

Public Disclosure Authorized

CONFORMED COPY

GRANT NUMBER H553-BJ

Financing Agreement

(e-Benin Project)

between

REPUBLIC OF BENIN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 27, 2010

GRANT NUMBER H553-BJ

FINANCING AGREEMENT

AGREEMENT dated April 27, 2010, entered into between the 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 grant in an amount equivalent to up to nine million seven hundred thousand Special Drawing Rights (SDR 9,700,000) (“Grant” or “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 Payment Dates are April 15 and October 15 in each year.
- 2.05. 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 (i) carry out Parts A, B.1 and C of the Project through MCTIC, and (ii) cause Part B.2 of the Project to be carried out by the Project Implementing Entity, all 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. An Additional Event of Suspension shall occur if the Project Implementing Entity's Constituent Documents have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project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.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) the Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity;
 - (b) the Recipient has adopted the Project Implementation Manual, in form and substance satisfactory to the Association;
 - (c) the Recipient has established the PCU within the MCTIC under terms of reference, composition and resources satisfactory to the Association (including, recruitment of a project coordinator, a financial management specialist and a procurement specialist, each under terms of reference and with qualifications satisfactory to the Association); and
 - (d) the Project Implementing Entity has recruited a director or officer responsible for its finances under terms of reference and with qualifications and experience satisfactory to the Association.
- 5.02. An Additional Legal Matter shall be that the Subsidiary Agreement has been duly authorized by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.
- 5.03. The Effectiveness Deadline is the date falling one hundred twenty (120) days after the date of this Agreement.
- 5.04. 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 the Recipient's minister 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:	Telex:	Facsimile:
MINFINANCES Cotonou	5009 MINFIN or 5289 CAA	229-21-30-18-51 229-21-31-53-56

- 6.03. The Association's Address is:

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

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI)	1-202-477-6391

AGREED at Washington D.C., United States of America, as of the day and year first above written.

REPUBLIC OF BENIN

By /s/ Idriss L. Daouda

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Madani M. Tall

Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are to (i) improve access to lower cost and better quality ICT services, and (ii) enable the development of e-applications, in the Recipient's territory.

The Project consists of the following parts:

Part A: Enabling Environment

1. *Strengthening legal, regulatory and institutional framework.* Carrying out of a program to develop a legal, regulatory and institutional framework that will foster competition in the ICT sector, such program to include: (i) the development of complementary legislation and regulatory instruments in the ICT sector, and (ii) strengthening of regulatory capacity of ARTP and sustaining policy making capacity of the MCTIC.
2. *Promotion of affordable high-speed Internet connectivity and universal services.* Carrying out of a program to promote affordable high-speed connectivity and universal access in the Recipient's territory, such program to consist of: (i) development of a broadband strategy and ways to tackle bottlenecks in the supply of broadband services, (ii) development of regulatory tools to ensure open and improved access to bandwidth and lower prices of connectivity, (iii) development of a universal access regime, including identification of areas for universal access; and (iv) development of internet exchange points within the national and regional levels of the Recipient.

Part B: Enabling e-Applications and Facilitating Uptake of e-Business

1. *e-Government Applications.* Carrying out of studies to develop the legal framework, enterprise architecture and interoperability standards for e-government applications, and implementation of several e-application pilot projects.
2. *e-Business*
 - (A) (1) Carrying out of a program to strengthen the Project Implementing Entity's capacity to develop and implement Parts B.2(A)(2) and B.2(B) of the Project; and (2) carrying out of a program to support greater awareness of ICT and e-applications, including (i) supporting the implementation of Part B.2(B) of the Project; (ii) assessing the Recipient's potential for entering global outsourcing and offshoring markets; and (iii) supporting the creation and development of new businesses with ITC-related activities.

- (B) Provision of Matching Grants to eligible public or private entities to finance specific development projects to develop, rollout and scale-up private sector ICT applications.

