

CONFOROED COPY

CREDIT NUMBER 4117 BEN

Development Credit Agreement

(Second Decentralized City Management Project)

between

REPUBLIC OF BENIN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 3, 2005

CREDIT NUMBER 4117 BEN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated November 3, 2005, between REPUBLIC OF BENIN (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter from the Borrower, dated February 1999 and a letter dated July 18, 2005, describing a program designed to improve the Borrower's delivery of urban services (the Program) and declaring the Borrower's commitment to the execution of such program;

(B) The Borrower has requested that the Association support the Borrower's execution of the Program through a series of credits over a period of approximately four (4) years for a first phase and four (4) years for a second phase of the Program, to be utilized by the Borrower in the implementation of the Program;

(C) The Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(D) Parts A, C, D.1, D.2 (b), D.3 (a) (ii) and D.3 (b) (ii) of the Project described in Schedule 2 to this Agreement will be carried out by *Société d'Etudes Régionales d'Habitat et d'Aménagement Urbain (SERHAU)*, and Parts B, D.2 (a), D.3 (a) (i), D.3 (b) (i) and D.4 of the Project will be carried out by *Agence d'Exécution des Travaux Urbains (AGETUR)*, with the Borrower's assistance and, as part of such assistance, the Borrower will make available to SERHAU and AGETUR the proceeds of the Credit as provided in this Agreement; and

WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the agreements of even date herewith between the Association and AGETUR and SERHAU;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through

May 1, 2004), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

- (a) Section 5.08 of the General Conditions is amended to read as follows:

“Section 5.08. *Treatment of Taxes*

Except as otherwise provided in the Development Credit Agreement, the proceeds of the Credit may be withdrawn to pay for taxes levied by, or in the territory of, the Borrower on the goods or services to be financed under the Credit, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Association’s policy of requiring economy and efficiency in the use of the proceeds of its credits. To that end, if the Association shall at any time determine that the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the Credit is excessive or otherwise unreasonable, the Association may, by notice to the Borrower, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Development Credit Agreement as required to be consistent with such policy of the Association.”

- (b) Section 6.03 (c) of the General Conditions is amended by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive or coercive”.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

- (a) “Affected Persons” means persons who, on account of the execution of the Project, had or would have their: (i) standard of living adversely affected; or (ii) right, title, interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected; and “Affected Person” means any of the Affected Persons;

- (b) “AGETUR” means *Agence d’Exécution des Travaux Urbains*, a private company established and operating under the Borrower’s laws and regulations pursuant to its statutes dated June 20, 2002, as amended at the date of this Agreement (the AGETUR Statutes);

- (c) “AGETUR Project Account” means the first account referred to in Section 3.02 (a) of this Agreement;

- (d) “AGETUR Project Agreement” means the agreement between the Association and AGETUR of even date herewith, as the same may be amended from time

to time, and such term includes all schedules and agreements supplemental to the AGETUR Project Agreement;

(e) “AGETUR Subsidiary Agreement” means the agreement to be entered into between the Borrower and AGETUR pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the AGETUR Subsidiary Agreement;

(f) “CFA Franc” or “CFAF” means *Franc de la Communauté Financière Africaine*, the currency of the Borrower;

(g) “CISU” means a community initiative support unit to be established within each of the Cities (as hereinafter defined);

(h) “Cities” means the Primary Cities and the Secondary Cities, collectively, and the term “City” means each of the Cities;

(i) “*Communes*” means the *communes* of Cotonou, Porto-Novo, Parakou, Abomey-Calavi, Lokossa and Kandi, collectively created pursuant to the Law No. 97-028 dated as of January 15, 1999 regarding the administrative territorial organization of the Borrower.

(j) “Community” means the inhabitants of a Neighborhood (as hereinafter defined);

(k) “Component D Triggers” means the confirmation by the Borrower and the Association no later than at the time of the Mid-Term Review (as hereinafter defined) that the following conditions have been met by the Borrower and the City of Porto-Novo: (i) an institutional arrangement with the required technical capacity (including a fully staffed and funded municipal solid waste management unit) is in place; (ii) a reliable and agreeable financing plan for the solid waste management plan is adopted; and (iii) satisfactory completion and adoption of a comprehensive solid waste management plan, including siting studies and the environmental and social impact assessment for the construction of a new landfill;

(l) “COSUCO” means the *Comité de Suivi, de Coordination et d’Orientation*, the new Interministerial Steering Committee created by the *Décret* No. 2005-414, dated as of July 11, 2005 (the *COSUCO Décret*), as referenced in paragraph 2 (b) of Schedule 4 to this Agreement;

(m) “Eligible Categories” means Categories (1) through (5) set forth in the table in Paragraph A.1 of Schedule 1 to this Agreement;

(n) “Eligible Expenditures” means the expenditures for goods, works and consultants’ services referred to in Section 2.02 of this Agreement;

(o) “Environmental and Social Impact Assessment” or “ESIA” means the document prepared and adopted by the Borrower containing the analysis of and mitigating measures for potential environmental and social impacts of an individual activity to be implemented under the Project, as and when required by the ESMF (as hereinafter defined);

(p) “Environmental and Social Management Framework” or “ESMF” means the framework, dated May 19, 2005, agreed with the Association for the environmental and social screening process to be followed in identifying, assessing, and mitigating the potential adverse environmental and social impact associated with activities to be implemented under the Project;

(q) “Environmental Management Plan” or “EMP” means the document prepared and adopted by the Borrower containing the mitigating measures for potential environmental and social impacts of an individual activity to be implemented under the Project, as and when required by the ESMF;

(r) “Euro” or “€” means the lawful common currency of member states of the European Union who adopt the single currency in accordance with the Treaty establishing the European Currency, as amended to date by the Treaty on European Union;

