Financing Agreement

(Amended and Restated Financing Agreement)

(Small Town Water Supply and Urban Septage Management Project)

between

REPUBLIC OF BENIN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 20, 2017

As amended and restated on May 25, 2018
FINANCING AGREEMENT

AGREEMENT dated January 20, 2017, as amended and restated on May 30th, 2018, entered into between REPUBLIC OF BENIN ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association 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—FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in the amount equivalent to sixty-two million one hundred thousand Euros (€62,100,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

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

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to the greater of: (a) the sum of three-fourths of one percent (3/4 of 1%) per annum plus the Basis Adjustment; and (b) three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Payment Dates are February 15 and August 15 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is Euro.
ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the Project to be carried out by the Project Implementing Entity (PIE) in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

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

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

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

(c) FONAGA’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely its ability to perform any of its obligations under the Risk Sharing Facility Agreement.

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

(e) The Cooperation Agreements shall have been breached or said agreements shall have been amended, suspended, abrogated, repealed or waived without the Association’s prior written approval.

4.02. The Additional Event of Acceleration consists of the following, namely that any event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following:
(a) The Project Operations Manual has been prepared and adopted by the Recipient in form and substance satisfactory to the Association.

(b) The Recipient has entered into the Cooperation Agreements in form and substance satisfactory to the Association.

(c) The Recipient established the PCU and recruited a Project coordinator, financial management specialist, a monitoring and evaluation specialist and a procurement specialist in the PCU, all with qualifications and terms of reference satisfactory to the Association.

(d) The Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity.

(e) The Project Agreement has been executed on behalf of the Association and the Project Implementing Entity.

5.02. The Effectiveness Deadline is the date falling one hundred twenty (120) days after the date of this Agreement.

5.03. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is its Minister at the time responsible for finance.

6.02. The Recipient’s Address is:

Ministère de l’Economie et des Finances
B.P. 302
Cotonou
Republic of Benin

Cable address: MINFINANCES
Telex: 5009 MINFIN or 5289 CAA
Facsimile: +229-21-30-18-51

6.03. The Association’s Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America
Cable: INDEVAS
Telex: 248423 (MCI)
Facsimile: 1-202-477-6391
Washington, D.C.
AGREED at "Republic of Benin" as of the day and year first above written.

REPUBLIC OF BENIN

By

Authorized Representative

Name: Romuald WADAGNI

Title: Ministre de l'Économie et des Finances

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: KATRINA SHARICEY

Title: Country Manager
SCHEDULE 1

Project Description

The objectives of the Project are to: (i) increase access to water supply and sanitation in selected small towns and urban areas in the Recipient's territory; (ii) strengthen service delivery capacity of water supply and sanitation sector institutions in selected small towns and urban areas in the Recipient's territory; and (iii) in the event of an Eligible Crisis or Emergency, to provide immediate and effective response to said Eligible Crisis or Emergency.

The Project consists of the following parts:

Part 1: Increase Access to Water Services

Supporting the Recipient in scaling up the Subsidized Concession Model aimed at improving water supply in Targeted Towns, through:

1.1. Institutional strengthening of stakeholders involved in water supply service delivery

(a) Strengthening the regulation capacity of the water directorate of the MEM and the DNSP, by: (i) carrying out a national monitoring and regulation strategy on water service delivery in rural areas and small towns; and (ii) developing benchmarking tools to monitor the performance of Private Sector Operators.

(b) Strengthening the planning and monitoring capacity of municipalities in Targeted towns, through the provision of relevant Training in the following areas: (i) bidding documents for the subsidized concession contracts; (ii) water supply assets management and water investments planning; (iii) mobile data collection tools aimed at enhancing performance monitoring and control of Private Sector Operators; and (iv) citizen engagement for municipalities and local water consumer associations.

(c) Establishing a Risk Sharing Facility with FONAGA to encourage Participating Banks to provide partial guarantees to Private Sector Operators by partially mitigating credit risk through Partial Credit Guarantees.

(d) Strengthening the commercial and financial management capacity of the Private Sector Operators, through the provision of: (i) Training in business plans development, commercial management and operational efficiency; and (ii) capacity building activities to promote the utilization of the Risk Sharing Facility.
(e) Strengthening the water quality monitoring capacity of the DNSP, through: (i) provision of Training on implementation and monitoring aspects of PGSSEs; and (ii) construction and operationalization of a water quality reference laboratory in Abomey-Calavi.

