

CONFORMED COPY

CREDIT NUMBER 3234 BEN

Development Credit Agreement
(Decentralized City Management Project)

between

REPUBLIC OF BENIN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 1, 1999

CREDIT NUMBER 3234 BEN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 1, 1999, between REPUBLIC OF BENIN (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Association has received a letter dated _____, from the Borrower describing a statement of policies and a program of actions and objectives designed to improve the Borrower's delivery of urban services (the Program) and declaring the Borrower's commitment to the execution of the Program;

(B) the Borrower has requested that the Association support its execution of the Program through a series of Credits over a period of six years, the proceeds of such Credits to be utilized by the Borrower for implementing the Program;

(C) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, which Project forms the first phase of the Program, and having undertaken to carry out such Project as part of the Program, has requested the Association to assist in the financing of the Project;

(D) Part A and a portion of Part C 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, Société d'Economie Mixte (SERHAU-SEM), and Part B and a portion of Part C 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-SEM 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 Project Agreements of even date herewith between the Association and AGETUR and SERHAU-SEM, respectively;

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 December 2, 1997 with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

'12. "Participating Country" means any country that the Association determines meets the requirements set forth in Section 10 of Resolution No. 183 of the Board of Governors of the Association, adopted on June 26, 1996; and "Participating Countries" means, collectively, all such countries.'

(b) The second sentence of Section 5.01 is modified to read:

"Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services supplied from such territories; or (b) for the purposes of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Administrator, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

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) "AGETUR" means Agence d'Exécution des Travaux Urbains, a non-profit association established and operating under the Borrower's laws and regulations pursuant to its statutes dated December 19, 1991, as amended at the date of this Agreement (the AGETUR Statutes), and the Borrower's Letter No. 1087/MISPAT/DC/DAI/SI, dated October 18, 1990 (the AGETUR Letter), and whose members include the Borrower;

(b) "AGETUR Project Account" means the first account referred to in Section 3.02 (a) of this Agreement;

(c) "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;

(d) "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;

(e) "CFA Franc" or "CFAF" means Franc de la Communauté Financière Africaine, the currency of the Borrower;

(f) "CISU" means a community initiative support unit to be established within each of the CUs (as hereinafter defined);

(g) "Community" means the inhabitants of a Neighborhood (as hereinafter defined);

(h) "CU" means Circonscription Urbaine, an urban jurisdiction with special semi-autonomous status, and "CUs" means the CUs of Cotonou, Porto Novo and Parakou;

(i) "ISC" means the Interministerial Steering Committee referred to in paragraph 2 (a) of Schedule 4 to this Agreement;

(j) "LSC" means a local steering committee established within a CU pursuant to paragraph 2 (b) of Schedule 4 to this Agreement;

(k) "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;

(l) "MISAT" means Ministère de l'Intérieur, de la Sécurité et de l'Administration Territoriale, the Borrower's ministry responsible for the interior, security and land administration;

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

(n) "Neighborhood" means any of the following areas within the CUs for the benefit of whose inhabitants Project activities are to be, or are being, carried out, namely (i) Ahouansori and Yenawa (in Cotonou), (ii) Tokpota and Djegan-Daho (in Porto Novo), and (iii) Alaga (in Parakou); and "Neighborhoods" means all of these areas;

(o) "Neighborhood Agreement" means an agreement to be entered into between one of the CUs 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;

(p) "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;

(q) "Project Implementation Manual" and "PIM" mean the manual referred to in paragraph 1 of Schedule 4 to 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;

(r) "Project Management Report" means each report prepared in accordance with Section 4.02. of the AGETUR Project Agreement and SERHAU Project Agreement, respectively;

(s) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated October 6, 1997 and October 20, 1997 between the Borrower and the Association;

(t) "SERHAU-SEM" means Société d' Etudes Régionales d' Habitat et d' Aménagement Urbain, Société d' Economie Mixte, a company established under the Borrower's laws and regulations pursuant to its statutes dated March 26, 1993 (the SERHAU Statutes) and Decree No. 93-78, dated April 19, 1993 (the SERHAU Decree);

(u) "SERHAU Project Account" means the second account referred to in Section 3.02 (a) of this Agreement;

(v) "SERHAU Project Agreement" means the agreement between the Association and SERHAU-SEM 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;

(w) "SERHAU Subsidiary Agreement" means the agreement to be entered into between the Borrower and SERHAU-SEM 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 SERHAU Subsidiary Agreement; and

(x) "Special Account" means each of 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 the Development Credit Agreement, an amount in various currencies equivalent to eighteen million nine hundred thousand Special Drawing Rights (SDR 18,900,000).