(s) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(t) “First Decentralized City Management Project” means the Decentralized City Management Project financed with the assistance of the Association pursuant to a Development Credit Agreement between the Borrower and the Association (Credit No.3234 BEN dated July 1, 1999);

(u) “LSC” means a local steering committee established within a City pursuant to paragraph 2 (e) of Schedule 4 to this Agreement;

(v) “MCPD” means the *Ministère chargé de la Planification et du Développement*, the Borrower’s ministry responsible for planification and development;

(w) “MEHU” means *Ministère de l’Environnement, de l’Habitat et de l’Urbanisme*, the Borrower’s ministry responsible for environmental affairs, habitat and urban development;

(x) “MFE” means the *Ministère des Finances et de l’Economie*, the Borrower’s ministry responsible for finance;

(y) “MISD” means *Ministère de l’Intérieur, de la Sécurité et de la Décentralisation*, the Borrower’s ministry responsible for the interior, security and land administration;

(z) “NDC” means a Neighborhood Development Committee, comprising representatives of Neighborhoods and established pursuant to the provisions of the Project Implementation Manual (as hereinafter defined);

(aa) “Neighborhood” means any of the areas within the Cities for the benefit of whose inhabitants Project activities are to be, or are being, carried out;

(bb) “Neighborhood Agreement” means an agreement to be entered into between one of the Cities and a NDC for the purposes of carrying out a Neighborhood Development Activity as hereinafter defined, and such term includes all schedules to the Neighborhood Agreement;

(cc) “Neighborhood Development Activity” or “NDA” means all development activities, carried out under Parts C.1 and C.2 of the Project, financed out of the proceeds of the Credit and to be carried out in a Neighborhood;

(dd) “Primary Cities” means Cotonou, Porto-Novo and Parakou;

(ee) “Procurement Plan” means that the Borrower’s procurement plan, dated July 25, 2005 covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.03 to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation;

(ff) “Project Administrative, Financial and Accounting Manual” means the Project-specific manual outlining the administrative, financial and accounting arrangements for the implementation of the Project, referred to in paragraph 1 of Schedule 4 to this Agreement and adopted pursuant to Section 6.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Project Administrative, Financial and Accounting Manual;

(gg) “Project Implementation Manual” and “PIM” means that the manual referred to in paragraph 1 of Schedule 4 to this Agreement and adopted pursuant to Section 6.01(b) of this Agreement, containing, *inter alia*, monitoring and performance indicators, procurement guidelines, bidding procedures, conditions to be included in Neighborhood Agreements, and other relevant arrangements for carrying out the Project, as the same may be amended from time to time with the approval of the Association, and such term includes any schedules and attachments supplemental to the Project Implementation Manual;

(hh) “Project Preparation Advance” means the project preparation advance granted by the Association to the Borrower pursuant to the letter agreement signed on behalf of the Association on August 30, 2004 and on behalf of the Borrower on September 14, 2004, as amended on May 18, 2005;

(ii) “Project Unit” means the *Cellule de Pilotage et de Suivi*, the project specific unit created within the MEHU by the Arrêté No. 0054/MEHU/DC/SG/DUA/SA, dated as of July 14, 2005 (Project Unit Arrêté), as referenced in paragraph 2 (a) of Schedule 4 of this Agreement;

(jj) “*Protocoles*” means the agreements entered into between the Borrower and each of the *Communes* specifying the roles and responsibilities of the *Communes*, the line ministries and the Borrower and the policy reforms to be undertaken by each party;

(kk) “Infrastructure and basic services-related expenses” means the core urban expenses (i.e., the difference between total expenses and operating expenses);

(ll) “Report-based Disbursements” means the Borrower’s option for withdrawal of funds from the Credit Account referred to in Part A.5 of Schedule 1 to this Agreement;

(mm) “Resettlement Action Plan” or “RAP” means the document prepared and adopted by the Borrower in accordance with the RPF, setting forth the procedures for the land acquisition, resettlement or rehabilitation of displaced persons in connection with an individual activity to be implemented under the Project;

(nn) “RPF” means the Resettlement Policy Framework of the Borrower adopted on May 19, 2005, which sets forth the modalities for social analysis and a resettlement policy framework outlining the modalities for land acquisition, resettlement and rehabilitation of displaced persons;

(oo) “Secondary Cities” means Abomey-Calavi, Lokossa and Kandi;

(pp) “SERHAU” means *Société d’Etudes Régionales d’Habitat et d’Aménagement Urbain*, a private company established under the Borrower’s laws and regulations pursuant to its statutes dated September 16, 2004 (the SERHAU Statutes);

(qq) “SERHAU Project Account” means the second account referred to in Section 3.02 (a) of this Agreement;

(rr) “SERHAU Project Agreement” means the agreement between the Association and SERHAU of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the SERHAU Project Agreement;

(ss) “SERHAU Subsidiary Agreement” means the agreement to be entered into between the Borrower and SERHAU pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the SERHAU Subsidiary Agreement; and

(tt) "Special Accounts" means the accounts referred to in Section 2.02 (b) of this Agreement.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to twenty four million Special Drawing Rights (SDR 24,000,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in CFAF two special deposit accounts, Special Account A in the name of AGETUR and Special Account B in the name of SERHAU, each in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of each respective Special Account shall be made in accordance with the provisions of Schedule 1 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be June 30, 2010, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates

as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on May 15 and November 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each May 15 and November 15 commencing November 15, 2015, and ending May 15, 2045 . Each installment to and including the installment payable on May 15, 2025 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

(A) Requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and

(B) Requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The Euro is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause AGETUR and SERHAU to perform in accordance with the provisions of the AGETUR Project Agreement and the SERHAU Project Agreement, respectively, all of the obligations of AGETUR and SERHAU therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable AGETUR and SERHAU, respectively, to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall, under the AGETUR Subsidiary Agreement to be entered into between the Borrower and AGETUR under terms and conditions which shall have been approved by the Association, transfer the proceeds of the Credit allocated from time to time to Categories 1 (a), 1 (c), 3 (a), 3 (c) (i) and 5 (a) of the table in paragraph A.1 of Schedule 1 to this Agreement, to AGETUR as a grant.