(f) Providing technical assistance for the design and implementation of the institutional reforms for the urban and rural water sub-sectors.

1.2. Construction, Rehabilitation and expansion of water supply networks.

(a) Supporting the rehabilitation, construction or expansion of approximately 60 water supply systems explicitly under the subsidized concession model, through the provision of Cash Transfers to municipalities in Targeted Towns.

(b) Enhancing the management of water supply systems, through: (i) carrying out of due diligence studies to assess the technical, legal and financial conditions of water systems in selected towns; (ii) supervision and monitoring of the Private Sector Operators’ rehabilitation works program; (iii) purchase of required water meters; and (iv) construction of three regional water meter calibration centers and provision of required equipment thereto.

(c) Supporting the construction of additional water supply systems.

Part 2: Improving Fecal Sludge Management

Supporting stakeholders to provide effective urban sanitation service delivery, in Selected Municipalities in the Grand Nokoué Region, through:

2.1. Institutional strengthening of stakeholders involved in fecal sludge service management in urban and peri-urban areas.

(a) Strengthening SONEB’s sanitation planning, monitoring and evaluation, through: (i) provision of Training in sanitation assets management, operation and maintenance, preparation of technical specifications and terms of reference relating to sanitation works; and the implementation of the Urban Sanitation Masterplan; and (ii) purchase of required equipment for sanitation Training in SONEB’s training center.

(b) Strengthening DGDU’s capacity to regulate, control and re-organize the urban fecal sludge service chain, through: (i) carrying out of a study that provides suitable fecal sludge containment options for urban and peri-urban households; (ii) developing environmental and quality control norms for fecal sludge management and a corresponding monitoring and evaluation
framework; and (iii) carrying out of a study that develops options standardizing fecal sludge emptying and transport services.

(c) Strengthening DNSP’s capacity to develop and manage a national program to intervene in urban and peri-urban sanitation, through: (i) developing an urban hygiene promotion and sanitation strategy; and (ii) developing social marketing methodologies aimed at triggering behavior changes on adequate fecal sludge containment solutions.

(d) Strengthening the capacity of the Recipient’s private sector to participate in the urban fecal sludge service chain, through carrying out of studies that aim to: (i) develop innovative business solutions aimed at improving desludging and sludge transport; and (ii) develop public private partnership arrangements for the operation and maintenance of fecal sludge treatment facilities.

2.2. **Household-level sanitation in urban and peri-urban areas**

Increasing access to improved sanitation, through implementing gender-sensitive sanitation marketing campaigns, and behavior change communication activities.

2.3. **Urban and peri-urban septage collection and treatment infrastructure**

Improving fecal sludge treatment in the Grand Nokoué Region, through: (i) construction of a new fecal sludge treatment plant in Seme-Kpodji; and (ii) construction of new and rehabilitation of existing on-site semi-collective sanitation solutions in Cotonou.

**Part 3: Project Management, Monitoring and Evaluation**

Supporting Project management activities and strengthen the capacity of the Recipient and Project stakeholders, to coordinate and execute project activities at the central and municipal levels, through the provision of technical assistance, Operating Costs and required goods for the purpose.

**Part 4: Contingent Emergency Response**

Providing immediate response to an Eligible Crisis or Emergency, as needed.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall, no later than June 30, 2018, establish, and thereafter maintain, throughout the Project implementation period, with composition, mandate and resources satisfactory to the Association, a steering committee, comprised of board members of the PIE ("Steering Committee"). To this end, the Steering Committee shall be responsible for coordination between Project stakeholders and provision of technical supervision of the Project.

2. Without limitation upon the generality of Section 3.01 of this Agreement, the Project Implementing Entity shall be responsible for the management of and the overall implementation of the Project, including financial management, procurement and monitoring and evaluation.

3. The Recipient shall take all actions necessary on its part to ensure that the Project Implementing Entity is maintained, throughout the Project implementation period, with: (i) mandate, functions and resources satisfactory to the World Bank, and (ii) adequate staff with qualifications and experience satisfactory to the World Bank, all for the purposes of ensuring a prompt and efficient implementation of the Project.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity under a subsidiary agreement between the Recipient and the Project Implementing Entity ("Subsidiary Agreement"), under terms and conditions approved by the Association, which shall include the following:

   (a) the obligation of the Project Implementing Entity to carry out the Project with due diligence and efficiency, in conformity with appropriate administrative, financial and technical practices and in accordance with the Project Operations Manual, and provide, or cause to be provided, promptly as needed, the services and other resources required for the Project;

   (b) the obligation of the Project Implementing Entity to comply with record keeping, auditing and reporting requirements set forth in this Agreement (operations, resources and expenditure) for the Project;

   (c) the obligation of the Project Implementing Entity, at the request of the Recipient or the Association, to exchange views with the Recipient and the
Association with regard to the progress of the Project and the performance of its obligations under the Subsidiary Agreement;

(d) the obligation of the Project Implementing Entity to promptly inform the Recipient and the Association of any condition which interferes or threatens to interfere with the progress of the Project, or the performance of its obligations under the Subsidiary Agreement.