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 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-SEM, 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 Special Account shall be made in accordance with the provisions of Schedule 5 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 cancelled.

Section 2.03. The Closing Date shall be June 30, 2003 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 cancelled; 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 January 1 and July 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each January 1 and July 1 commencing July 1, 2009 and ending January 1, 2039. Each installment to and including the installment payable on January 1, 2019 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 gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years; 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 terms of repayment of installments under paragraph (a) above by 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. If so requested by the Borrower, the Association may revise such modification 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.

(c) 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 currency of the French Republic 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-SEM 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-SEM 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-SEM, 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 a portion of the proceeds of the Credit allocated from time to time to Categories 1 (a), 1 (b) (i), 3 (a) and 5 (a) of the table in paragraph 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-SEM under terms and conditions which shall have been approved by the Association, transfer the balance of the proceeds of the Credit allocated from time to time to Categories 1 (b) (ii), 2, 3 (b) and 5 (b) of the table in paragraph 1 of Schedule 1 to this Agreement, to SERHAU-SEM 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 and 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 the CUs, AGETUR and SERHAU-SEM 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-SEM 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) in a commercial bank on terms and conditions satisfactory to the Association;

(b) on or before January 31, 2000, make an initial deposit into, respectively, the AGETUR Project Account and the SERHAU Project Account, in the amount of, respectively, CFAF 80,000,000 and CFAF 15,000,000, to finance the contributions of the Borrower to the Project;

(c) deposit into the AGETUR Project Account and the SERHAU Project Account by January 31, April 30, July 31, and October 31, in each year, until the completion of the Project, such amounts as shall be required to timely replenish the AGETUR Project Account and the SERHAU Project Account back to the amounts of the initial deposits referred to in paragraph (b) above; and

(d) ensure that amounts deposited into the AGETUR Project Account and 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 Association.

Section 3.03. 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 this Agreement.

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-SEM pursuant to Section 2.03 of the AGETUR Project Agreement and SERHAU Project Agreement, respectively.

ARTICLE IV

Financial Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditures, the Borrower shall:

- (i) maintain or cause to be maintained in accordance with sound accounting practices, records and accounts reflecting such expenditures;
- (ii) 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 the fiscal year in which the last withdrawal from the Credit Account was made; and
- (iii) enable the Association's representatives to examine such records.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) (i) of this Section for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, 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 the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals; and
- (iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) 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-SEM 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-SEM 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 AGETUR Letter governing the operations of AGETUR or the SERHAU Statutes or the SERHAU Decree governing the operations of SERHAU-SEM shall have been amended, suspended or waived so as to affect materially and adversely the ability of AGETUR or SERHAU-SEM, respectively, to perform any of its obligations under the AGETUR Project Agreement or the SERHAU Project Agreement, respectively.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraphs (b) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower; and

(b) any events specified in paragraphs (c) and (d) of Section 5.01 of this Agreement shall occur.

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-SEM, respectively;

(b) the Borrower, AGETUR and SERHAU-SEM have adopted the Project Implementation Manual, in form and substance satisfactory to the Association;

(c) the Borrower has furnished to the Association:

(i) a work program and business plan, satisfactory to the Association and duly approved by ISC, for AGETUR and SERHAU-SEM, respectively, for the first year of Project implementation;

(ii) duly executed copies of the delegated contract management agreements, in form and substance satisfactory to the Association, between (A) the Borrower and SERHAU-SEM, and (B) the CUs and AGETUR, respectively; and

(iii) evidence that the Borrower has employed 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 Section II of Schedule III to this Agreement; and

(d) the CUs have each appointed a financial director and a technical director with qualifications and experience satisfactory to the Association.