(c) The Borrower shall, under the SERHAU Subsidiary Agreement to be entered into between the Borrower and SERHAU under terms and conditions which shall have been approved by the Association, transfer the proceeds of the Credit allocated from time to time to Categories 1 (b), 2, 3 (b), 3 (c) (ii) and 5 (b) of the table in paragraph A.1 of Schedule 1 to this Agreement, to SERHAU as a grant.

(d) The Borrower shall exercise its rights under the AGETUR Subsidiary Agreement and the SERHAU Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the AGETUR Subsidiary Agreement or the SERHAU Subsidiary Agreement or any provision thereof.

(e) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall cause AGETUR and SERHAU to carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Without limitation to its obligations under Section 3.01 of this Agreement, the Borrower shall:

(a) Cause each of AGETUR and SERHAU to open and thereafter maintain for the duration of the Project, an account in CFAF (the AGETUR Project Account and the SERHAU Project Account, respectively) each in a commercial bank on terms and conditions satisfactory to the Association;

(b) No later than March 31, 2006, make an initial deposit into respectively, the AGETUR Project Account and the SERHAU Project Account, in the amount of respectively CFAF 85,000,000 and CFAF 15,000,000, to finance the contributions of the Borrower to the Project;

(c) No later than April 30, 2006, make a deposit into respectively, the AGETUR Project Account and the SERHAU Project Account, in the amount of respectively CFAF 85,000,000 and CFAF 15,000,000, to finance the contributions of the Borrower to the Project;

(d) Deposit into the AGETUR Project Account and into the SERHAU Project Account, at anytime until the completion of the Project that the amount in the AGETUR Project Account is less than CFAF 100,000,000 or in the SERHAU Project Account is less than CFAF 15,000,000, such amounts as shall be required to timely replenish the AGETUR Project Account and the SERHAU Project Account respectively back to the aggregate amounts of the initial deposits referred to in paragraph (b) above and the subsequent deposits referred to in paragraph (c) above; and

(e) Ensure that amounts deposited into the AGETUR Project Account and into the SERHAU Project Account shall be used exclusively to finance expenditures made or to be made, if the Association shall so agree, in respect of the reasonable cost of goods, works and services for the Project in addition to those financed out of the proceeds of the Credit.

Section 3.03. (a) Except as the Association shall otherwise agree, procurement of the goods, works and 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 this Agreement as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower shall update the Procurement Plan in accordance with guidelines acceptable to the Association, and furnish such update to the Association not later than 12 months after the date of the preceding Procurement Plan, for the Association's approval.

Section 3.04. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06 and 9.07 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, and maintenance, respectively) shall be carried out by AGETUR and SERHAU respectively, pursuant to Section 2.03 of the AGETUR Project Agreement and Section 2.03 of the SERHAU Project Agreement, respectively.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements, all in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect its operations, resources and expenditures related to the Project.

- (b) The Borrower shall:
- (i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Association) commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made, audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;
 - (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Association): (A) certified copies of the respective financial statements referred to in paragraph (a) of this Section for such year (or such other period agreed to by the Association), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and
 - (iii) Furnish to the Association such other information concerning such records, accounts and the audit of such financial statements,

and concerning said auditors, as the Association may from time to time reasonably request.

(c) for all expenditures with respect to which withdrawals from the Credit Account were made on the basis of reports referred to in Part A.5 of Schedule 1 to this Agreement (Report-based Disbursements) or on the basis of statements of expenditure, the Borrower shall:

- (i) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Association has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Credit Account was made;
- (ii) enable the Association's representatives to examine such records; and
- (iii) ensure that such reports or statements of expenditure are included in any audit that the Association may have requested pursuant to paragraph (b) of this Section.

Section 4.02. (a) The Borrower shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association which:

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

(b) The first FMR shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional events are specified:

(a) A situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out;

(b) AGETUR or SERHAU shall have failed to perform any of its obligations under the AGETUR Project Agreement or the SERHAU Project Agreement, respectively;

(c) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that AGETUR or SERHAU will be able to perform its obligations under the AGETUR Project Agreement or the SERHAU Project Agreement, respectively; and

(d) The AGETUR Statutes or the SERHAU Statutes shall have been amended, suspended or waived so as to affect materially and adversely the ability of AGETUR or SERHAU, to perform any of its obligations under the AGETUR Project Agreement or the SERHAU Project Agreement.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) The AGETUR Subsidiary Agreement and the SERHAU Subsidiary Agreement have been executed on behalf of the Borrower, and AGETUR and SERHAU, respectively;

(b) The Borrower, AGETUR and SERHAU have adopted the Project Implementation Manual and the Project Administrative, Financial and Accounting Manual, both in form and substance satisfactory to the Association;

(c) The AGETUR Project Account and the SERHAU Project Account have been opened ;

(d) The Borrower has furnished to the Association evidence that the Borrower has recruited the independent auditors referred to in Section 4.01 of this

Agreement and in Section 4.01 (b) (i) of the AGETUR Project Agreement and of the SERHAU Project Agreement in accordance with the provisions of Schedule 3 to this Agreement; and

(e) *Conventions de Maîtrise d'Ouvrage Délégué* in form and substance satisfactory to the Association have been executed between AGETUR and each of the Primary Cities and SERHAU and each of the Primary Cities, respectively.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the AGETUR Project Agreement and the SERHAU Project Agreement have been duly authorized or ratified by AGETUR and SERHAU, respectively, and are legally binding upon AGETUR and SERHAU, respectively, in accordance with their respective terms; and

(b) that the AGETUR Subsidiary Agreement and the SERHAU Subsidiary Agreement have been duly authorized or ratified by the Borrower and AGETUR and SERHAU, respectively, and are legally binding upon the Borrower, AGETUR and SERHAU, respectively, in accordance with their respective terms.