2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect its own interests and the interests of the Association in order to accomplish the purposes of the Financing.

3. The Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement without the prior written approval of the Association.

4. In the event of any conflict between the provisions of the Subsidiary Agreement and the provisions of this Agreement, the provisions of this Agreement shall prevail.

C. Cooperation Agreements

1. To facilitate the carrying out of Part 2.3 of the Project, the Recipient shall enter into and thereafter maintain a cooperation agreement with SONEB, under the terms and conditions approved by the Association (“SONEB Cooperation Agreement”).

2. To facilitate the carrying out of Part 1.1 (d) of the Project, the Recipient shall enter into and thereafter maintain a cooperation agreement with CePEPE, under the terms and conditions approved by the Association (“CePEPE Cooperation Agreement”).

3. Under each Cooperation Agreement, the Recipient shall cause SONEB and CePEPE, as appropriate, to oversee the day-to-day technical implementation and management of their respective parts of the Project with competent staff in adequate numbers and with terms of reference, qualification and experience satisfactory to the Association, as further detailed in the Project Operations Manual.

4. The Recipient shall exercise its rights under each Cooperation Agreement in such manner as to protect the interests of the Recipient and the Association in order to accomplish the purposes of Part 2.3 and Parts 1.1 (d) and of the Project. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Cooperation Agreement or any of its provisions without the prior written agreement of the Association.

C. Risk Sharing Facility

1. To facilitate the carrying out of Part 1.1 (c), the Recipient shall make the proceeds of the Financing allocated from time to time to Category (2) of the table set forth in Section IV.A.2 of this Schedule, available to FONAGA; under a Risk Sharing
Facility Framework Agreement between the Recipient and FONAGA under terms and conditions approved by the Association.

2. The Recipient shall exercise its rights under the Risk Sharing Facility Framework Agreement in such manner as to protect its interests and the interests of the Association in order to accomplish the purposes of the Financing. The Recipient may not assign, amend, abrogate or waive the Risk Sharing Facility Framework Agreement without the prior written approval of the Association.

3. In the event of any conflict between the provisions of the Risk Sharing Facility Framework Agreement and the provisions of this Agreement, the provisions of this Agreement shall prevail.

4. Without limitation upon the provisions of Section 3.01 of this Agreement, the Recipient shall: (i) carry out Part 1.1(c) of the Project in accordance with the provisions of this Agreement, the Risk Sharing Facility Framework Agreement, the Risk Sharing Facility Manual, and the Partial Credit Guarantee Agreements; all on terms and conditions acceptable to the Association; (ii) carry out all its obligations and take all actions necessary on its part to enable FONAGA to perform all of FONAGA’s obligations under said agreements; (iii) not take or permit to be taken any action which would prevent or interfere with such performance; and (iv) except as the Association shall otherwise agree, waive said agreements or any provision thereof.

5. The Recipient shall, for purposes of Part 1.1(c) of the Project, entrust FONAGA to open and maintain, on behalf of the Recipient, an account on terms and conditions satisfactory to the Association (the "Risk Sharing Facility Account"). Deposits into, and payments out of the Risk Sharing Facility Account shall be made in accordance with the terms and conditions set forth in this Agreement, the Risk Sharing Facility Framework Agreement and the Risk Sharing Facility Manual.

6. The proceeds of the Financing deposited in the Risk Sharing Facility Account shall be used exclusively for making payments to Participating Banks in case of default by Private Sector Operators under Loan Agreements between Participating Banks and private sector operators participating in the Subsidized Concession Model, all in accordance with the terms of this Agreement, the Risk Sharing Facility Framework Agreement and the Risk Sharing Facility Manual.

7. The Recipient may, through FONAGA, refund to the Association any amount on deposit in the Risk Sharing Facility Account, which FONAGA shall have determined will not be required to cover payments due under or in connection with the Partial Credit Guarantee Agreements.

