Loan Agreement

(Greater Beirut Water Supply Project)

between

LEBANESE REPUBLIC

and

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

Dated February 8, 2012
LOAN AGREEMENT

Agreement dated February 8, 2012, between LEBANESE REPUBLIC ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General 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 General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of two hundred million Dollars (USD 200,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.

2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.

2.05. The Payment Dates are January 15 and July 15 in each year.
2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa, or from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower, through the MOEW, shall cause Respective Parts of the Project to be carried out by CDR, and parts of the Project to be carried out by the PMU, as further described in Sections I.A.3 and I.A.4 of this Agreement, each in accordance with the provisions of Article V of the General Conditions, the CDR Project Agreement and the BMLWE Project Agreement.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.
ARTICLE IV — REMEDIES OF THE BANK

4.01. The Additional Events of Suspension consist of the following:

(a) The CDR Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of CDR to perform any of its obligations under the CDR Project Agreement.

(b) The BMLWE Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the BMLWE to perform any of its obligations under the BMLWE Project Agreement.

4.02. The Additional Event of Acceleration consists of the following, namely that any event specified in paragraphs (a) and (b) of Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) Each of the CDR Subsidiary Agreement and the BMLWE Subsidiary Agreement has been executed on behalf of the Borrower and the CDR and BMLWE respectively.

(b) The core team of the Project Management Unit, staffed with a project coordinator, a procurement specialist, a financial management specialist, an environmental and social specialist, and an engineer, each with qualifications and terms of reference satisfactory to the Bank, is operating.

(c) An interim progress report, in form and substance satisfactory to the Bank, on the findings on the internal control environment for fiscal year 2010, to be performed as part of a special purpose audit for BMLWE by independent auditors acceptable to the Bank.

5.02. The Additional Legal Matter consists of the following, namely that each of the CDR Subsidiary Agreement and the BMLWE Subsidiary Agreement has been duly authorized or ratified by the Borrower and the CDR and BMLWE respectively and is legally binding upon the Borrower and the CDR and BMLWE respectively in accordance with its respective terms.

5.03. The Effectiveness Deadline is the date one hundred and twenty (120) days after the date of this Agreement.
ARTICLE VI—REPRESENTATIVE; ADDRESSES

6.01. The Borrower's Representative is the Minister of Finance.

6.02. The Borrower's Address is:

Ministry of Finance
Riad El-Solh Square
Beirut
Lebanese Republic

Facsimile:
+961 1 642 762

6.03. The Bank's Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address: Telex: Facsimile:
INTBAFRAD 248423(MCI) or 1-202-477-6391
Washington, D.C. 64145(MCI)
AGREED at Beirut, Lebanese Republic, as of the day and year first above written.

LEBANESE REPUBLIC

By

Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to increase the provision of potable water to the residents in the Project area within the greater Beirut region, including those in the low-income neighborhoods of southern Beirut, and to strengthen the capacity of the BMLWE in utility operations.

The Project consists of the following parts:

Part 1. Bulk Water Supply Infrastructure

(a) Construction and construction supervision of bulk water supply infrastructure consisting of:

(i) water tunnel conveyors, including related intake, flow regulation and washout structures, and related vent and surge shafts and a distribution chamber;

(ii) twin transmission pipelines; and

(iii) water storage reservoirs.

(b) Design, construction, construction supervision and operation of a water treatment plant.

(c) Financing of equipment associated with the bulk water supply infrastructure including pumps and valves.

(d) Support to CDR for Project management related to the bulk water supply infrastructure through the financing of consultants’ services.

Part 2. Supply Reservoirs, Distribution Network and Metering

(a) Design, construction and construction supervision of supply reservoirs and associated pumping stations.

(b) Design, construction and construction supervision of water supply distribution networks of pipelines across southern Beirut and parts of the Metn, Baabda and Aley areas.

(c) Installation of household water meters in selected areas.
(d) Installation of bulk water meters at the reservoirs and distribution chambers.

Part 3. Project Management, Utility Strengthening and National Studies

(a) Establishment and operation of the PMU, including the financing of Incremental Operating Costs.

(b) Capacity building and technical assistance to strengthen BMLWE’s capacity, and MOEW’s capacity for Project oversight, and financing of consultants’ services for the BMLWE special purpose audits.

(c) Provision of equipment to strengthen BMLWE, such as telemetry or supervision control and data acquisition systems, geographical information system, customer information system and an international accounting system.

