compensations to be paid and/or mitigation measures to be implemented prior to any expropriations.

8. "MOEW" means the Recipient's Ministry of Energy and Water and any successor thereto.
9. "PMT" means a project management team within the CDR, provided for in paragraph 1(a) in Part A of Section I of the Schedule to the Project Agreement, responsible for coordinating the day-to-day implementation of the Project.
10. "Procurement Guidelines" means the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004.
11. "Procurement Plan" means the procurement plan referred to in subparagraph I(b) of Part A, Section III of Schedule 2 to this Agreement, dated February 16, 2007.
12. "Project Agreement" means the agreement between the World Bank and the Council for Development and Reconstruction relating to the implementation of the Project, as such agreement may be amended from time to time. Project Agreement includes the Standard Conditions as applied to the Project Agreement, and all appendices, schedules and agreements supplemental to the Project Agreement.
13. "Project Selected Area" means the villages of Er Raouda, Bar Elias, El Marj, Haouche el Harime, Anjar and El Khiara in the Recipient's West Beka'a Region, and/or any other villages in such region selected by the Recipient, from time to time, with the prior concurrence of the World Bank.
14. "Resettlement Policy Framework" means the policy framework document prepared by CDR in form and substance satisfactory to the Bank, dated February 15, 2007 setting forth certain rules, procedures and guidelines for: (i) the acquisition of land and/or assets from Displaced Persons; (ii) resettlement and rehabilitation of Displaced Persons, and the eligibility criteria for granting assistance and rehabilitation therefore; and (iii) the monitoring and reporting arrangements in relation to sub-paragraphs (i) and (ii) above.
15. "Resettlement Action Plans" means the action plans to be prepared by CDR pursuant to the provisions of paragraph 2(b) in Part B of Section I (Implementation Arrangements) of the Schedule to the Project Agreement.
16. "Standard Conditions" means the "Standard Conditions for Grants Made by the World Bank Out of Various Funds," dated July 20, 2006.
17. "Subsidiary Agreement" means the agreement referred to in Section I.1 of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Grant available to the Council for Development and Reconstruction.