8. The Recipient shall, through FONAGA, promptly refund, prior to the Closing Date, to the Association any balance in the Risk Sharing Facility Account remaining after the commitments under each Partial Credit Guarantee Agreement has expired or said agreement has otherwise terminated in accordance with its terms.
9. Refunds to the Association made pursuant to paragraphs 7 and 8 above or otherwise pursuant to the provisions of the Risk Sharing Facility Framework Agreement shall be credited, prior to the Closing Date, to the Financing Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

D. Annual Work Program

1. The Recipient shall, not later than December 1st in each calendar year during Project implementation, cause the PIE to prepare and furnish to the Project Steering Committee and the Association, a program of activities proposed for inclusion in the Project during the following fiscal year, including: (a) a detailed timetable and budget for the sequencing and implementation of said activities; (b) the types of expenditures required for such activities; and (c) the planned procurement methods for the expenditures ("Annual Work Program").

2. The Recipient shall exchange views with the Association on each such proposed Annual Work Program, and shall thereafter carry out such program of activities for such following fiscal year as shall have been agreed between the Recipient and the Association.

3. Only those activities, which are included in an Annual Work Program, shall be included in the Project. Notwithstanding the foregoing, the Annual Work Program might be amended from time to time to include new activities with the prior and written concurrence of the Association.


1. The Recipient shall cause the PIE to maintain, in accordance with terms of reference acceptable to the Association, a Project Operational Manual, containing detailed arrangements and procedures for: (a) institutional coordination and day-to-day execution of the Project; (b) monitoring, evaluation, reporting and communication; (c) eligibility criteria, detailed rules and procedures for identification, registration and selection of selected towns, (d) administration, financial management and accounting; and (e) such other administrative, technical and organizational arrangements, and procedures as shall be required for purposes of implementation of the Project.

2. The Recipient shall cause FONAGA to maintain, in accordance with terms of reference acceptable to the Association, a Risk Sharing Facility Manual, containing detailed arrangements and procedures for the Risk Sharing Facility, including inter alia: (i) eligibility criteria, detailed rules and procedures for selection of Participating Banks, (ii) legal arrangements to be entered into between FONAGA and Participating Bank and between Participating Banks and Private Sector Operators, (iii) administration, financial management and accounting procedures; and (iv) such other administrative, technical and organizational arrangements and
procedures as shall be required for purposes of implementation of Part 1.1.(c) of the Project.

3. The Recipient shall afford the Association a reasonable opportunity to review the project operational manual, and shall thereafter adopt said manual as shall have been approved by the Association ("Project Operational Manual" or "POM").

4. The Recipient shall afford the Association a reasonable opportunity to review the risk sharing facility manual, and shall thereafter adopt said manual as shall have been approved by the Association ("Risk Sharing Facility Manual").

5. The Recipient shall carry out the Project in accordance with the Project Operational Manual and the Risk Sharing Facility Manual and shall not amend, abrogate, waive or permit to be amended, abrogated or waived, the said manuals, or any provision thereof, without the prior written consent of the Association.

6. In the event of any inconsistency between this Agreement and the POM or the Risk Sharing Facility Manual the provisions of this Agreement shall prevail.

F. Immediate Response Mechanism

In order to ensure the proper implementation of Part 4 of the Project ("Contingent Emergency Response") ("CERC Part"), the Recipient shall take the following measures:

1. The Recipient shall:

   (a) prepare and furnish to the Association for its review and approval, an operations manual which shall set forth detailed implementation arrangements for the CERC Part, including: (i) designation of, terms of reference for and resources to be allocated to, the entity to be responsible for coordinating and implementing the CERC Part ("Coordinating Authority"); (ii) specific activities which may be included in the CERC Part, Eligible Expenditures required therefor ("Emergency Expenditures"), and any procedures for such inclusion; (iii) financial management arrangements for the CERC Part; (iv) procurement methods and procedures for Emergency Expenditures to be financed under the CERC Part; (v) documentation required for withdrawals of Emergency Expenditures; (vi) environmental and social safeguard management frameworks for the CERC Part, consistent with the Association's policies on the matter; and (vii) any other arrangements necessary to ensure proper coordination and implementation of the CERC Part;

   (b) afford the Association a reasonable opportunity to review said proposed operations manual;
(c) promptly adopt such operations manual for the CERC Part as shall have been approved by the Association ("CERC Operations Manual");

(d) ensure that the CERC Part is carried out in accordance with the CERC Operations Manual; provided, however, that in the event of any inconsistency between the provisions of the CERC Operations Manual and this Agreement, the provisions of this Agreement shall prevail; and

(e) not amend, suspend, abrogate, repeal or waive any provision of the CERC Operations Manual without prior approval by the Association.