Section 6.03. The date ninety days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of the Borrower at the time responsible for finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministère des Finances et de l'Économie
B.P. 302
Cotonou
Republic of Benin

Cable address:	Telex:	Facsimile:
MINFINANCES Cotonou	5009 MINFIN or 5289 CAA	(229) 30 18 51 (229) 31 53 56

For the Association:

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

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

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, Republic of Benin, as of the day and year first above written.

REPUBLIC OF BENIN

By /s/ Dr. Zul-Kifl Salami
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Diarietou Gaye
Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

A. General

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amount of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category.

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works:		
(a) under Part B of the Project	11,800,000	90%
(b) under Part C of the Project:	600,000	90%
(c) under:		
(i) Part D.1, D.2 D.3(a)(ii), D.3(b) and D.4 of the Project,	1,968,000	90%
(ii) Part D.3 (a)(i) of the Project	82,000	
(2) Goods:		
(a) Equipment under Part A of the Project	550,000	100 % of foreign expenditures and 90% of local expenditures
(b) Equipment under Part C of the Project	370,000	100 % of foreign expenditures and 90% of local expenditures

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(c) Equipment under Part D of the Project	680,000	100 % of foreign expenditures and 90% of local expenditures
(3) Consultants' services and training:		
(a) Under Part B of the Project	960,000	100 %
(b) Under (i) Parts A of the Project; and (ii) Part C of the Project	2,600,000	100 %
(c) Under Part D of the Project implemented by:		
(i) AGETUR	780,000	100 %
(ii) SERHAU	100,000	100 %
(4) Operating costs under Part A of the Project	170,000	90 %
(5) Management fees:		
(a) AGETUR	860,000	100 %
(b) SERHAU	550,000	100 %
(6) Refunding of Project Preparation Advance	550,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(7) Unallocated	1,380,000	
	<hr/>	
TOTAL	24,000,000	
	<hr/> <hr/>	

2. for the purposes of this Schedule:

(a) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term “local expenditures” means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; provided, however, that, if the currency of the Borrower is also that of another country from the territory of which goods or services are supplied, expenditures in such currency for such goods or services shall be deemed to be “foreign expenditures”;

(c) the term “management fees” means fees payable by the Borrower to AGETUR and SERHAU, respectively, for the services to be rendered under the AGETUR Subsidiary Agreement and the SERHAU Subsidiary Agreement, respectively; and

(d) the term “operating costs” means incremental recurrent expenditures incurred by the Project Unit on account of the Project implementation including office supplies, fuel and maintenance of vehicles, maintenance of equipment, telephone and other communications charges, office rent and insurance for vehicles, motorcycles and office equipment and furniture, travel and supervision and salaries for the following support personnel for the Project Unit: a driver, a secretary and a courier.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) Payments made for expenditures prior to the date of this Agreement;

(b) Payments made for expenditures under Categories (1) (b) and (2) (b) of the table set forth in paragraph A.1 of this Schedule with respect to activities to be implemented in a specific City unless the Association is furnished with evidence of the establishment, and adequate staffing of a CISU in such City;

(c) Payments made for expenditures under Categories (1), (2), (3) and (4) of the table set forth in paragraph A.1 of this Schedule with respect to activities to be implemented in a Secondary City unless the Association is furnished with evidence that the appropriate *Convention de Maîtrise d’Ouvrage Délégué* has been executed by such relevant Secondary City and each of AGETUR and SERHAU, respectively;

(d) Payments made for expenditures under Category 1 (b) of the table set forth in paragraph A.1 of this Schedule with respect to activities to be implemented in a specific City, unless: (i) the Association is satisfied that the NDA in such City complies with the eligibility criteria, procedures and conditions specified in paragraph 9 of Schedule 4 to this Agreement and more specifically in the PIM; and (ii) a Neighborhood

Agreement, satisfactory to the Association, has been entered into between a NDC and the relevant City under the terms and conditions set forth in paragraph 10 of Schedule 4 to this Agreement;

(e) Payments made for expenditures under Category 1 (a) of the table set forth in Paragraph A.1 of this Schedule unless the initial deposits required to be made pursuant to Section 3.02 (b) of this Agreement have been deposited in the AGETUR Project Account and the SERHAU Project Account, respectively, and

(f) Payments made for expenditures for works for the construction of a landfill for the city of Porto Novo under Category (1) (c) (i) of the table set forth in paragraph A.1 of this Schedule unless the Component D Triggers have been satisfied.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than \$250,000 equivalent per contract; (b) works costing less than \$500,000 equivalent per contract; (c) services of individual consultants costing less than \$50,000 equivalent per contract; and (d) services of consulting firms under contracts costing less than \$100,000 equivalent per contract, all under such terms and conditions as the Association shall specify by notice to the Borrower.

5. The Borrower may request withdrawals from the Credit Account to be made on the basis of reports to be submitted to the Association in form and substance satisfactory to the Association, such reports to include the FMR and any other information as the Association shall specify by notice to the Borrower (Report-based Disbursements). In the case of the first such request submitted to the Association before any withdrawal has been made from the Credit Account, the Borrower shall submit to the Association only a statement with the projected sources and applications of funds for the Project for the six-month period following the date of such request.

B. Special Accounts

1. The Borrower may open and maintain in CFAF two special deposit accounts (Special Account A and Special Account B) in a commercial Bank acceptable to the Association, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment.