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-SEM, respectively, and are legally binding upon AGETUR and SERHAU-SEM, 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-SEM, respectively, and are legally binding upon the Borrower, AGETUR and SERHAU-SEM, respectively, in accordance with their respective terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.04. The obligations of the Borrower under Section 4.01 of this

Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date fifteen years after the date of this Agreement, whichever shall be the earlier.

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
B.P. 302
Cotonou
Republic of Benin

Cable address:

MINFINANCES
Cotonou

Telex:

5009 or 5289 MINFIN

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

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.

REPUBLIC OF BENIN

By /s/ Lucien Tonoukouin

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Theodore Ahlers

Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Works:		
(a) under Part B of the Project	10,100,000	90%
(b) under Part C of the Project:		
(i) AGETUR	310,000	85%
(ii) SERHAU-SEM	190,000	85%
(2) Goods:		
(a) Equipment under Part A of the Project	450,000	100% of foreign expenditures and 90% of local expenditures
(b) Equipment under Part C of the Project	100,000	85%
(3) Consultants' services and training:		
(a) Under Part B of the project	1,400,000	100%
(b) Under Parts A and C of the Project	2,100,000	100%
(4) NDAs under Part C of the Project	200,000	90%
(5) Management fees:		
(a) AGETUR	650,000	100%
(b) SERHAU-SEM	300,000	100%
(6) Refunding of Project Preparation Advance	550,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(7) Unallocated	2,550,000	
TOTAL	18,900,000	

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"; and

(c) the term "management fees" means fees payable by the Borrower to AGETUR and SERHAU-SEM, respectively, for the services to be rendered under the delegated contract management agreements referred to in Section 6.01 (c) (ii) of this Agreement.

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 1 of this Schedule unless the Association is furnished with evidence of the establishment, and adequate staffing of, CISUs in the CUs; and

(c) payments made for expenditures under Category (4) of the table set forth in paragraph 1 of this Schedule, unless: (i) the Association is satisfied that the NDA complies with the eligibility criteria, procedures and conditions specified in paragraph 8 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 CU concerned under the terms and conditions set forth in paragraph 9 of Schedule 4 to this Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for goods under contracts costing less than \$50,000 equivalent each, works under contracts costing less than \$100,000 equivalent each, consultants' services (firms) under contracts not exceeding \$50,000 equivalent each, consultants' services (individuals) under contracts not exceeding \$10,000 equivalent each, all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to provide, in a cost effective manner, more services of better quality to residents of CUs, particularly the low income population, through: (a) (i) improving transport conditions and access to basic services for urban residents of Cotonou, Porto Novo and Parakou, especially those in low-income neighborhoods who are deprived of these services; and (ii) improving the urban environment and significantly and sustainably reducing the impact of periodic floods on public health, and private and public infrastructure in neighborhoods that currently lack primary drainage; and (b) developing replicable interventions and approaches for sustainable improvement of the environment and quality of life in low-income neighborhoods in Cotonou, Porto Novo and Parakou.

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 objective:

Part A: Municipal Management Capacity Building

1. Strengthening the management capacity of the CUs of Cotonou, Porto Novo and Parakou through technical advisory services, workshops, seminars and training;

2. strengthening the capacity of MISAT, MEHU and the Borrower's departments responsible for municipal finance, to support and assist CUs, through technical advisory services, training, the carrying out of studies, and the acquisition of computers and other office equipment, and vehicles;

3. establishment of a local communication and information system among the various departments of the Borrower responsible for municipal finance and the financial departments of CUs through technical advisory services for the design and implementation of information campaigns for urban residents, and the carrying out of studies; and

4. reform of the regulatory framework for urban management with particular emphasis on property rights and the finalization of regulatory and operational texts for urban development through technical advisory services and the carrying out of studies on private ownership of land.

Part B: Rehabilitation and Construction of Basic Urban Infrastructure

1. Rehabilitation of the urban road network through the carrying out of paving and drainage works of approximately 10 kms in Cotonou and 3.5 kms in Porto Novo;

2. construction of a primary drainage network of approximately 7.2 kms in Cotonou and 3 kms in Porto Novo;

3. carrying out of 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. provision of technical advisory services to improve the management capacity of small and medium enterprises engaged in public works; and

5. implementation of periodic technical audits on works and contract management procedures and financial audits, through technical advisory services.