2. The Recipient shall, throughout the implementation of the CERC Part, maintain the Coordinating Authority, with adequate staff and resources satisfactory to the Association.

3. The Recipient shall undertake no activities under the CERC Part (and no activities shall be included in the CERC Part) unless and until the following conditions have been met in respect of said activities:

(a) The Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the CERC Part in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;

(b) The Recipient has prepared and disclosed all safeguards instruments required for said activities, in accordance with the CERC Operations Manual, the Association has approved all such instruments, and the Recipient has implemented any actions which are required to be taken under said instruments.

G. Anti-Corruption

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

1. The Recipient shall cause the PIE, in coordination with ABE, to carry out the Project in accordance with the provisions of the ESMF, and to that end, if any activity included in an Annual Work Program would, pursuant to the ESMF, require the adoption of an ESMP:

   (a) (i) prepare such ESMP and furnish it to the Association for review and approval; and (ii) thereafter adopt such ESMP prior to implementation of the activity in question; and

   (b) thereafter take such measures as shall be necessary or appropriate to ensure compliance with the requirements of such ESMP.

2. The Recipient shall cause the PIE to carry out the Project in accordance with the provisions of the RPF, and to that end, if any activity included in an Annual Work Program would, pursuant to the RPF, require the adoption of an RAP:

   (a) (i) prepare such RAP and furnish it to the Association for review and approval; and (ii) thereafter adopt such RAP prior to implementation of the activity in question; and

   (b) thereafter take such measures as shall be necessary or appropriate to ensure compliance with the requirements of such RAP.

3. If any activity under the Project would involve Affected Persons, the Recipient shall:
   (i) ensure that no displacement (including restriction of access to legally designated parks and protected areas) shall occur before resettlement mitigation measures under a Resettlement Action Plan prepared pursuant to the requirements of the RPF, including, in the case of displacement, full payment to Affected Persons of compensation and provision of other assistance required for relocation, have been implemented; and
   (ii) provide from its own resources, any financing required for any measures under sub-paragraph (i) above, including any costs associated with land acquisition required for the Project.

4. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall regularly collect, compile and submit to the Association every calendar semester, reports, in form and substance satisfactory to the Association, on the status of compliance with the Safeguard Instruments, giving details of:

   (a) measures taken in furtherance of such Safeguard Instruments;

   (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such Safeguard Instruments; and

   (c) remedial measures taken or required to be taken to address such conditions.
5. The Recipient shall afford the Association a reasonable opportunity to review the reports prepared under paragraph 3 of this Part H, and thereafter shall carry out or cause to be carried out, with due diligence, all remedial measures agreed with the Association so as to ensure the proper implementation of the Project in accordance with the Safeguard Instruments.

6. The Recipient shall not amend, abrogate, repeal, suspend, waive, or otherwise fail to enforce, or permit to be amended, abrogated, repealed, suspended or waived any of the Safeguard Instruments or any provision thereof without the prior written approval of the Association. In case of inconsistency between this Agreement and any of the Safeguard Instruments, the terms of this Agreement shall prevail.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall cause the PIE to 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 indicators acceptable to the Association and set forth in the Project Operations Manual. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

2. For purposes of Section 4.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than five months after the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall cause the PIE to prepare and furnish to the Association as part of the Project Report, 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 Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of said Financial Statements shall cover the period of one fiscal year of the Recipient commencing with the fiscal year in which the first withdrawal was made. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

4. The Recipient shall disclose the audited Financial Statements in a manner acceptable to the Association. The Recipient agrees that upon receipt of the Financial
Statements, the Association shall make them available to the public in accordance with the Association's policy on access to information.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing 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 Financing 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 Association 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, Works and Non-consulting Services

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

2. Other Methods of Procurement of Goods, Works and Non-consulting Services. The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) Limited International Bidding; (b) National Competitive Bidding; (c) Shopping; and (d) 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 contracts which are specified in the Procurement Plan: (a) Least Cost Selection; (b) Selection based on Consultants' Qualifications; (c) Single-source Selection of consulting firms; (d) Selection Under a fixed budget;
(e) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (f) Single-source procedures for the Selection of Individual Consultants.