2. After the Association has received evidence satisfactory to it that the Special Accounts have been opened, withdrawals from the Credit Account of amounts to be deposited into the Special Accounts shall be made as follows:

(a) if the Borrower is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) if the Borrower is making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Accounts shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of the Special Accounts, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into the Special Accounts:

(a) if the Association, at any time, is not satisfied that the reports referred to in Part A.5 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

(b) if the Association determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Borrower directly from the Credit Account; or

(c) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Association shall not be required to make further deposits into the Special Accounts in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Accounts may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Association determines at any time that any payment out of the Special Accounts was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into the Special Accounts (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment. Unless the Association shall otherwise agree, no further deposit by the Association into

the Special Accounts shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association determines at any time that any amount outstanding in the Special Accounts will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Accounts.

(d) Refunds to the Association made pursuant to subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Development Credit Agreement.

Annex A
to
SCHEDULE 1
Operation of Special Accounts
When Withdrawals Are Not
Report-based Disbursements

1. The term “Authorized Allocation” means an amount equivalent to (a) FCFA 1.2 billion in respect of Special Account A, and (b) FCFA 400 million in respect of Special Account B, to be withdrawn from the Credit Account and deposited into the relevant Special Account pursuant to paragraph 3 (a) of this Annex, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount of FCFA 800 million in respect of Special Account A, and an amount of FCFA 200 million in respect of Special Account B, until: (i) in respect of Special Account A, the aggregate amount of withdrawals from the Credit Account allocated to Categories 1 (a), 1 (c), 3 (a), 3 (c) (i) and 5 (a) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Parts B, D.2 (a), D.3 (a) (i) and D.3 (b) (i) of the Project shall be equal to or exceed the equivalent of SDR 4 million; and (ii) in respect of Special Account B, the aggregate amount of withdrawals from the Credit Account allocated to Categories 1 (b), 2, 3 (b), 3 (c) (ii), 4 and 5 (b) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Parts A, C, D.1, D.2 (b), D.3 (a) (ii) and D.3 (b) (ii) of the Project shall be equal to or exceed the equivalent of SDR 1.5 million.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the Special Accounts of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Accounts such amount as the Borrower shall have requested.

(b) For replenishment of the Special Accounts the Borrower shall furnish to the Association requests for deposit into the Special Accounts at such intervals as the Association shall specify. Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Accounts such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special

Accounts for Eligible Expenditures. Each such deposit into the Special Accounts shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.

3. The Association shall not be required to make further deposits into the Special Accounts, once the total unwithdrawn amount of the Credit minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Accounts as of the date of such notice will be utilized in making payments for Eligible Expenditures.

**Annex B
To
SCHEDULE 1**

**Operation of Special Accounts
When Withdrawals Are
Report-based Disbursements**

1. Withdrawals from the Credit Account shall be deposited by the Association into the Special Accounts in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Accounts shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.

2. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Accounts an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the reports referred to in Part A.5 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.

SCHEDULE 2

Description of the Project

The objective of the Project is to increase access to infrastructure and basic services for residents of the Borrower's Cities.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Municipal Management Capacity Building in the Principal Cities

1. Strengthening the management performance of the Cities of Cotonou, Porto-Novo and Parakou and implementing actions identified under the First Decentralized City Management Project, through:

(a) the provision of technical assistance, and training, for the elaboration of financial and accounting manuals and software establishing clear procedures for the staff of the finance departments of the Primary Cities;

(b) the provision of technical assistance for the modernization of storage and classification systems for financial accounting data;

(c) the carrying out of studies to improve tax recovery;

(d) the acquisition for the municipalities of computers, office equipment and vehicles; and

(e) the carrying out of workshops and training activities, the provision of technical advisory services and the acquisition of equipment, to support municipalities education, in fighting HIV/AIDS at the local level.

2. Strengthening the capacity of MISD, MEHU, MFE and MCPD to better assist the Cities through:

(a) the provision of technical advisory services, studies and training for communication, education and information of urban residents regarding the Project;

(b) the carrying out of studies and workshops for the review of the Borrower's urban sector in view of donor harmonization in the sector and the determination of statistical indicators for the sector;

(c) the acquisition of computers and other office equipment, and vehicles, essentially for the Project Unit;

(d) the provision of training for the staff of the Project Unit, SERHAU and AGETUR in implementation of ESMF and RPF;

(e) the provision of technical advisory services for the elaboration of guidelines including a manual for solid waste management , and the carrying out of studies to improve the performance of tax department line ministry, training in supervision and analysis of cities' expenditures;

(f) the carrying out of workshops for the communication of lessons learned from the principal studies, at the time of start off of the Project, at the time of the Mid-Term Review and at the time of completion of the Project; and

(g) the financing of salaries for the following support personnel for the Project Unit: a driver, a secretary and a courier.

3. Strengthening the management capacity of the Secondary Cities through the carrying out of workshops for: (i) the exchange of information between the Primary Cities and the Secondary Cities; (ii) the provision of technical assistance and acquisition of equipment to carry out an analysis of the Secondary Cities' internal organization and human resources; (iii) the carrying out of a study for the improvement of the fiscal management system; and (iv) the provision of technical assistance and training for the elaboration and use of infrastructure programming manuals.

Part B: Rehabilitation and Construction of Basic Urban Infrastructure

1. Rehabilitation and reconstruction of the urban road network through the carrying out of paving of approximately 4.5 km in Cotonou, 1.8 km in Porto-Novo, 8.8 km in Parakou, 3 km in Abomey-Calavi, 2.4 kms in Kandi , and 1.9 kms in Lokossa.

