

CONFORMED COPY

CREDIT NUMBER 3195 TO

Project Agreement

(Pilot Social Fund Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

AGENCE D'APPUI AUX INITIATIVES DE BASE-SAVANES

Dated May 3, 1999

CREDIT NUMBER 3195 TO

PROJECT AGREEMENT

AGREEMENT, dated May 3, 1999 between the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and AGENCE D'APPUI AUX INITIATIVES DE BASE-SAVANES (AGAIB-Savanes).

WHEREAS (A) by the Development Credit Agreement of even date herewith between Togolese Republic (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to three million eight hundred thousand Special Drawing Rights (SDR 3,800,000), on the terms and conditions set forth in the Development Credit Agreement, but only on conditions that AGAIB-Savanes agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a Convention to be entered into between the Borrower and AGAIB-Savanes, a part of the proceeds of the credit provided for under the Development Credit Agreement will be made available to AGAIB-Savanes on the terms and conditions set forth in said Convention; and

WHEREAS AGAIB-Savanes, 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 and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) AGAIB-Savanes 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 the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and environmental practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and AGAIB-Savanes shall otherwise agree, AGAIB-Savanes shall carry out the Project in accordance with the Implementation Program set forth in the Schedule to this Agreement.

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

Section 2.03. AGAIB-Savanes shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement.

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

Section 2.05. (a) AGAIB-Savanes shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of its obligations under this Agreement, the AGAIB-Savanes Convention and the Operating Manual, and other matters relating to the purposes of the Credit;

(b) AGAIB-Savanes shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by AGAIB-Savanes of its obligations under this Agreement, the Convention and the Operating Manual; and

(c) Without limitation upon the generality of the foregoing, AGAIB-Savanes shall participate fully in the reviews referred to in paragraph B.2 (b) of Schedule 4 to the Development Credit Agreement and, to this end, shall: (a) furnish to the Borrower and 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 the Project; (b) following each annual review, act promptly and diligently in order to take, or assist the Borrower in taking, any corrective action deemed necessary to remedy any shortcoming noted in the implementation of the Project, or to implement, or assist the Borrower in implementing, such other measures as may have been agreed upon between the parties in furtherance of the objectives of the Project; and (c) take all measures on its part to organize, in conjunction with the Association and the Borrower, the workshop referred to in paragraph B.2 (e) of Schedule 4 to the Development Credit Agreement.

ARTICLE III

Management and Operations of AGAIB-Savanes

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

(b) AGAIB-Savanes shall ensure that the (i) the Regional Coordinator, the Head of Finance and Accounting and the coordinators for each of Parts A, B and C of the Project shall be appointed in accordance with the timetable specified in the Operating Manual; and (ii) the positions referred to in the preceding subparagraph shall be kept filled at all times by persons, whose qualifications and experience shall have been communicated to the Association and found to be acceptable.

Section 3.02. AGAIB-Savanes shall at all times operate and maintain its buildings, office space, equipment, vehicles and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound technical, engineering, financial and environmental practices.

Section 3.03. AGAIB-Savanes shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association, for insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE IV

Financial Covenants

Section 4.01. (a) AGAIB-Savanes shall establish and maintain a financial management system, including records and accounts, and prepare financial statements, all in accordance with accounting standards acceptable to the Association, consistently applied, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures for and in connection with the carrying out of the Project.

(b) AGAIB-Savanes shall:

(i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements), including those for the AGAIB-Savanes Special Account, for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) have its administrative, technical and managerial performance for each fiscal year audited by said auditors, having regard to the provisions of its statutes and by-laws, and of this Agreement, the AGAIB-Savanes Convention and the Operating 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 its 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

(iv) 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.

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 AGAIB-Savanes thereunder shall terminate on the earlier of the following two dates:

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

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

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify AGAIB-Savanes 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 radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Association:

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

Cable address:

INDEVAS
Washington, DC

Telex:

248423 (MCI) or
64145 (MCI)

For AGAIB-SAVANES:

B.P. 41
Dapaong
TOGO

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of AGAIB-Savanes, or by AGAIB-Savanes on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by the Regional Coordinator or such other person or persons as the Regional Coordinator shall designate in writing, and AGAIB-Savanes shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Theodore Ahlers

Acting Regional Vice President
Africa

AGENCE D'APPUI AUX INITIATIVES DE BASE-SAVANES

By /s/ Pascal A. Bodjona

Authorized Representative

SCHEDULE

Implementation Program

A. General

1. Except as the Association shall otherwise agree, in implementing the Project AGAIB-Savanes shall: (i) apply criteria, policies, procedures and guidelines set out in the Operating Manual, and (ii) not amend, or waive, or permit to be amended or waived, the Operating 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. AGAIB-Savanes shall operate under the overall control of a Board of Directors consisting of seven (7) members, including four (4) representatives of civil society and three (3) representatives of relevant technical ministries of the Borrower.