D. **Review by the Association of Procurement Decisions**

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

E. **Procurement of Emergency Expenditures under the Part 4 of the Project**

Notwithstanding any provision to the contrary in this Section, Emergency Expenditures required for the CERC Part of the Project shall be procured in accordance with the procurement methods and procedures set forth in the CERC Operations Manual.

**Section IV. Withdrawal of the Proceeds of the Financing**

**A. General**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall 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 Association 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 Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
### Table 1: Financing Allocated to Expenditures

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in EUR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, Works, Non-consulting services, Consultants' services,</td>
<td>55,700,000</td>
<td>100%</td>
</tr>
<tr>
<td>Operating Costs and Training for Parts 1, 2 and 3, except for Part 1.1.(c) and 1.2 (a) of the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Partial Credit Guarantees under Part 1.1.(c) of the Project</td>
<td>1,800,000</td>
<td>100% of amounts disbursed under a Partial Credit Guarantee Agreement</td>
</tr>
<tr>
<td>(3) Cash Transfers under Part 1.2(a) of the Project</td>
<td>4,600,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Emergency Expenditures under Part 4 of the Project</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>62,100,000</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:

(a) for payments made prior to the date of this Agreement; or

(b) under Category (2), until and unless the Association has received evidence satisfactory that: (i) the Risk Sharing Facility Framework Agreement has been signed in accordance with the provisions of Section I.C of Schedule 2 to this Agreement and in form and substance satisfactory to the Association; and (ii) the Recipient has prepared and adopted the Risk Sharing Facility Manual in form and substance satisfactory to the Association; and

(c) Under category (4), no withdrawal shall be made, for Emergency Expenditures under Part 4 of the Project unless and until the Association is satisfied that all the following conditions have been met in respect of the said activities:
(i) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the CERC Part in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;

(ii) the Recipient has prepared and disclosed all safeguards instruments required for said activities, and the Recipient has implemented any actions which are required to be taken under said instruments, all in accordance with the provisions of Section F of Schedule 2 to this Agreement;

(iii) the Recipient's Coordinating Authority has adequate staff and resources, in accordance with the provisions of Section F of this Schedule 2 to this Agreement, for the purposes of said activities; and

(iv) the Recipient has adopted an CERC Operations Manual in form, substance and manner acceptable to the Association and the provisions of the CERC Operations Manual remain - or have been updated in accordance with the provisions of Section F of this Schedule 2 so as to be appropriate for the inclusion and implementation of said activities under the CERC Part.

2. The Closing Date is December 31, 2022.

Section V. Other Undertakings

1. No later than December 31, 2019, or such other date as the Association shall agree upon, the Recipient shall cause the PIE to: (i) carry out jointly with the Project Steering Committee, SONEB, CePEPE, FONAGA and the Association, a mid-term review of the implementation of operations under the Project, which shall cover the progress achieved in the implementation of the Project; and (ii) following such mid-term review, act promptly and diligently to take any corrective action as shall be agreed by the Association.
SCHEDULE 3
Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each February 15 and August 15 commencing on February 15, 2023 to and including August 15, 2054.</td>
<td>1.5625%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.
APPENDIX

Definitions


2. "Affected Person" means a person who as a result of: (i) the involuntary taking of land under the Project, is affected in any of the following ways: (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 the Affected Person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas suffers adverse impacts on his or her livelihood.

3. "Agence Nationale d'Approvisionnement en Eau Potable en Milieu Rural" or "ANAEPMR" means the Recipient's agency whose purpose is to develop and organize the management of the state's hydraulic heritage in rural areas to ensure universal access to drinking water.

4. "Annual Work Program" means each annual work program prepared by the Project Coordination Unit and approved by the Recipient, the Steering Committee and the Association in accordance with the provisions of Section I.D of Schedule 2 to this Agreement.


6. "Basis Adjustment" means the Association's standard basis adjustment for credits in the currency of denomination of the Credit, in effect at 12:01 a.m. Washington, D.C. time, on the date on which the Credit is approved by the Executive Directors of the Association, and expressed either as a positive or negative percentage per annum.

7. "Cash Transfers" means the cash transfers disbursed under Part 1.2 (a) of this Agreement.

8. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

9. "CePEPE" means Centre de Promotion et d'Encadrement des Petites et Moyennes Entreprises, the Recipient's small and medium enterprise support and promotion center established and operating under the CePEPE's Legislation.

10. "CePEPE Cooperation Agreement" means the agreement to be entered into between the Recipient and CePEPE to facilitate the implementation of Part 1.1. (d) of this Agreement.