2. Carrying out of a primary drainage network of approximately 4.3 kms in Porto Novo.

3. Carrying out of socio-environmental and engineering studies and the provision of technical advisory services required for the supervision of works to be carried out under paragraphs 1 and 2 above.

4. Carrying out of Resettlement Action Plans.

5. Provision of technical advisory services to carry out periodic technical audits on works and contract management procedures and financial audits, for the Project.

Part C: Community Participation and Integration

1. Basic Neighborhood Infrastructure

Improving basic neighborhood infrastructures through:

- (a) conducting feasibility and engineering studies;
- (b) construction and rehabilitation of Neighborhood social and economic infrastructure including primary schools, community centers, basic health centers and small markets; and
- (c) the carrying out of Resettlement Action Plans.

2. Micro-works and Community-Based Activities

Carrying out of feasibility, technical and impact studies and construction works for community based activities (micro-works) in the following areas: flood-plain management, tree planting and green space management, collection, disposal and treatment of household wastes, construction and rehabilitation of public latrines, management of playgrounds, recreation areas, public fountains, and the carrying out of Resettlement Action Plans.

3. Support for Community Initiatives

- (a) Technical advisory services for:
 - (i) Community mobilization and awareness-building on environmental and health issues and for the preparation of Neighborhood Development Activities and on Neighborhood Agreements; and
 - (ii) Recruitment and training of CISU's staff in the Cities.
- (b) Acquisition of computers and other office equipment and two-wheel vehicles for CISUs.
- (c) Provision of technical advisory services to assist the CISUs in the design and publication of NDAs and a guide for the preparation of the Neighborhood Agreements.

Part D: Solid Waste Management for Porto-Novo

1. Capacity Strengthening

Strengthening the capacity for solid waste management in Porto-Novo through the provision of equipment for a solid waste management unit within the City's department of operational services and the training of collection workers, operators and solid waste management staff.

2. Strategic Solid Waste Management Action Plan

Preparing a strategic solid waste management plan through:

(a) (i) the carrying out of studies to assist in site selection and in the design of a landfill and to assess present performance; (ii) the carrying out of workshops to analyze results of such studies; and (iii) the carrying out of a full environmental and social impact assessment; and

(b) the preparation and implementation of a public awareness program.

3. Works and Infrastructure

(a) Implementation of a comprehensive solid waste management plan for the closure and/or rehabilitation of the existing open dump sites in Porto-Novo, the establishment of new collection points through:

(i) the carrying out of works; and

(ii) the acquisition of equipment.

(b) Subject to the component D Triggers, the construction of a new landfill through:

(i) the carrying out of works; and

(ii) the acquisition of equipment.

4. Carrying out of Resettlement Action Plans.

Part E: Project Implementation, Coordination, Monitoring and Evaluation

Financial support to AGETUR and SERHAU for Project implementation, coordination, monitoring and evaluation.

* * *

The Project is expected to be completed by December 30, 2009.

SCHEDULE 3

Procurement

Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than \$250,000 dollars, equivalent per contract and works estimated to cost less than \$500,000 dollars, equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding.

2. Shopping. Goods estimated to cost less than \$50,000 equivalents per contract and small civil works estimated to cost less than \$50,000 equivalents per contract, may be procured under contracts awarded on the basis of Shopping.

3. Direct Contracting. Goods and works which the Association agrees meet the requirements for Direct Contracting as set in paragraphs 3.1, 3.6 and 3.7 of the Procurement Guidelines, may be procured in accordance with the provisions of said procurement method.

4. Community Participation. Goods and works required for Part C.2 of the Project carried out by SERHAU may be procured in accordance with procedures to be applied by the NDCs, acceptable to the Association. These procedures shall consist of obtaining quotations from three (3) qualified domestic contractors in response to a written invitation. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultant's services for all assignments estimated to cost the equivalent of \$100,000 or more shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$100,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Selection Under a Fixed Budget. Services for assignments which the Association agrees meet the requirements of paragraph 3.5 of the Consultant Guidelines may be procured under contracts awarded on the basis of a Fixed Budget in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

2. Least-cost Selection. Services for assignments which the Association agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Selection Based on Consultants' Qualifications. Services for assignments which the Association agrees meet the requirements of paragraph 3.7 of the Consultant Guidelines may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

4. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

5. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

Section IV. Review by the Association of Procurement Decisions.

Except as the Association shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Association: (a) each contract for civil works estimated to cost the equivalent of \$500,000 or more; (b) the first three contracts for civil works estimated to cost the equivalent of \$50,000 or more and less than the equivalent of \$500,000; (c) each contract for civil works chosen through the Direct Contracting process; (d) each contract for goods estimated to cost the equivalent of \$250,000 or more; (e) the first three contracts for goods estimated to cost the equivalent of \$50,000 or more and less than the equivalent of \$250,000; (f) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more; (g) the first three contracts for consultants' services provided by a firm estimated to cost less than the equivalent of \$100,000; (h) each contract for individual consultants estimated to cost the equivalent of \$50,000; and (i) all contracts chosen through the Single Source Selection process. All other contracts shall be subject to Post Review by the Association.

SCHEDULE 4

Implementation Program

Part A: Overall Project Implementation

1. The Borrower shall carry out Parts B, D.2 (a) and D.3 (a) (i), D.3 (b) (i) and D.4 of the Project through AGETUR and Parts A, C, D.1, D.2 (b), D.3 (a) (ii) and D.3 (b) (ii) of the Project through SERHAU, in accordance with the Project Implementation Manual and the Project Administrative, Financial and Accounting Manual, and except as the Association shall otherwise agree, shall not amend or waive any provision of said Manuals if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project.

