



## The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION

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June 26, 2020

H.E. Ghazi Wazni  
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### **LEBANON: Water Supply Augmentation Project (IBRD Loan No. 8443-LB) - Partial Suspension of Disbursements**

Excellency,

We refer to the Loan Agreement between the Lebanese Republic (“the Borrower”) and the International Bank for Reconstruction and Development (“Bank”), dated January 21, 2015 regarding the subject Loan (“Loan”) for the Water Supply Augmentation Project (“Project”).

As you are aware, the Bank has repeatedly raised its concerns about issues adversely affecting the successful implementation of the Project. We have detailed our concerns in our letters dated May 20, March 12, January 28, and January 11, 2020 (attached for reference). Unfortunately, to date, these concerns, summarized below, remain unaddressed:

- a. ***Completion of the Ecological Compensation Plan (ECP) and the roadmap for its implementation in the medium- to long-term by June 15, 2020.*** The ECP is required to be completed before the start of construction. The Borrower has been repeatedly requested to provide the finalized ECP and the plan for its implementation. The Bank is still awaiting the updated ECP for its clearance.
- b. ***Holding a public dialogue on the Bisri dam by June 15, 2020.*** The Bank is still awaiting from the Borrower the information on the public dialogue, in which the Bank requested to include the dialogue on the Benefit Sharing Program (BSP) (i.e. informing on the BSP and plan for its implementation). While the Ministry of Energy and Water (MoEW) announced on June 2, 2020 the launching of the public dialogue, to date, public dialogue has not begun and there is no evidence of whether BSP is part of the agenda for the dialogue.
- c. ***Providing the agreement on the Operation and Maintenance (O&M) of the Bisri Dam by June 15, 2020.*** The Bank is still awaiting from the Borrower the O&M agreement on the Bisri dam to be reached between the concerned entities. Under the Loan Agreement, MoEW was required to enter into O&M arrangement with Beirut Mount Lebanon Water Establishment (BMLWE) by December 31, 2016 and the Council for Development and Reconstruction (CDR) was required to submit an O&M plan for the dam, in coordination with MoEW and BMLWE, by June 30, 2018. The O&M agreement and the plan have to be in place prior to the start of construction. Despite numerous communications with CDR, MoEW, and BMLWE, this has not occurred.

Pursuant to Section 3.01 of the applicable Loan Agreement, the Borrower is obligated to “cause the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article V of the General Conditions and the Project Agreement.” Section 5.01(a) of the International Bank for Reconstruction and Development General Conditions dated March 12, 2012 (General Conditions), which is incorporated into the Loan Agreement, requires the Borrower and the Project Implementing Entity to carry out their Respective Parts of the Project “with due diligence and efficiency.” Further, Section 7.02(b) of the General Conditions provides for a suspension of a project if a “*Loan Party has failed to perform any other obligation under the Legal Agreement to which it is a party...*”

Considering that no progress has been made on the Project over the past eight months, and taking into account legal provisions referenced above, the Bank has reasonable grounds for suspending the Project. Due to the lack of progress by the Borrower in completing the tasks that are preconditions to the commencement of construction of the dam (namely, adoption of the ECP and agreement on the O&M arrangements), the Borrower is losing its ability to begin construction in 2020 and is putting at risk the timely completion of the Project. Given the schedule of the workplan, including the diversion of the river during low flow, we do not believe the Project will be completed by the Closing Date.

We therefore regret to inform you of the Bank’s decision to partially suspend loan disbursements as of June 27, 2020 at 12.00 am Washington D.C. time. The partial suspension is linked to Parts One, Two, and Three, representing partial allocation under Category 1 of the Disbursement Table in Section IV.A of Schedule 2 to the Loan Agreement. Exempt from partial suspension are the following expenditures: (a) Project Management Unit staff contracts; (b) audit contract; (c) consultancy and works related to environmental and social safeguards; and (d) all contracts signed prior to suspension for goods supplied/services provided/works carried out, within 60 days from date of suspension, provided the Bank receives withdrawal application within 90 days from date of suspension.

The suspended portion of the loan is US\$254.1 million of the allocated (undisbursed) amount under Category 1. Unaffected by this suspension is Category 2 (Part Four of the Project), which will benefit from an additional overdraw up to 15 percent of its allocation.

Unless the Bank receives satisfactory evidence that: (a) the Government has finalized the ECP by no later than July 10, 2020; (b) finalized the O&M arrangements by no later than July 22, 2020, and (c) the contractor is mobilized at the worksite by no later than July 22, 2020, according to applicable procedures, the suspended portion of the Loan under this Project will be cancelled.

While not being a condition for lifting the partial suspension, the Bank also requests receiving results of the public dialogue on the Bisri dam by no later than July 22, 2020.

Sincerely,



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cc: Mr. Merza Hussain Hasan, Executive Director, World Bank Group  
Ms. Nada Mufarrij, Senior Advisor to the Executive Director, World Bank Group

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