Part C: Project Implementation; Monitoring & Evaluation

Carrying out a program of activities to strengthen the Recipient's institutional capacity, at the PCU level, for Project implementation, coordination, financial management, monitoring and evaluation, including establishment and operation of a results-based monitoring and evaluation system, maintenance and management of the management information system and provision of associated training, and carrying out of implementation-related studies, assessments, surveys and communication strategies which are aimed at raising public awareness regarding reform in the ICT sector.

SCHEDULE 2**Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements**

1. Project Coordination Unit

- (a) The Recipient shall maintain, throughout Project implementation, the PCU within the MCTIC, with terms of reference, composition and resources satisfactory to the Association, for the purpose of ensuring the prompt and efficient implementation of the Project.
- (b) Without limitation to sub-paragraph (a) of this paragraph, the PCU shall be responsible for (1) the overall coordination, management, monitoring and evaluation of the Project in accordance with the PIM under the aegis of the MCTIC (including (i) responsibility for day to day activities under the Project, in particular accounting, procurement, financial management and monitoring activities, (ii) coordination with the other entities involved with the Project implementation, (iii) preparation of the Work Plan and Budgets and the Procurement Plans under the Project, (iv) dissemination of internal and external audit reports, and (v) implementation of their recommendations); and (2) the implementation of Parts A, B.1 and C of the Project in accordance with this Agreement and the PIM.

2. Project Implementing Entity

- (a) The Recipient shall ensure that the Project Implementing Entity is maintained at all times during the implementation of the Project with functions, staffing and resources satisfactory to the Association, for the purpose of ensuring the prompt and efficient implementation of Part B.2 of the Project.

B. Implementation Arrangements

1. Project Implementation Manual

- (a) The Recipient shall adopt (and cause the Project Implementing Entity to adopt) a project implementation manual (“PIM” or “Project Implementation Manual”) in form and substance satisfactory to the Association, containing: (i) detailed arrangements and procedures for institutional coordination and day-to-day execution of the Project; disbursement and financial management; procurement; environmental and social impact screening guidelines, monitoring, evaluation, reporting and communication; (ii) a Matching Grants manual defining eligibility criteria and approval, disbursement, administration and monitoring arrangements for Subprojects together with a model Matching Grant Agreement format; and (iii) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project.
- (b) The Recipient shall (i) carry out Parts A, B.1 and C of the Project and cause the Project Implementing Entity to carry out Part B.2 of the Project, all in accordance with the arrangements and procedures set out in the PIM (provided, however, that in case of any conflict between the arrangements and procedures set out in the PIM and the provisions of this Agreement or the Project Agreement, the provisions of this Agreement or the Project Agreement (as the case may be) shall prevail) and (ii) not amend, abrogate, waive or otherwise modify any provision of the PIM without the prior written agreement of the Association.

C. Subsidiary Agreement

1. To facilitate the carrying out of the Project Implementing Entity’s Respective Part of the Project, the Recipient shall make part of the proceeds of the Financing available to the Project Implementing Entity under a subsidiary agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association (“Subsidiary Agreement”), which shall include:
 - (a) the proceeds of the Financing allocated from time to time to Categories (2) and (3) shall be made available to the Project Implementing Entity on non-reimbursable grant terms;

- (b) the Recipient shall obtain rights adequate to protect its interests and those of the Association, including the right to: (i) suspend or terminate the right of the Project Implementing Entity to use the proceeds of the Financing, or obtain a refund of all or any part of the amount of the Financing then withdrawn, upon the Project Implementing Entity's failure to perform any of its obligations under the Subsidiary Agreement; and (ii) require the Project Implementing Entity to: (A) carry out its Respective Part of the Project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Recipient and the Association, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient; (B) provide, promptly as needed, the resources required for the purpose; (C) ensure the procurement of the goods and services to be financed out of the Financing in accordance with the provisions of this Agreement; (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Recipient and the Association, the progress of its Respective Part of the Project and the achievement of its objectives; (E) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Recipient and the Association, both in a manner adequate to reflect the operations, resources and expenditures related to its Respective Part of the Project; and (2) at the Association's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the Recipient and the Association, in accordance with consistently applied auditing standards acceptable to the Recipient and the Association, and promptly furnish the statements as so audited to the Recipient and the Association; (F) enable the Recipient and the Association to inspect the Project, its operation and any relevant records and documents; and (G) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing;
- (c) except as the Association shall otherwise agree, the Recipient and the Project Implementing Entity shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions; and
- (d) in the event of any conflict between the Subsidiary Agreement and the Financing Agreement or the Project Agreement, the Financing Agreement or the Project Agreement, as the case may be, shall prevail.