2. (a) The Borrower shall maintain throughout Project implementation the Project Unit which shall operate in accordance with the terms of the Project Unit *Arrêté*. Except as the Association shall otherwise agree, the Borrower shall not amend, suspend or waive any provision of the *Arrêté* establishing the Project Unit if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project;

(b) The Borrower shall ensure that implementation of the Project is supervised and coordinated at the national level by COSUCO which shall operate in accordance with the terms of the COSUCO Décret. Except as the Association shall otherwise agree, the Borrower shall not amend, suspend or waive any provision of the *Décret* establishing COSUCO if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project.

(c) The Borrower shall not amend or waive, or permit to be amended or waived, any provision of the *Protocoles* if such amendment or waiver may, in the opinion of the Association, materially or adversely affect Project implementation;

(d) The Borrower shall cause each of AGETUR and SERHAU to enter into agreements (*Conventions de Maîtrise d'Ouvrage Délégué*) with the Secondary Cities, in form and substance satisfactory to the Association, that shall specify the annual program of activities of AGETUR and SERHAU, respectively (the Annual Programs), implementation procedures, the missions of the implementing agencies, estimates of costs, procurement methods and responsibilities and roles of each of the parties, as well as service fees to be paid to SERHAU and AGETUR. The Borrower shall not amend or waive, or permit to be amended or waived, any provision of the aforementioned if such amendment or waiver may, in the opinion of the Association, materially or adversely affect Project implementation. The Annual Programs annexed to the *Conventions de Maîtrise d'Ouvrage Delégué* shall be updated at the time of each Annual Review (as hereafter defined in paragraph 8 of this Schedule).

(e) The Borrower shall cause each of the Cities to establish and/or maintain local steering committees (LSC) which shall oversee Project implementation at the local level. LSCs shall be chaired by the general secretaries (*Secrétaires Généraux*) of the relevant City and shall comprise representatives of MISD, MEHU, MEF, and representatives of local associations and Neighborhood Development Committees, as further specified in the COSUCO Décret.

3. The Borrower shall ensure that each City shall:

(a) create and/or maintain a CISU, staff in adequate numbers and with qualifications satisfactory to the Association, to operate in coordination with NDCs and SERHAU, in the implementation and monitoring of Part C of the Project, in the area of jurisdiction of the relevant *Commune*; and

(b) put in place and maintain staff in adequate numbers and with qualifications satisfactory to the Association, including at least a secretary general, a financial director and a technical director.

4. The Borrower shall ensure that each City maintain or cause to be maintained, in accordance with applicable professional standards, the existing infrastructure works and those financed out of the proceeds of the Credit.

5. The Borrower shall cause each City to furnish to the Association:

(a) its draft annual budget, including separate annexes for investment and maintenance, no later than thirty days prior to their formal approval; and

(b) quarterly activity reports on items included in the approved budget.

6. The Borrower shall cause each City to:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the performance indicators agreed upon between the Borrower and the Association the carrying out of the Project, and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish, to the Association, through the Project Unit (through the SERHAU) a report integrating the results of the monitoring and evaluation activities performed pursuant to subparagraph (a) of this paragraph, on the progress achieved in the carrying out of the Project during the period preceding the date of said report, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date. The terms and frequency of the report are specified in the PIM;

(c) review with the Project Unit and the Association, by the end of the month following the transmission of the report referred to in subparagraph (b) of this paragraph, or such later date as the Association shall request, said report and, thereafter, take all measures required to ensure the efficient implementation of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of said report and the Association's views on the matter; and

(d) Attach to the fourth of said reports referred to in subparagraph (b) of this paragraph, through the Project Unit for the Association's review and comments, draft guidelines providing for the application of the Project Implementation Manual modified in accordance with the lessons learned during Project implementation.

7. SERHAU and AGETUR prepare and consolidate the reports integrating the results of the monitoring and evaluation activities performed pursuant to subparagraph (a) of paragraph 6 and transmit such reports to the Project Unit for the purpose of transmission to the Association, in accordance with the terms of the PIM.

8. Project Reviews

(a) Not later than 12 months, 24 months, 36 months and 48 months after the Effective Date, the Borrower, COSUCO, and the Association shall undertake a joint in-depth review of Project implementation (each such review is hereinafter referred to as an "Annual Review", and collectively, the "Annual Reviews"). The Borrower shall take all action necessary on its part to ensure the participation in such Annual Reviews of representatives of the relevant Cities, involved bilateral donors and co-financing institutions, involved line ministries, NGOs, and involved NDCs. Such Annual Reviews shall cover all matters relating to the carrying out of the Project and progress achieved, having regard to the indicators referred to in paragraph 6 (a) of this Schedule, in attaining its objective; In addition, no later than at the time of the Annual Review that will take place 24 months after the Effective Date (Mid-Term Review), the Borrower, COSUCO and the Association shall determine the Borrower's compliance with the Component D Triggers;

(b) not later than one month prior to each Annual Review, the Borrower shall, through the Project Unit, furnish to the Association: (i) for its review and comments, a report, in such detail as the Association shall reasonably request, on the progress achieved in the carrying out of the Project, covering the issues to be reviewed, including a summary of the reports referred to under paragraph 6 (b) of this Schedule, and an evaluation of the remedial actions undertaken pursuant to the provisions of paragraph 6 (c) of this Schedule, if any; and (ii) for its review and approval, the documentation, in such form and detail as the Association shall reasonably request, on NDAs to be financed out of the proceeds of the Credit during the following year on the Annual Programs prepared by SERHAU and AGETUR; and

(c) Following each Annual Review, the Borrower shall act promptly and diligently in order to take any corrective action deemed necessary to remedy any shortcoming identified in the implementation of the Project, or to implement such measures as agreed upon between the Borrower and the Association in furtherance of the objective of the Project.