(d) Carrying out of high priority national studies on key sector areas, such as wastewater management, utility operations and regulation of the water, sanitation and irrigation sectors, water resource management, water supply augmentation and inter-basin transfers, to be selected with the agreement of the Bank, in alignment with the priorities set forth in the National Water Sector Strategy currently under preparation by the Borrower.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall cause the MOEW to maintain overall responsibility for the Project and Project oversight and to carry out the Project. To this end, MOEW will delegate the implementation of the Respective Parts of the Project described in Section I.A.3 below to CDR, and will manage the implementation of the Respective Parts of the Project described in Section I.A.4 below through the BMLWE’s PMU. MOEW shall ensure that the Steering Committee is maintained throughout the life of the Project, to be responsible for overall policy direction and guidance and general Project supervision. The Steering Committee shall be housed within the MOEW, chaired by the Borrower’s Minister of Energy and Water, and composed of key stakeholders, including representatives from the MOF, CDR and BMLWE.

2. The Borrower shall cause the Steering Committee to maintain a secretariat, consisting of the PMU’s operations advisor, monitoring and evaluation specialist and administrative assistant, each with terms of reference and qualifications satisfactory to the Bank. The Steering Committee’s secretariat will be housed at MOEW and will be responsible for monitoring general Project progress and will report to the Minister of Energy and Water.

3. The Borrower, through MOEW, shall cause CDR to be responsible for (a) implementation of Parts 1 (a) and 1 (c) of the Project; (b) procurement of contracts under Parts 1 (a) and 1 (c) of the Project; and (c) financial management under Parts 1 (a) and 1 (c) of the Project, as further described and specified in the PIM.

4. The Borrower, through MOEW, shall maintain, throughout the life of the Project, the PMU, in a form and with functions, staffing, resources, terms of reference and qualifications satisfactory to the Bank, and shall cause the PMU to be responsible for (a) implementation of Parts 1(b), 2 and 3 of the Project; (b) procurement of contracts under Parts 1 (b), 2 and 3 of the Project; (c) financial management under Parts 1 (b), 2 and 3 of the Project; (d) monitoring and reporting on the Project, and overall project coordination, under the supervision of MOEW; and (e) implementation and supervision of the Resettlement Action Plan and the ESMP, as further described and specified in the PIM. The PMU will be maintained within BMLWE, with respective specialists of the PMU housed at MOEW and BMLWE, as appropriate and as further specified in the PIM.
5. The Borrower shall ensure that, by June 30, 2011, the PMU is staffed with technical experts, including an electro-mechanical engineer, two civil/water engineers, a structural engineer and a process/water quality engineer, each with terms of reference and qualifications satisfactory to the Bank.

6. The Borrower shall ensure that, by June 30, 2011, the PMU is provided with an operational accounting system (including software) for the Project, satisfactory to the Bank.

7. The Borrower shall ensure that the Project is carried out in accordance with the PIM, the CDR Project Agreement, the BMLWE Project Agreement, the CDR Subsidiary Agreement, the BMLWE Subsidiary Agreement and the Procurement Plan and shall cause each of MOEW, CDR, BMLWE and the PMU to ensure that it does not amend, suspend, abrogate, repeal or waive any provision of the PIM, the CDR Project Agreement, the BMLWE Project Agreement, the CDR Subsidiary Agreement, the BMLWE Subsidiary Agreement or the Procurement Plan, without prior approval of the Bank.

B. Subsidiary Agreements

1. To facilitate the carrying out of CDR’s Respective Parts of the Project (as set forth in Section I.A.3 of this Agreement and further described and specified in the PIM), the Borrower shall make part of the proceeds of the Loan available to CDR as a grant under the CDR Subsidiary Agreement, under terms and conditions approved by the Bank.

2. To facilitate the carrying out of the BMLWE’s Respective Parts of the Project (as set forth in Section I.A.4 of this Agreement and further described and specified in the PIM), the Borrower shall make part of the proceeds of the Loan available to the BMLWE’s PMU as a grant under the BMLWE Subsidiary Agreement under terms and conditions approved by the Bank.

3. The Borrower shall exercise its rights under the CDR Subsidiary Agreement and the BMLWE Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the CDR Subsidiary Agreement, or the BMLWE Subsidiary Agreement or any of their respective provisions.