2. The Recipient shall exercise its rights and carry out its obligations under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

D. Work Plans and Budgets

1. The Recipient shall prepare and furnish to the Association for its approval, not later than eighteen (18) months after the Effective Date and then every twelve (12) calendar months thereafter during the implementation of the Project, a work plan and budget setting forth all activities proposed to be included in the Project during the following fiscal year, including a specification of the source or sources of financing for each contract for expenditures eligible for financing from each such source and the percentage of financing of each contract from each such source; afford the Association a reasonable opportunity to review such plan and budget, and thereafter carry out such work plan and budget as shall have been approved by the Association (“Work Plan and Budget”).
2. The Recipient shall not make or allow to be made any material change to a Work Plan and Budget without prior approval in writing by the Association.

E. Anti-Corruption

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

F. Computerized Accounting System

The Recipient shall, not later than three (3) months after the Effective Date, install a computerized accounting system customized to the Project’s needs which is fully operational and acceptable to the Association.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) The Recipient shall ensure that the progress of the Project is monitored and evaluated and that Project Reports are prepared in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one month 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) improvement of the ICT sector as a result of technical assistance under the Project (scale 1-5);
 - (ii) reduction in the retail price of internet services (including broadband);
 - (iii) percentage increase of public/government services which use electronic transactions; and
 - (iv) percentage increase in the number of small- and medium-sized enterprise in the ICT sector.

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 prepare and furnish to the Association not later than 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 the Financial Statements shall cover the period of one fiscal year, commencing with the fiscal year in which the first withdrawal was made under the Preparation Advance for the Project. 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, not later than four (4) months after the Effective Date, have appointed an external auditor with terms of reference, qualifications and experience acceptable to the Association.

Section III. Procurement

A. General

1. **Goods.** All goods 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

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) National Competitive Bidding, provided that: (i) bids are advertised in national newspapers with wide circulation; (ii) bid evaluation, bidder qualification and award criteria are specified clearly in the bidding documents; (iii) bidders are given adequate response time (minimum four weeks) to prepare and submit bids; (iv) bids are awarded to the lowest evaluated bidder provided this bidder is qualified; (v) eligible bidders, including foreign bidders, are not precluded from participating; (vi) no preference margin is granted to domestic suppliers; and standard bidding documents acceptable to the Association are used;
(b) Shopping;
(c) Direct Contracting; and
(d) Limited International Bidding.

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 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.

Procurement Method
(a) Consultant’s Qualification;
(b) Least Cost Selection;
(c) Single Source Selection; and
(d) Individual Consultant.

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.

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:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, consultants' services, Training and Operating Costs for Parts A, B.1, and C of the Project	6,800,000	100%
(2) Goods, consultants' services, Training and Operating Costs for Part B.2(A) of the Project	900,000	100%
(3) Goods and consultants' services financed by Matching Grants under Part B.2(B) of the Project	400,000	100% of amount of Matching Grants disbursed for such items
(4) Refund of Preparation Advance	1,050,000	Amount payable pursuant to Section 2.07 of the General Conditions
(5) Unallocated	550,000	100%
TOTAL AMOUNT	9,700,000	

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.
2. The Closing Date is June 30, 2015.

