Project Agreement

(Second Phase of the Coastal Transmission Backbone Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

COMMUNAUTÉ ELECTRIQUE DU BÉNIN

Dated March 2, 2007
CREDIT NUMBER 4214-BEN

PROJECT AGREEMENT

Agreement dated March 2, 2007, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and Communauté Électrique du Bénin ("Project Implementing Entity") ("Project Agreement") in connection with the Financing Agreement of same date between the Republic of Benin ("Recipient") and the Association ("Financing Agreement"). The Association and the Project Implementing Agreement hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to the Financing Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in the Project Agreement have the meanings ascribed to them in the Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

2.01. The Project Implementing Entity declares its commitment to the objectives of the Project and the Program. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.
ARTICLE III — REPRESENTATIVE; ADDRESSES

3.01. The Project Implementing Entity’s Representative is its Director General or such other person or persons as the Director General shall designate in writing.

3.02. The Association’s Address is:

International Association for Reconstruction and Development

1818 H Street, NW
Washington, DC 20433
United States of America

Cable: INTBAFRAD
Telex: 248423(MCI) or 1-202-477-6391
Facsimile: 64145(MCI)

3.03. The Project Implementing Entity’s Address is:

Communauté Electrique du Bénin
Rue de la Kozah, BP 1368
Lomé, Togolese Republic

Facsimile:

(228) 221 3764
AGREED in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Onno Ruhl  
Authorized Representative

COMMUNAUTÉ ELECTRIQUE DU BÉNIN

By: /s/ Cyrille Oguin  
Authorized Representative
SCHEDULE

Execution of the Project

Section I. Institutional and Other Arrangements

1. The Project Implementing Entity shall ensure that the Project is implemented in accordance with the guidelines, procedures, recommendations, and other specifications set forth in the Project Implementation Manual and the Environmental Management Plans, and, except as the Association shall otherwise agree, shall not amend or waive any provision of the aforementioned plans, if such amendment or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project. The Project Implementing Entity shall ensure that timely information on the status of the implementation of the Environmental Management Manual is included in the Project Reports prepared pursuant to Section II.A of this Schedule.

2. The Project Implementing Entity shall prepare an emergency preparedness plan for the Nangbeto dam within 24 months after the Effective Date.

3. The Project Implementing Entity shall establish by no later than December 31, 2006, an expert advisory panel with the responsibility of assisting, together with the General Secretariat of the WAPP Organization, in the deployment of the Operational Security and Mitigation Plan to be implemented under Part D of the Project.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in subparagraph (b) of this paragraph. Each such Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than 45 days after the end of the period covered by such report.

(b) The performance indicators referred to above in sub-paragraph (a) consist of the following:

(i) Quantity of electricity traded (import/export) between the WAPP “Zone A” Coastal States, disaggregated by power utility;

(ii) Level of power losses in the principal transmission networks of WAPP “Zone A” Coastal States, disaggregated by power utility;
(iii) Percentage of the peak power demand within the WAPP “Zone A” Coastal States met by economy power exchanges via the Coastal Transmission Backbone, disaggregated by power utility;

(iv) Quantity of electricity transferred between WAPP “Zone A” Coastal States, via the Coastal Transmission Backbone, disaggregated by power utility;

(v) Percentage reduction in the number and frequency of power outages in the WAPP “Zone A” Coastal States that are linked to malfunctions on the Coastal Transmission Backbone, disaggregated by power utility;

(vi) Percentage reduction in the detection/response time for power outages in WAPP “Zone A” Coastal States that are linked to malfunctions on the Coastal Transmission Backbone, disaggregated by power utility;

(vii) Deployment of Emergency Preparedness Plans for strategic hydropower generation stations in the WAPP “Zone A” Coastal States that are linked to the Coastal Transmission Backbone;

(viii) Collection, analyses and dissemination of power sector monitoring and evaluation data of the WAPP “Zone A” Coastal States; and

(ix) Implementation of a well functioning WAPP “Operational Security and Mitigation Plan” for the Coastal Transmission Backbone.

2. The Project Implementing Entity shall provide to the Recipient not later than eight (8) months before the Closing Date, for incorporation in the report referred to in Section 4.08 (c) of the General Conditions all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

3. On or about June 1, 2008, the Project Implementing Entity shall undertake in conjunction with the Recipient and the Association, a midterm review of the Project during which it shall exchange views generally on all matters relating to the progress of the Project, and the performance by the Project Implementing Entity of its obligations under this Agreement, having regard to the performance indicators referred to in paragraph 1 (b) of this Section.

B. Financial Management, Financial Reports; Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and
financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.

2. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The audited financial statements for each period shall be furnished to the Association not later than six (6) months after the end of the period.

Section III. **Procurement**

All goods and services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.

Section IV. **Other Undertakings**

1. (a) Except as the Association shall otherwise agree, the Project Implementing Entity shall maintain a ratio of current assets divided by current liabilities of not less than 1.2.

(b) Before January 31 in each of its fiscal years, the Project Implementing Entity shall, on the basis of forecasts prepared by the Project Implementing Entity and satisfactory to the Association, review whether it would meet the requirements set forth in paragraph (a) in respect of such year and the next following fiscal year and shall furnish to the Association the results of such review upon its completion.

(c) If any such review shows that the Project Implementing Entity would not meet the requirements set forth in sub-paragraph (a) for the Project Implementing Entity’s fiscal years covered by such review, the Project Implementing Entity shall promptly take all necessary measures in order to meet such requirements.

(d) For the purposes of this Section:

   (i) The term “current assets” means cash, all assets which could in the ordinary course of business be converted into cash within twelve months, including accounts receivable, marketable securities, inventories and pre-paid expenses properly chargeable to operating expenses within the next fiscal year.

   (ii) The term “current liabilities” means all liabilities which will become due and payable or could under circumstances then existing be called for
payment within twelve months, including accounts payable, customer advances, debt service requirements, taxes and payments in lieu of taxes, and dividends.

(iii) The term “debt service requirements” means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.

(iv) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Project Implementing Entity, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Association.

2. Except as the Association shall otherwise agree, the Project Implementing Entity shall not incur any new debt, unless the Project Implementing Entity shall produce for its following Fiscal Year, a reasonable forecast of net revenues equal to at least 1.3 times the estimated debt service requirements of the Project Implementing Entity the following Fiscal Year.

For the purposes of this Section:

(i) The term “debt” means any indebtedness maturing by its terms more than one year after the date on which it is originally incurred.

(ii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.

(iii) Whenever, for the purposes of this Section, it shall be necessary to value, in terms of the currency of the Recipient, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Association.

(iv) The term “reasonable forecast” means a forecast prepared by the Project Implementing Entity not earlier than twelve months prior to the incurrence of the debt in question, which both the Association and the
Project Implementing Entity accept as reasonable and as to which the Association has notified the Project Implementing Entity of its acceptability, provided that no event has occurred since such notification which has, or may reasonably be expected in the future to have, a material adverse effect on the financial condition or future operating results of the Project Implementing Entity.

(v) The term “net revenues” means the difference between:

(A) the sum of revenues from all sources related to operations and net non-operating income between that Fiscal Year and the next Fiscal Year; and

(B) the sum of all expenses related to operations including administration, maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.

(vi) The term “net non-operating income” means the difference between:

(A) revenues from all sources other than those related to operations; and

(B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.

(vii) The term “debt service requirements” means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.