Project Agreement

(Energy Services Delivery Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

COMMUNAUTE ELECTRIQUE DU BENIN

Dated July 14, 2004
PROJECT AGREEMENT

AGREEMENT dated July 14, 2004, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and COMMUNAUTE ELECTRIQUE DU BENIN (CEB).

WHEREAS (A) by the Development Credit Agreement of even date herewith between Republic of Benin (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to thirty one million one hundred thousand Special Drawing Rights (SDR 31,100,000), on the terms and conditions set forth in the Development Credit Agreement, but only on conditions that CEB agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a subsidiary loan agreement to be entered into between the Borrower and CEB, part of the proceeds of the credit provided for under the Development Credit Agreement will be made available to CEB on the terms and conditions set forth in the CEB Subsidiary Loan Agreement; and

WHEREAS CEB, in consideration of the Association’s entering into the Development Credit 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 Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) CEB declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out Parts B (b), B (e), C.1, D.1, D.2, E.2 and E.4 of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and environmental practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project, including the CEB Financing and the BOAD Loan.
(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and CEB shall otherwise agree, CEB shall carry out: (i) Parts B (b), B (e), C.1 (b), C.1 (f), D.1, E.2 and E.4 of the Project in accordance with the Implementation Program set forth in the Schedule to this Agreement; and (ii) Parts B (b), B (e), C.1, D.1, D.2, E.2 and E.4 of the Project in accordance with the Project implementation sequencing set forth in the PIM.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants’ services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to the Development Credit Agreement.

Section 2.03. (a) CEB shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 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 CEB Project Agreement and Parts B (b), B (e), C.1 (b), C.1 (f), D.1, E.2 and E.4 of the Project.

(b) CEB shall: (i) prepare jointly with the Borrower and SBEE the plan referred to in Section 3.03 of the Development Credit Agreement; and (ii) afford the Association a reasonable opportunity to exchange views with CEB, SBEE and the Borrower on said plan.

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

Section 2.05. (a) CEB shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the availability and use of the CEB Financing and the BOAD Loan, the performance of its obligations under this Agreement, the CEB Subsidiary Loan Agreement, the PIM, the EA and the EMP, and other matters relating to the purposes of the Credit.

(b) CEB shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, the availability and use of the CEB Financing and the BOAD Loan, or the performance by CEB of its obligations under this Agreement, the CEB Subsidiary Loan Agreement, the PIM, the EA and the EMP.

Section 2.06. Without limitation to its obligations under Section 2.01 of this Agreement, CEB shall, for the purposes of making available its counterpart contribution to the financing of Parts B (b), B (e), C.1 (b), C.1 (f), D.1, E.2 and E.4 of the Project:
(a) open and thereafter maintain, until the completion of Parts B (b), B (e), C.1 (b), C.1 (f), D.1, E.2 and E.4 of the Project, an account in CFA Francs (the CEB Project Account) in a commercial bank on terms and conditions satisfactory to the Association;

(b) deposit into the CEB Project Account an initial contribution of CFA Francs 70,000,000;

(c) thereafter deposit in the CEB Project Account, at the end of each Project Semester, until the completion of Parts B (b), B (e), C.1 (b), C.1 (f), D.1, E.2 and E.4 of the Project, such amounts as shall be required to timely replenish the CEB Project Account back to the amount of the initial deposit referred to in paragraph (b) above, or whenever the balance of the CEB Project Account shall be less than CFA Francs 30,000,000; and

(d) ensure that amounts deposited into the CEB Project Account shall be used exclusively to make payments to meet expenditures made or to be made in respect of the reasonable cost of goods, works and services for Parts B (b), B (e), C.1 (b), C.1 (f), D.1, E.2 and E.4 of the Project in addition of those financed from the proceeds of the Credit.

Section 2.07. CEB shall ensure that all action which shall be necessary under the EA and the EMP with respect to Parts C.1 (b), C.1 (d) and C.1 (e) of the Project, shall be taken in a timely and satisfactory manner.

Section 2.08. By January 1, 2006, CEB shall reduce its accounts receivable from electricity sales to an amount equivalent to an average two months of electricity sales.

**ARTICLE III**

**Management and Operations of CEB**

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

Section 3.02. CEB 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. CEB shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.
ARTICLE IV

Financial Covenants

Section 4.01. (a) CEB 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 Association, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to the Project.

(b) CEB shall:

(i) have its financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year (or other period agreed to by the Association) 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 Association, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Association), (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 Association), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and

(iii) furnish to the Association such other information concerning such records and accounts and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

Section 4.02. (a) Without limitation upon CEB’s reporting obligations set out in paragraphs 4 and 5 of the Schedule to this Agreement a Financial Monitoring Report, in form and substance satisfactory to the Association, which:

(i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;
(ii) describes physical progress in Project implementation, 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 the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than 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 the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 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 Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of CEB thereunder shall terminate on the earlier of the following two dates:

(i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or

(ii) the date fifteen (15) years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify CEB of this event.

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 Association:

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

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

For CEB:

Communauté Electrique du Bénin
BP 1368
Lomé, Togolese Republic

Facsimile:
(228) 221 3764

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 CEB may be taken or executed by its Director General or such other person or persons as the Director General shall designate in writing, and CEB shall furnish to the Association 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 DEVELOPMENT ASSOCIATION

By /s/ Callisto E. Madavo

Authorized Representative

COMMUNAUTE ELECTRIQUE DU BENIN

By /s/ Cyr M’Po Kouagou

Authorized Representative
SCHEDULE

Implementation Program

1. Except as the Association shall otherwise agree, CEB shall: (a) apply the criteria, policies, procedures and arrangements set out in the PIM, the EA and the EMP; and (b) not amend or waive, or permit to be amended or waived, the PIM, the EA and the EMP, or any provision thereof, in a manner which, in the opinion of the Association, may materially and adversely affect the implementation of the Project.

2. CEB shall ensure that, at all times during the execution of the Project, the qualifications, experience and performance of its staff in charge directly or indirectly of the implementation of any parts of the Project, shall be satisfactory to the Association.

3. CEB shall organize jointly with the Borrower and SBEE, and participate in, the workshop referred to in paragraph C.1 of Schedule 4 to the Development Credit Agreement.

4. CEB shall: (i) prepare jointly with the Borrower and SBEE the reports referred to in paragraph D.1 (b) of Schedule 4 to the Development Credit Agreement; and (ii) shall participate in the review, and take the measures, referred to in paragraph D.1 (c) of Schedule 4 to the Development Credit Agreement.

5. CEB shall: (i) prepare jointly with the Borrower and SBEE the reports and the action program referred to in paragraphs D.2 (b) and D.2 (c), respectively, of Schedule 4 to the Development Credit Agreement; (ii) participate in the Midterm Review referred to in paragraph D.2 (a) of Schedule 4 to the Development Credit Agreement; and (iii) implement the action program referred to in paragraph D.2 (c) of Schedule 4 to the Development Credit Agreement.