13. "CERC Part of the Project" and "CERC Part" each means Part 4 of the Project.

14. "Coordinating Authority" the entity or entities designated by the Recipient in the CERC Operations Manual and approved by the Association pursuant to Section F of Schedule 2 to this Agreement, to be responsible for coordinating the CERC Part of the Project.

15. "Contingent Emergency Response Operations Manual" and "CERC Operations Manual" each means the operations manual referred to in Section F of this Agreement, to be adopted by the Recipient for the CERC Part of the Project in accordance with the provisions of said Section.

16. "Cooperation Agreement" means any of the CePEPE Cooperation Agreement or the SONEB Cooperation referred to in Section I.B of Schedule 2 to this Agreement; and "Cooperation Agreements" means the SONEB Cooperation Agreement and the CePEPE Cooperation Agreement, together.

17. "DGDU" means Direction Générale du Développement Urbain, the Recipient's Urban Development Directorate, established within the Recipient's Ministry of Living Environment and Sustainable Development, or any successor thereto.

18. "DNSP" means Direction Nationale de la Santé Publique, the Recipient's National Public Health Directorate, established within the Recipient's Ministry of Health, or any successor thereto.

19. "Eligible Crisis or Emergency" means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.

20. "Emergency Expenditures" means the eligible expenditures required to finance the cost of the approved list of goods, works, and services necessary to support emergency mitigation, response and recovery under Part 4 of the Project and set forth in the Emergency Response Operations Manual.

21. "Emergency Response Operations Manual" means the operations manual to be adopted by the Recipient for Part 4 of the Project in accordance with the provisions of Section I.F of Schedule 2 to this Agreement.

22. "Environmental and Social Management Framework" or "ESMF", each mean the environmental and social safeguard framework for the Project, acceptable to the
Association, and disclosed by the Recipient in a manner acceptable to the Association, and through the Association's Infoshop on September 1st, 2016, which:

(i) sets forth the standards, methods and procedures specifying how activities under the Project whose location, number and scale are presently unknown shall systematically address environmental, social and waste issues in the screening and categorization, siting, design, implementation and monitoring phases during Project implementation; (ii) systematizes the environmental, social and waste impact assessments, be they limited impact assessments or full impact assessments, required for such activities before Project execution; and (iii) stipulates the procedures to be used for the preparation and approval of a site-specific Environmental and Social Management Plan (as hereinafter defined) for any site where there exist environmental and social management issues of a type and scale sufficient to trigger safeguard concerns.

23. “Environmental and Social Management Plan” or “ESMP”, each mean a site-specific environmental and social management plan to be prepared by the Recipient in accordance with the parameters laid down in the Environmental and Social Management Framework and acceptable to the Association, setting forth a set of mitigation, monitoring, and institutional measures to be taken during the implementation and operation of the activities under the Project to eliminate adverse environmental and social impacts, offset them, or reduce them to acceptable levels, and including the actions needed to implement these measures.


25. “FONAGA Cooperation Agreement” means the agreement to be entered into between the Recipient and FONAGA to facilitate the implementation of Part 2.3 of this Agreement.


28. “Grand Nokoué Region” means the urban and peri-urban areas of Abomey Calavi, Cotonou, Seme-Kpodji and Porto Novo around the lake of Nokoué in the Recipient’s territory.


30. “Operating Costs” means the reasonable incremental operating expenses, based on annual budgets approved by the Association, incurred on account of operation and maintenance costs arising from or related to the implementation of the Project,
including costs related to office, vehicles and office equipment; water and electricity utilities, telephone, office supplies, bank charges, additional staff costs, travel and supervision costs, *per diem*, resettlement compensations, but excluding the salaries and indemnities of officials and public servants of the Recipient’s civil service.

31. "Partial Credit Guarantee" means a payment made by FONAGA to a Participating Bank under a respective Partial Credit Guarantee Agreement, in case of default by a private sector operator under the respective Loan Agreement between such operator and a Participating Bank, and which payment may be financed form the proceeds of the Financing under Category (2) of the Withdrawal Table in Section IV.2 of this Agreement.

32. "Partial Credit Guarantee Agreements" means any of the agreements entered or to be entered between FONAGA and a Participating Bank for the issuance of a Partial Credit Guarantee by FONAGA to such Participating Bank under Part 1.1 (c) of the Project.