C. Anti-Corruption

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.
D. Safeguards

1. The Borrower shall ensure that the Project is carried out in accordance with the ESMP and the Resettlement Action Plan and shall not amend, suspend, abrogate, repeal or waive any provision of the ESMP and the Resettlement Action Plan without prior approval of the Bank. The Borrower shall ensure that each of the MOEW, CDR, the PMU and BMLWE does not amend, suspend, abrogate, repeal or waive any provision of the ESMP and the Resettlement Action Plan without prior approval of the Bank.

2. The Borrower shall cause the PMU to ensure that supervision of implementation and compliance with the ESMP and the Resettlement Action Plan is carried out in a manner acceptable to the Bank.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators acceptable to the Bank. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Bank not later than forty-five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.

3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

4. The Borrower shall cause BMLWE to have a special purpose audit conducted on its statement of cash receipts and disbursements for fiscal year 2010, and statement of changes of funds balance as of December 31, 2010. Such special
purpose audit shall be performed by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standard acceptable to the Bank, and shall cause BMLWE to furnish to the Bank said special purpose audit no later than September 30, 2011.

5. The Borrower shall cause BMLWE to have its financial statements for each fiscal year audited, starting with fiscal year 2012, and throughout the life of the Project. Such financial statements shall be audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standard acceptable to the Bank, and shall cause BMLWE to furnish to the Bank said audits no later than September 30 of each year following the preceding fiscal year.

Section III. Procurement

A. General

1. Goods and Works. All goods and works required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants' Services. All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the 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 and Works. The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.
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 table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality-Based Selection</td>
</tr>
<tr>
<td>(b) Selection Based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(c) Least-Cost Selection</td>
</tr>
<tr>
<td>(d) Single-Source Selection</td>
</tr>
<tr>
<td>(e) Selection of individual consultants</td>
</tr>
</tbody>
</table>

D. 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.
Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the 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 Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works and consultants’ services for Parts 1(a) and (c) of the Project</td>
<td>185,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works and consultants’ services for Part 1(b) of the Project</td>
<td>2,550,000</td>
<td>5%</td>
</tr>
<tr>
<td>(3) Goods, works and consultants’ services for Parts 2(a) and (b) of the Project</td>
<td>1,050,000</td>
<td>2.5%</td>
</tr>
<tr>
<td>(4) Goods, works and consultants’ services for Parts 2 (c) and (d) of the Project</td>
<td>1,000,000</td>
<td>5%</td>
</tr>
<tr>
<td>(5) Goods, and consultants’ services for Part 3 of the Project, Training, audit, and</td>
<td>9,900,000</td>
<td>66%</td>
</tr>
</tbody>
</table>
### Percentage of Amount of the Loan Expenditures to be Allocated financed (inclusive of Taxes)

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incremental Operating Costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(6) Front-end Fee</td>
<td>500,000</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions</td>
</tr>
<tr>
<td>(7) Premia for Interest Rate Caps and Interest Rate Collars</td>
<td>0</td>
<td>Amount payable pursuant to Section 2.07(c) of this Agreement in accordance with Section 4.05(c) of the General Conditions</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>200,000,000</td>
<td></td>
</tr>
</tbody>
</table>

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $12,000,000 equivalent may be made for payments made prior to this date but on or after October 1, 2010, for Eligible Expenditures.

2. The Closing Date is June 30, 2016.
SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share"). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each January 15 and July 15 Beginning January 15, 2017 through January 15, 2033</td>
<td>2.94%</td>
</tr>
<tr>
<td>On July 15, 2033</td>
<td>2.98%</td>
</tr>
</tbody>
</table>

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.

(b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.
3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of theWithdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.
APPENDIX

Section I. Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 with the modifications set forth in Section II of this Appendix.

2. “BMLWE” means the Borrower’s Beirut Mount Lebanon Water Establishment, the Project Implementing Entity charged with implementation of parts of the Project through the PMU as described in Section I.A.4 of this Agreement, a public authority established and operating pursuant to the Law No.221 (2000) dated May 29, 2000, and Law No.377 (2001) dated December 14, 2001, or any successor thereto.


5. “BMLWE Subsidiary Agreement” means the agreement referred to in Section I.B.2 of Schedule 2 to this Agreement pursuant to which the Borrower shall make part of the proceeds of the Loan available to BMLWE.

6. “Category” means a category set forth in the table in Section IV of Schedule 4 to this Agreement.