Part C: Community Participation and Integration

1. Basic Neighborhood Infrastructure

(a) Construction and rehabilitation of roads and drainage infrastructure to improve accessibility of Neighborhoods and facilitate their connection to urban services; and

(b) construction and rehabilitation of Neighborhood social and economic infrastructure including primary schools, community centers, basic health centers and small markets.

2. Community-Based Activities

Carrying out of feasibility, technical and impact studies and construction works for community based activities in the following areas: (a) 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, fields for sports activities, meeting halls, and pedestrian and cycle paths; and (b) initiatives to improve health, hygiene and the environment, including community awareness-building in support of Neighborhood waste precollection, sorting and treatment, and assistance in creating associations for routine maintenance of Neighborhood infrastructure and waste management.

3. Support For Community Initiatives

(a) Technical advisory services for:

(i) Community mobilization and awareness-building on environmental and health issues and on preparation of Neighborhood Development Activities and on agreements to be entered into by beneficiaries; and

(ii) recruitment and training of officers for CISUs.

(b) Acquisition of computers and other office equipment and vehicles for CISUs.

(c) Technical advisory services to CISUs for the design and publication of NDAs and a guide for the preparation of the Neighborhood Agreements.

(d) Technical advisory services and studies for the design and implementation of information campaigns on NDAs.

* * *

The Project is expected to be completed by December 31, 2002.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

1. Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 subject to the modifications thereto set forth in paragraph 2 of this Part A (the Guidelines) and the following provisions of this Section I.

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member

countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country."

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

(b) Preference for domestically manufactured goods and domestic contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$360,000, and works estimated to cost less than \$250,000 equivalent per contract, up to an aggregate amount not to exceed \$11,600,000, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$140,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Community Participation

Goods and works required for Part C.2 of the Project carried out by SERHAU-SEM shall 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.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

The procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply to each contract for goods, estimated to cost the equivalent of \$50,000 or more, and for works estimated to cost the equivalent of \$100,000 or more.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

1. Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999 subject to the modifications thereto set forth in paragraph 2 of Part A (the Consultant Guidelines) and the following provisions of this Section II.

2. In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries and "Participating Country".

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services under Part B of the Project, estimated to cost less than \$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Single Source Selection

- (a) Services of AGETUR and SERHAU-SEM under the Project; and
- (b) specific training activities not exceeding \$30,000 equivalent per contract may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

2. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$50,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$10,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

Part A: Overall Project Implementation

1. The Borrower shall carry out the Project through AGETUR and SERHAU-SEM, in accordance with the Project Implementation Manual and, except as the Association shall otherwise agree, shall not amend or waive any provision of said PIM 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 ensure that implementation of the Project is supervised and coordinated at the national level by an interministerial steering committee (ISC) under the chairmanship of the Minister responsible of MEHU and comprising the ministers (or their designated representatives) of MISAT and the Borrower's ministries responsible for planning, finance, public works and transport, public administrative reform, industry, medium and small enterprises, public health, energy, mines and water, culture and communications, and a representative of the technical secretariat of the National Steering Committee for Structural Adjustment Programs, the Director General of the Beninese Environment Agency, the heads of the CUs, a representative of the Urban Management Association, a representative of the National Association for Construction Companies and a representative of civil society. ISC shall operate in accordance with terms of reference acceptable to the Association and meet, from time to time, as needed, but at least every six months until the completion of the Project.

(b) The Borrower shall cause the CUs to establish local steering committees (LSC) which shall oversee Project implementation at the local level. LSCs shall be chaired by the head of the CU concerned and shall comprise representatives of MISAT, MEHU, the Borrower's Ministry of Finance, and representatives of local associations and Neighborhood Development Committees.

3. The Borrower shall ensure that the CUs shall each maintain:

(a) a CISU with adequate staff whose qualifications are satisfactory to the Association, to operate in coordination with NDCs and SERHAU-SEM, in the implementation and monitoring of Part C of the Project, in the area of jurisdiction of the CU concerned; and

(b) adequate staff including a secretary general, a financial director and a technical director.

