

CONFORMED COPY

CREDIT NUMBER 3296 BEN

ADEX Project Agreement

(Private Sector Development Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

ASSOCIATION DE DEVELOPPEMENT DES EXPORTATIONS

Dated December 30, 1999

CREDIT NUMBER 3296 BEN

PROJECT AGREEMENT

AGREEMENT, dated December 30, 1999 INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and ASSOCIATION DE DEVELOPPEMENT DES EXPORTATIONS (ADEX).

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 lend to the Borrower an amount in various currencies equivalent to twenty-two million two hundred thousand Special Drawing Rights (SDR 22,200,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that ADEX agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a Subsidiary Agreement to be entered into between the Borrower and ADEX parts of the proceeds of the Credit provided for under the Development Credit Agreement will be made available to ADEX on terms and conditions set forth in said Subsidiary Agreement; and

WHEREAS ADEX 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, the term "APEX Project Agreement" has the meaning set forth in Section 1.02 (b) of the Credit Agreement and the following additional terms have the following meanings:

"Exporting Enterprise" means an enterprise which is engaged in export trade activities "Matching Grant Subproject" means a specific activity financed or proposed to be financed through a Matching Grant made under Part B.3 of the Project.

## ARTICLE II

### Execution of the Project

Section 2.01. (a) ADEX 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 A and B of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, technical, and commercial practices; and shall specifically cause to be provided, promptly, as needed, the funds, facilities, services and other resources required for Part A and B of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and ADEX shall otherwise agree, ADEX shall specifically carry out Part B of the Project in accordance with Schedule 1 to this Agreement. Section 2.02. Except as the Association shall otherwise agree,, procurement of the consultants' services procurement of the consultants' services required for Parts A and B of 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. ADEX 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) in respect of Parts A and B of the Project.

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

Section 2.05. (a) ADEX shall, at the request of the Association, exchange views with the Association with regard to the progress of Parts A and B of the Project, the performance of its obligations under this Agreement and under the Subsidiary Agreement.

(b) ADEX shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of Parts A and B of the Project, the accomplishment of the purposes of the Matching Grant Fund, or the performance by ADEX of its obligations under this Agreement and under the Subsidiary Agreement.

(c) ADEX shall participate fully in the review referred to in paragraph 1 (d) of Schedule 4 to the Development Credit Agreement, and to this end, shall furnish to the Borrower and to the Association such reports as may be required for that purpose and in such detail as the Borrower or the Association shall reasonably request on the progress and status of its financial management and accounting system.

## ARTICLE III

### Management and operations of ADEX

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

## ARTICLE IV

### Financial Covenants

Section 4.01. (a) ADEX shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) ADEX shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied by independent auditors acceptable to the Association;
  - (ii) have its technical and managerial performance with respect to the operations of the Matching Grant scheme for each fiscal year audited by said auditors, having regard to the provisions of this Agreement, the Subsidiary Agreement and the Procedures Manual;
  - (iii) furnish to the Association, as soon as available but in any case not later than six (6) months after the end of each such year: (A) certified copies of financial statements for such year as so audited; and (B) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
  - (vi) furnish to the Association such other information concerning said records, accounts and financial statements as well as the audit thereof as the Association shall from time to time reasonably request.
- (c) ADEX shall:
- (i) maintain policies and procedures adequate to enable it to monitor and evaluate separately on an ongoing basis, in accordance with sound accounting practice and the relevant provisions of the Procedures Manual, the carrying out of the operation and management of the Matching Grant Fund;
  - (ii) submit to the Association for its review and approval, as the case may be, before each fiscal year: (A) a proposed annual work program, including a proposed budget and financing plan concerning the Matching Grant Fund for the forthcoming fiscal year; and (B) semiannual and annual progress reports on the operation and status of the Matching Grant Fund, including feedback and completion reports; and
  - (iii) review with the Association, by December 31, 2000, or such later date as the Association shall request, the reports referred to in subparagraph (ii) of this paragraph, and thereafter, take all measures required to ensure the efficient completion of the operations of the Matching Grant Fund and the achievement of the objectives of the Project, based on the conclusions and recommendations of the said report and the Association views on the matter.

#### 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 ADEX thereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Development Credit Agreement shall terminate; or
- (ii) the date 15 years after the date of this Agreement.

(b) If the Development Credit Agreement terminates before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify ADEX 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, telegram, cable, 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 addresses as such party shall have designated by notice to the party giving such notice or making such request. 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<br>Washington, D.C. | 248423 (MCI) or<br>64145 (MCI) | (202) 477-6391 |

For ASSOCIATION DE DEVELOPPEMENT DES EXPORTATIONS:

01 BP 31  
Cotonou  
Republic of Benin

Facsimile:  
(229) 31 32 99

Section 6.02. Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement on behalf of ADEX or by ADEX on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by the President or the Vice-President of the Board of Directors or by such other person or persons as ADEX shall designate in writing, and ADEX 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 Cotonou, Benin, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Sidi Boubacar

Acting Regional Vice President  
Africa

ASSOCIATION DE DEVELOPPEMENT DES EXPORTATIONS

By /s/ Francois O. Tankpinou

Authorized Representative

## SCHEDULE

### Implementation Program

#### A. General

1. Except as the Association shall otherwise agree, ADEX shall: (i) apply criteria, policies, procedures and guidelines set out in the Procedures Manual; and (ii) not amend, waive or permit to be amended or waived the Procedures Manual, 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. ADEX shall operate under the overall control of a board of directors (the Board) which shall:

(a) subject to such changes in membership as the Borrower and the Association may from time to time determine, consist of:

(i) two representatives of export-trading professional agencies having full legal capacity and which are members of ADEX;

(ii) two representatives of export-products manufacturing professional agencies having full legal capacity and which are members of ADEX;

(iii) an export trading individual who is a member of ADEX;

(iv) an export-products individual manufacturer who is a member of ADEX;

(v) a representative from the "Conseil National des Chargeurs";

(vi) a representative from the Chamber of Commerce and Industry of Benin;

(vii) a representative of the "Conseil National pour l'Exportation";

(viii) a representative of the banking sector appointed by the "Association Professionnelle des Banques et Etablissements Financiers"; and

(ix) two representatives of the Borrower appointed respectively by the Ministry in charge of Commerce and the Ministry in charge of Industry;

(b) report to the Association and the Borrower progress made by ADEX in carrying out Parts A.1, A.3 and B.1, B.2, B.3 and B.4 of the Project;

(c) ensure that the provisions of this Agreement and the guidelines established hereunder are observed generally and specifically with respect to the carrying out of Part B of the Project;

(d) review and transmit to the Association approvals of the Board granted under this Schedule and the Procedures Manual; and

(e) oversee the carrying out of the operations by the Management Team referred to in paragraph 3 below.

3. ADEX shall establish and thereafter maintain, in a form and with functions and staffing satisfactory to the Association, its management team (the Management Team) which shall, subject to such changes as the Borrower and the Association may from time to time determine, consist of:

(i) a Secretary General;

(ii) a representative of a private consulting firm appointed to manage the Matching Grant Fund for the first two (2) years of operations; and

(iii) a Beninese employee responsible for managing the Matching Grant Fund after the first two (2) years of operations referred to in subparagraph (ii) above.

B. Eligibility criteria for Matching Grants

1. Without limitation upon the provisions of paragraph 1 of Section A above, no Enterprise shall be eligible for financing out of the proceeds of the Matching Grant Fund unless ADEX has determined, on the basis of an appraisal conducted in accordance with the guidelines set forth in the Procedures Manual that the Matching Grant Subproject satisfies the eligibility criteria specified below and in more detail in the Procedures Manual, which shall, inter alia, include the following:

- (a) Subprojects shall be initiated by any enterprise or pools of enterprises;
- (b) eligibility for Matching Grants shall not be restricted to members of ADEX;
- (c) Subprojects shall be economically, financially, environmentally and technically sound in accordance with criteria specified in the Procedures Manual;
- (d) adequate arrangements are in place for the financing of maintenance and other incremental recurrent expenses, if any, related to the Matching Grant Subproject; and
- (e) a Matching Grant Enterprise shall contribute at least 50% of Matching Grant Subprojects costs, and Matching Grant Subprojects to be carried out by two or more Matching Grant Enterprises shall contribute at least 30% of the Matching Grants Subproject costs, as further specified in the Procedures Manual.

C. Terms and conditions of Matching Grants

1. Subprojects shall be carried out pursuant to Matching Grant Agreements to be concluded between ADEX and the Matching Grant Enterprise, under terms and conditions satisfactory to the Association, which inter alia, shall include the following:

- (a) financing shall be on a grant basis;
- (b) the obligation to carry out the Subproject in accordance with the Procedures Manual, with due diligence and efficiency and accordance with sound technical, financial, environmental and managerial standards and to maintain adequate records to reflect in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Subproject;
- (c) the requirement that the goods, works and services to be financed from the proceeds of the Matching Grant shall be procured in accordance with the procedures set forth in Schedule 3 to the Credit Agreement and shall be used exclusively in carrying out the Matching Grant Subproject;
- (d) the right of ADEX to inspect, by itself or jointly with the Association, if the Association shall so request, the goods, worksites, plants and construction included in the Matching Grant Subproject;
- (e) the right of ADEX to obtain all information as ADEX or the Association shall reasonably request regarding the administration, operations and financial condition of the Matching Grant Subproject; and
- (f) the right of ADEX to suspend or terminate the right of the Matching Grant Enterprise to use the proceeds of the Matching Grant Fund upon failure by the Matching Grant Enterprise to perform any of its obligations under the Matching Grant Agreement.

2. ADEX shall submit to the Association for its review or approval, as the case may be:

- (a) before the beginning of each fiscal year, a proposed annual work program, including a proposed budget and financing plan for the forthcoming fiscal year; and
- (b) semi-annual and annual progress reports on the status of the Matching Grant Fund, including regular feedback reports and Matching Grant Subproject completion reports.

D. Support to Exporting Enterprises

1. The Board of ADEX shall determine the eligibility and conditions for access to the following services:

- (a) technical advisory services;
- (b) computer, database and information technology services;
- (c) marketing, financial, appraisal and management services;
- (d) competitiveness enhancing services; and
- (e) workshops, on-the-job training, site visits, staff training, courses, assistance in trade fair organization.

2. ADEX shall collect from its members:

- (a) annual membership fees in reasonable amounts, as determined by the Board in consultation with the Management Team; and
  - (b) consultants' fees and other participatory fees for certain activities and services rendered to its members.
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