7. “CDR” means the Borrower’s Council for Development and Reconstruction, the Project Implementing Entity charged with implementation of parts of the Project as described in Section I.A.3 of this Agreement, a public authority established and operating pursuant to the Legislative Decree No. 5, dated January 31, 1977 and Law No. 295 dated April 3, 2001, or any successor thereto.


10. “CDR Subsidiary Agreement” means the agreement referred to in Section I.B.1 of Schedule 2 to this Agreement pursuant to which the Borrower shall make part of the proceeds of the Loan available to CDR.

12. "Environmental and Social Impact Assessment" or "ESIA" means the Borrower's environmental and social impact assessment, in form and substance satisfactory to the Bank, dated August 6, 2010, including, *inter alia*: (i) the identification and assessment of potential environmental and social impacts of activities to be carried out under the Project; (ii) an evaluation of alternative measures; and (iii) the ESMP (as hereinafter defined) detailing the appropriate mitigation, monitoring, institutional and management measures required for the implementation of the Project with a view to ensuring compliance of the activities referred to in sub-paragraph (i) herein with said measures and to eliminating adverse environmental and social impacts, offsetting such impacts, or reducing them to acceptable levels.

13. "ESMP" means the Borrower's environmental and social management plan for the Project dated August 6, 2010, incorporated in the ESIA, as such plan may be updated from time to time by agreement between the Borrower and the Bank, setting forth the mitigating, monitoring and institutional measures to be taken during the implementation and operation of the Project to offset or reduce adverse environmental and social impacts to levels acceptable to the Bank.


15. "Incremental Operating Costs" means the PMU's reasonable and necessary incremental expenditures related to the management and implementation of the Project including on account of office rental, communication costs, maintenance, insurance and fuel of vehicles and equipment; maintenance and spare parts of equipment; miscellaneous utilities; stationary and office supplies, and advertisement costs, translation and interpretation services, office stationary and consumables expenses based on periodic budgets acceptable to the Bank, but excluding salaries or honoraria of officials and employees of the Borrower's civil services.

16. "MOF" means the Borrower's Ministry of Finance or any successor thereof.

17. "MOEW" means the Borrower's Ministry of Energy and Water or any successor thereof.

18. "PIM" means the operations manual for the Project, dated September 30, 2010, and referred to in Section I.A.7 of Schedule 2 to this Agreement, describing and setting forth procedures for implementation of the Project and institutional arrangements, consistent with the provisions of this Agreement and with
applicable laws and regulations and including, among other things, timetables of actions required to be carried out under the Project, the respective roles and responsibilities of the agencies involved in the implementation of the Project, the fiduciary, technical and operational aspects and procedures for implementation of the Project, including the financial management procedures (budgeting, accounting and internal control, disbursement and flow of funds, financial reporting, annual reports, internal and external audit arrangements procedures and including the Project specific chart of accounts), procurement procedures, monitoring and evaluation arrangements, details for the implementation of the Resettlement Action Plan and the ESMP and other fiduciary and administrative arrangements and necessary terms of reference, as the same may be amended from time to time by agreement with the Bank.

19. “PMU” means the project management unit established pursuant to the MOEW’s administrative decision dated September 29, 2010, charged with implementation of Respective Parts of the Project as described in Section I.A.4 of this Agreement, and operating within BMLWE with respective specialists being housed at MOEW and BMLWE, as appropriate and as further specified in the PIM.


21. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated September 29, 2010, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

22. “Resettlement Action Plan” means the Borrower’s Resettlement Action Plan dated August 6, 2010, approved by the Bank, setting forth, *inter alia*, the compensation entitlement, resettlement assistance, institutional arrangements, implementation program, grievance mechanism, monitoring mechanism and cost estimates for the resettlement and rehabilitation of people affected by the implementation of the Project, disclosed locally and through the Bank’s InfoShop.

23. “Steering Committee” means the steering committee to be established and maintained by the MOEW and referred to in Section I. A.1 of Schedule 2 to this Agreement, housed within the MOEW, chaired by the Borrower’s Minister for Energy and Water, and composed of key stakeholders including representatives from the MoF, CDR and BMLWE.

24. “Training” means Project related study tours, training courses, seminars, workshops and other training activities, not included under service providers’
contracts, including costs of training materials, space and equipment rental, travel, accommodation and per diem costs of trainees and trainers, trainers' fees, and other training related miscellaneous costs.

Section II. Modifications to the Anti-Corruption Guidelines

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

"... (b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier."

2. Section 11(a) is modified to read as follows:

"... (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier."

Footnotes:

"13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary
suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”