4. The Borrower shall:

(a) upon completion of Neighborhood Development Activities, transfer the rights on, and responsibility for, infrastructure under said activities to the CU concerned, in accordance with the Borrower's laws; and

(b) ensure that each CU 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 the CUs to furnish to the Association:

(a) their respective 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 including items included in the approved budget.

6. The Borrower shall cause the CUs 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, through AGETUR and SERHAU-SEM to the Association, on or before the end of every quarter, beginning three months from the Effective Date, 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;

(c) review with 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, 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. Project Reviews

(a) Not later than December 31, 2000 the Borrower and the Association shall undertake a joint in-depth review of Project implementation (hereinafter referred to as the First Annual Review, and the review to be carried out twelve months later shall be referred to as the Second Annual Review). The Borrower shall take all action necessary on its part to ensure the participation in such Annual Reviews of representatives of the CUs and CISUs concerned. 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, including: (i) efficiency and costs of contract management under the Project, and notably the average time-span for contractor's payments; (ii) progress in the preparation and dissemination of NDA documentation and the training in NDA evaluation methodology; (iii) proposals for the carrying out of NDAs during the following year; and (iv) execution by CUs of annual routine maintenance programs with adequate budgets;

(b) not later than one month prior to each Annual Review, the Borrower shall, through AGETUR and SERHAU-SEM, 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; 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

8. Without limitation upon the provisions of paragraph 1 of this Schedule 4, a NDA shall be eligible for financing out of the proceeds of the Credit only if and when a CU through its CISU, has determined in consultation with the SERHAU-SEM, 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;
 - (v) not involve any involuntary resettlement of people; and (vi) have provided for the acquisition of such land and rights in respect of land as shall be necessary, including appropriate rights of way.
- (b) Specific eligibility criteria:
- (i) the CU shall have declared its commitment, in the Neighborhood Agreement, in form and substance satisfactory to the LSC, to contribute at least 10% of infrastructure costs;
 - (ii) the total cost of a NDA under Part C.2 of the Project shall not be more than the equivalent of \$30,000; and
 - (iii) the Community shall have declared its commitment, in form and substance satisfactory to the LSC and endorsed by the CU, to: (A) contribute, in kind or in cash, at least: (I) 5% of the total cost, of a NDA under Part C.1 of the Project; and (II) 10% of the total cost of a NDA under Part C.2 of the Project; and (B) meet the maintenance and other incremental costs, if any, related to the NDA.

Part C: Terms and Conditions of Neighborhood Agreements

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

(a) the obligation of the CU 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, technical, financial and managerial standards and, in particular: (i) its obligation to contribute to the costs of the NDA pursuant to subparagraph (b) (i) of paragraph 8 of this Schedule; 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 obtain all information, as the Borrower or the Association shall reasonably request, regarding the implementation, administration and operations of the NDA; and

(e) 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 CU to perform any of its obligations under its Neighborhood Agreement.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:

(a) the terms "eligible Categories" means, with respect to Special Account A, Categories (1) (a), (1) (b) (i) and (3) (a), and with respect to Special Account B, Categories (1) (b) (ii), (2), (3) (b), and (4) as set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to: (i) CFAF 600,000,000 to be withdrawn from the Credit Account and deposited into Special Account A pursuant to paragraph 3 (a) of this Schedule; and (ii) CFAF 180,000,000 to be withdrawn from the Credit Account and deposited into Special Account B pursuant to said paragraph 3 (a), provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to: (i) CFAF 300,000,000 with respect to Special Account A; and (ii) CFAF 90,000,000 with respect to Special Account B, until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 5,000,000.

2. Payments out of each Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that each Special Account has been duly opened, withdrawals of the relevant Authorized Allocation and subsequent withdrawals to replenish each Special Account shall be made as follows:

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

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the relevant Special Account at such intervals as the Association shall specify.

(ii) 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 paragraph 4 of this Schedule 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 relevant Special Account 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 relevant Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from each Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of a Special Account, 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.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into a Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) 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 the records and accounts for each Special Account;

(c) 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 the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the relevant Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories 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 relevant Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of a Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the relevant Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the relevant Special Account 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 shall have determined at any time that any amount outstanding in the relevant Special Account will not be required to cover further payments for eligible expenditures, 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 relevant Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.