Part B: Eligibility Criteria for NDAs

9. Without limitation upon the provisions of paragraph A.1 of this Schedule 4, a NDA shall be eligible for financing out of the proceeds of the Credit only if and when a City through its CISU, has determined in consultation with the SERHAU, on the basis of an appraisal conducted in accordance with the guidelines set forth in the PIM, that the NDA satisfies the eligibility criteria specified below:

(a) General eligibility criteria:

The NDA shall:

- (i) be initiated by a community and integrated into the community-designed development plan established for said Neighborhood;
- (ii) Be supported by detailed implementation, operation and maintenance arrangements in accordance with technical standards specified in the PIM;
- (iii) be economically, financially and technically viable, and environmentally sound, in accordance with the standards specified in the PIM;
- (iv) comply with the standards set forth in the Borrower's applicable laws and regulations relating to health, safety and environmental protection; and
- (v) Have provided for the acquisition of such land and rights in respect of land as shall be necessary.

(b) Specific eligibility criteria:

The Community shall have declared its commitment, in form and substance satisfactory to the LSC and endorsed by the City, to meet the maintenance and other incremental costs, if any, related to the NDA.

Part C: Terms and Conditions of Neighborhood Agreements

10. NDAs shall be carried out pursuant to Neighborhood Agreements, concluded between an NDC and the relevant *Commune*, under terms and conditions specified in the PIM, satisfactory to the Association, which shall, inter alia, include the following:

(a) the obligation of the *Commune* to take all necessary measures on its part so that the NDA is carried out in accordance with the provisions of the PIM, with due diligence and efficiency and in accordance with sound environmental, social, technical, financial and managerial standards and, in particular: (i) its obligation to contribute to the costs of the NDA pursuant to the terms of the applicable *Protocole*; and (ii) the commitment of the Communities referred to in subparagraph (b) (iii) of paragraph 8 of this Schedule;

(b) the requirement that: (i) the works and services to be financed out of the proceeds of the Credit shall be procured in accordance with the procedures set forth in Schedule 3 to this Agreement pursuant to form contracts provided in the PIM; and (ii) such works and services shall be used exclusively in the carrying out of the NDA;

(c) the right of the Borrower to inspect, by itself, or jointly with the Association, if the Association shall so request, the work sites and constructions included in the NDA, the operations thereof and any relevant records and documents;

(d) the right of the Borrower to suspend or terminate the right to use the proceeds of the Credit for carrying out the NDA upon failure by the *Commune* or the NDC to perform any of its obligations under its Neighborhood Agreement.

Part D: Environmental and Safeguard Arrangements.

11. The Borrower shall ensure that the Project is implemented in accordance with the guidelines, procedures, recommendations, and other specifications set forth in the ESMF, the Environmental and Social Assessments, Environmental Management Plans, and Resettlement Action Plans, as the case may be, and, except as the Association shall otherwise agree, shall not amend or waive any provision of the aforementioned frameworks, assessments and plans, if such amendment or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.

12. The Borrower shall develop, in respect of each activity under the Project which may have negative environmental and social impacts, prior to the approval of such activity, the instruments appropriate for such activity according to the requirements of the ESMF, which may include any or all of the following:

- (i) an Environmental and Social Impact Assessment (ESIA), acceptable to the Association, giving details of the status of the

natural and social environment and potential risks and adverse impacts thereto, which are specific to the respective activity with proposed mitigation measures;

- (ii) an Environmental Management Plan (EMP), acceptable to the Association, giving details of measures appropriate or required to manage potential environmental and social risks and mitigate adverse impacts associated with the respective activity, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, the EMP; and
- (iii) wherever applicable, a Resettlement Action Plan (RAP), acceptable to the Association, giving details of a program of actions, measures and policies designed to facilitate the compensation and resettlement of Affected Persons, including the magnitude of displacement, proposed compensation and resettlement arrangements, budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, the RAP.

13. The Borrower shall take the necessary measures so that the Project Unit and the *Agence Béninoise de l' Environnement* ensure the overall quality control of the environmental and social aspects of the Project through the review and clearance of the ESIA the EMPs and the RAPs and validation of the environmental audits to be submitted at the end of the execution of the works.

Part E. Technical Audit

14. AGETUR, under the supervision of the Project Unit and after the prior review of the Association, shall recruit independent auditors in accordance with the terms of Schedule 3 of this Agreement which shall perform technical audits every six months assessing the quality and the execution of the works. Such audits shall be submitted for review to the Association through the Project Unit within sixty (60) days after the end of the 6 month period covered by the audit.

SCHEDULE 5

Performance Indicators

- By the end of the Project, the share of the Cities' recurrent costs budgets allocated and spent on Infrastructure and Basic Services Expenses, as % of total expenditure, will be at least 80% for Cotonou, 75% for each of the cities of Porto-Novo, Parakou and Lokossa, and 60% for each of the cities of Kandi and Abomey-Calavi.
- By the Mid-Term Review, technical, financing and administrative management procedures manuals will have been developed and shall be in use in the three Primary Cities.
- By the end of the Project, solid waste management guidelines for the Borrower's Cities, acceptable to the Association, will have been defined and adopted by MEHU
- By the end of the Project, access to urban infrastructure in the Cities will have been improved through the carrying out of paving and drainage works of approximately 4.5 km in Cotonou, 1.8 km in Porto Novo, 8.8 km in Parakou, 3 km in Abomey-Calavi, 2.4 km in Kandi, 1.9 km in Lokossa and the construction of 4.3 km of drainage works infrastructure in Porto Novo.
- By the end of the Project, the additional population getting access to primary and secondary paved roads will be at least 230,000.
- By the end of the Project, additional population protected from periodic flooding will be at least 38,000.
- By the Mid-Term Review,, each of the Cities will have an operational CISU.
- By the Mid-Term Review, solid waste management in the city of Porto-Novo will have been improved through the creation of a solid waste management unit fully operational and the carrying out of a strategic solid waste management plan for the City.