33. "Participating Banks" means one, several or all commercial banks, established and operating pursuant to the laws of the Recipient, competitively selected under the Risk Sharing Facility and which have met the eligibility criteria specified in the Risk Sharing Framework Agreement and the Risk Sharing Facility Manual.

34. "PGSSEs" means *Plan de Gestion de la Sécurité Sanitaire de l’Eau*, the Drinking Water Safety Management Plans for which training will be provided under Component I of the Project.

35. "Private Sector Operators" means small and medium enterprises that won the bid for the Subsidized Concession Model contracts referred to under Part 1.


37. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated November 8, 2016 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

38. "Project Implementing Entity" or "PIE", means the *Agence Nationale d’Approvisionnement en Eau Potable en Milieu Rural*, the Recipient’s agency for rural water supply.


40. "Project Operations Manual" or "POM" means the manual for the implementation of the Project, to be adopted by the Recipient and SONEB and CePEPE in form and
substance acceptable to the Association, containing detailed guidelines and procedures for the implementation and maintenance of the Project, composition and staff for the PIE, and the Project Steering Committee, including in the areas of monitoring and evaluation, procurement, performance indicators, coordination, social and environmental safeguards, financial, administrative and accounting procedures, grievance redress mechanisms, and such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project, as such manual may be amended from time to time with the prior written approval of the Association.

41. “Project Steering Committee” means the steering committee for the Project established in form and substance satisfactory to the Association in charge of inter alia, the overall strategic guidance and review of Project implementation and progress, as further detailed in the Project Operations Manual.

42. “Risk Sharing Facility” means a facility to be established under FONAGA for the purpose of providing Partial Credit Guarantees for the benefit of Participating Banks to mitigate creditor risks, as further detailed in the Risk Sharing Facility Manual.

43. “Risk Sharing Facility Account” means the account referred to in Section C.2 of Schedule 2 to this Agreement.

44. “Risk Sharing Facility Framework Agreement” means the agreement to be entered into between FONAGA and the Recipient, under Part 1.1(c) of the Project, and in accordance with Section I.C of Schedule 2 to this Agreement, as the same may be modified from time to time with prior written agreement among the parties thereto.

45. “Risk Sharing Facility Manual” means the manual in form and substance satisfactory to the Association and to FONAGA containing, inter alia, all implementation details, selection and approval processes for Private Sector Operators, contractual arrangements for the Partial Credit Guarantees and follow-up activities related to the Risk Sharing Facility, as such manual may be amended from time to time with the prior written approval of the Association and FONAGA.

46. “Resettlement Action Plan” or “RAP” means the Recipient’s document prepared and disclosed in accordance with the Resettlement Policy Framework with respect to the Project, which, inter alia, (i) contains a census survey of Affected Persons and valuation of assets; (ii) describes compensation and other resettlement assistance to be provided, consultation to be conducted with Affected Persons about acceptable alternatives, institutional responsibilities for the implementation and procedures for grievance redress, and arrangements for monitoring and evaluation; and (iii) contains a timetable and budget for the implementation of such measures.

47. “Resettlement Policy Framework” or “RPF”, each means the resettlement policy framework for the Project, acceptable to the Association, and disclosed by the Recipient in a manner acceptable to the Association, and through the Association’s Infoshop on September 1st, 2016 which contains guidelines, procedures, timetables
and other specifications for the provision of compensation, rehabilitation and resettlement assistance to Affected Persons, as amended from time to time with the prior written consent of the Association.


49. "Safeguard Instruments" means collectively the ESMF and the RPF and "Safeguard Document" means any one of them.


51. "SONEB" means Societe Nationale des Eaux du Benin, the Recipient’s national urban and peri-urban drinking water agency established and operating under the SONEB's Legislation.


53. "Subsidiary Agreement" means the agreement referred to in Section I.A.2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to the PIE.

54. "Targeted Towns" means the targeted towns in the Recipient’s territory that have basic infrastructure and water available for the implementation of Part I of the Project according to the further criteria elaborated under the POM.

55. "Training" means the reasonable costs of training under the Project, based on the Annual Work Programs approved by the Association, and attributable to seminars, workshops, and study tours, along with travel and subsistence allowances for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and implementation.

56. "Subsidized Concession Model" means the model concession contract developed for the Recipient under which Private Sector Operators provide water supply services and invest their own resources for water network expansions and the installation of household connections.

57. "Urban Sanitation Masterplan" means the urban sanitation masterplan for the Grand Nokoué region validated by the Recipient on December 9, 2015.