3. The Board of Directors shall appoint a Regional Coordinator, who shall, subject to the overall control of the Board of Directors, be responsible for the day to day management of activities under the Project.

4. Each Regional Screening Committee shall consist of five (5) members, including three (3) representatives of civil society and two (2) representatives of relevant technical ministries of the Borrower.

B. Part A of the Project

5. Eligibility Criteria for Subprojects

Without limitation upon the provisions of paragraph 1 above, no Subproject shall be eligible for financing out of the proceeds of the Credit unless AGAIB-Savanes has determined, on the basis of an appraisal conducted in accordance with the guidelines set forth in the Operating Manual, that the Subproject satisfies the eligibility criteria specified below and in more detail in the Operating Manual, which shall include, inter alia, the following:

(a) the Subproject shall be initiated by a Beneficiary;

(b) the Subproject shall be submitted to AGAIB-Savanes by an Implementing Agency;

(c) the Subproject shall be for any of the types of infrastructure referred to in Part A of the Project;

(d) the Subproject shall have been reviewed by the Borrower's Ministry responsible for the particular sector within which the Subproject falls for its conformity with the relevant sector policies and applicable regulations and received a non-objection from that Ministry;

(e) the Subproject shall be economically, financially, environmentally and technically sound in accordance with the criteria/parameters specified in the Operating Manual;

(f) the Subproject shall not be considered for financing unless adequate arrangements are in place for the financing by the Beneficiary of maintenance and other incremental recurrent costs, if any; and

(g) the Beneficiary shall provide at least 15% of the estimated Subproject costs in the form of land, buildings, cash, materials, labor or other services.

6. Procedures

(a) Applications for Grants to finance Subprojects shall be prepared by Beneficiaries, and submitted to AGAIB-Savanes, which shall, in the circumstances described in subparagraph A.1(d) of Schedule 4 to the Development Credit Agreement, refer them to the Regional Screening Committee.

(b) Subject to the decision of the Regional Screening Committee, and to approval guidelines prescribed in the Operating Manual, applications for Grants shall be approved by the Regional Coordinator.

7. Terms and Conditions of Grants made for Subprojects

Subprojects shall be carried out pursuant to Financing Agreements, to be concluded between AGAIB-Savanes and the Implementing Agency, 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 Operating Manual, with due diligence and efficiency and in accordance with sound environmental, technical, financial 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: (i) the goods, works and services to be financed from the proceeds of the Credit shall be procured in accordance with the procedures set forth in Schedule 3 to the Development Credit Agreement; and (ii) such goods, works and services shall be used exclusively in the carrying out of the Subproject;

(d) the right of AGAIB-Savanes to inspect, by itself, or jointly with the Association, if the Association shall so request, the goods, work sites, plants and construction included in the Subproject, the operations thereof and any relevant records and documents;

(e) the right of AGAIB-Savanes to obtain all information as AGAIB-Savanes or the Association shall reasonably request regarding the administration, operations and financial conditions of the Subproject; and

(f) the right of AGAIB-Savanes to suspend or terminate the right of the Implementing Agency to use the proceeds of the Grant for the Subproject upon failure by the Implementing Agency to perform any of its obligations under its Financing Agreement.

8. AGAIB-Savanes shall submit to the Association, for its review or approval, as the case may be:

(a) before the beginning of each Project Year, a proposed annual work program, including a proposed budget and financing plan, for the forthcoming fiscal year; and

(b) semiannual and annual progress reports on the status of the Project, including regular beneficiary feedback reports and Subprojects completion reports.

C. Part B of the Project

Any use of the proceeds of the Credit for the benefit of formal or informal financial institutions shall be in accordance with the criteria set forth in paragraphs 9 and 10 below:

9. No informal financial institution shall benefit from the provision of technical advisory services and training or the acquisition of equipment and materials eligible for financing out of the proceeds of the Credit unless AGAIB-Savanes has determined, on the basis of an appraisal, that the informal financial institution satisfies the eligibility criteria specified below which shall include, inter alia, the following:

(a) the financial institution shall have been carrying out its activities for two (2) years at least;

(b) the financial institutions shall have thirty (30) clients and members at least, the majority of which shall be women; and

(c) the financial institution shall maintain written records and accounts albeit in simplified manner, and prepare financial statements.

10. No formal financial institution shall benefit from social intermediation services eligible for financing out of the proceeds of the Credit unless AGAIB-Savanes has determined, on the basis of an appraisal, that the formal financial institution satisfies the eligibility criteria specified below, which shall include, inter alia, the following:

(a) the financial institution shall have been carrying out financial activities for three (3) years at least, and shall have a competent staff;

(b) the financial institution shall have maintained or published, in accordance with sound accounting practices, its financial statements for the last three (3) fiscal years; and

(c) the financial institution shall offer financial services appropriate to low income clients.