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.
2. “ARTP” means the Recipient’s *Autorité de Régulation des Télécommunications et des Postes* (and any successor thereof satisfactory to the Association) established pursuant to the Recipient’s Decree 2007-209 dated May 10, 2007.
3. “Beneficiary” means a public or private sector entity which has met the eligibility criteria specified in the Project Implementation Manual and, as a result, has been extended, or is to be extended, a Matching Grant for the carrying out of a Subproject.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
6. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006), with the modifications set forth in Section II of this Appendix.
7. “ICT” means information and communications technologies.
8. “Matching Grant” means a grant made or proposed to be made out of the proceeds of the Financing by the Project Implementing Entity, to a Beneficiary for the purpose of financing a Subproject in accordance with the provisions of Section I.C of the Schedule to the Project Agreement.
9. “Matching Grant Agreement” means an agreement entered into, or to be entered into, between the Project Implementing Entity and a Beneficiary, for the purpose of extending a Matching Grant to such Beneficiary on the terms and conditions set forth or referred to in Section I.C of the Schedule to the Project Agreement.
10. “MCTIC” means the Recipient’s Ministry in Charge of Communications and Information and Communications Technologies (*Ministère Chargé de la Communication et des Technologies de l’Information et de la Communication*).

11. “Operating Costs” means the reasonable incremental operating costs incurred on account of the implementation of the Project including office supplies, vehicles operation and maintenance, audits, maintenance of equipment, communication costs, rental expenses, utilities expenses, consumables, transport and accommodation, *per diem*, supervision costs, and salaries of locally contracted staff, but excluding salaries of civil servants of the Recipient.
12. “Project Coordination Unit” or “PCU” means the Project coordination unit within the MCTIC, established for purposes of assisting in the implementation of the Project in accordance with Section I.A.1 of Schedule 2 of this Agreement and in charge of the implementation of Parts A, B.1 and C of the Project.
13. “Preparation Advance” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on September 23, 2009 and countersigned on behalf of the Recipient on October 23, 2009.
14. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
15. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 22, 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.
16. “Project Implementation Manual” or “PIM” means the project implementation manual referred to in Section I.B.1 of Schedule 2 to this Agreement.
17. “Project Implementing Entity” means *Agence de Gestion des Nouvelles Technologies de l’Information et de la Communication - AGeNTIC*, a *Groupement d’Intérêts Economiques* (GIE) created under the Project Implementing Entity’s Constituent Documents and operating pursuant to the laws of the Recipient (and any successor thereof satisfactory to the Association).
18. “Project Implementing Entity’s Constituent Documents” means the Constituent Contract (*Contrat Constitutif*), dated August 21, 2002, establishing and governing the operations of the Project Implementing Entity and/or any other of its constituent documents which establishes its existence and governance.
19. “Subproject” means a specific development project carried out or to be carried out by a Beneficiary under Part B.2(B) of the Project, and financed or proposed to be financed out of the proceeds of the Financing through a Matching Grant.

20. “Subsidiary Agreement” means the agreement referred to in Section I.C of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to the Project Implementing Entity.
21. “Training” means the training of persons involved in Project-supported activities, based on annual training and workshop plans approved by the Association in writing, such term includes seminars, workshops, conference and study tours, and costs associated with such activity include travel and subsistence costs for training participants, costs of securing the services of trainers, rental of training facilities, preparation and reproduction of training materials and other costs directly related to course preparation and implementation.
22. “Work Plan and Budget” means each work plan and budget referred to in Section I.D of Schedule 2 to this Agreement approved by the Association.

Section II. Modifications to the General Conditions

The modifications to the General Conditions for Credits and Grants of the Association, dated July 1, 2005 (as amended through October 15, 2006) are as follows:

1. Section 2.07 is modified to read as follows:

“Section 2.07. *Refinancing Preparation Advance*

If the Financing Agreement provides for the repayment out of the proceeds of the Financing of an advance made by the Association or the Bank (“Preparation Advance”), the Association shall, on behalf of the Recipient, withdraw from the Financing Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Financing Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Association shall pay the amount so withdrawn to itself or the Bank, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

2. The following terms and definitions set forth in the Appendix are modified as follows, and are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:
 - (a) The term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”