

CONFORMED COPY

CREDIT NUMBER 4214-BEN

Financing Agreement

(Second Phase of the Coastal Transmission Backbone Project)

between

THE REPUBLIC OF BENIN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 2, 2007

CREDIT NUMBER 4214-BEN

FINANCING AGREEMENT

AGREEMENT dated March 2, 2007, between REPUBLIC OF BENIN (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in the Financing Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to ten million one hundred thousand Special Drawing Rights (SDR 10,100,000) (“Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are April 1 and October 1 in each year.
- 2.06. The principal amount of the Financing shall be repaid in accordance with repayment schedule set forth in Schedule 3 to this Agreement.

- 2.07. The Payment Currency is the currency of the Republic of France.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project and the Program. To this end, the Recipient shall cause the Project and the Program to be carried out by the Project Implementing Entity in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consist of the following:
- (a) The Project Implementing Entity's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.
 - (b) A situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.
- 4.02. The Additional Events of Acceleration consist of the following, namely that any event specified in paragraph (a) or (b) of Section 4.01 of this Agreement has occurred.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The Subsidiary Loan Agreement has been executed on behalf of the Recipient and the Project Implementing Entity;
 - (b) The Project Implementing Entity has appointed a Project Manager for the Project, satisfactory to the Association;

- (c) The Project Implementing Entity has appointed two internal auditors, satisfactory to the Association and recruited a consultant satisfactory to the Association to provide training and reinforce the capacity of the members of the Internal Audit Unit of the Project Implementation Unit so as to render such unit fully operational; and
 - (d) The Memorandum of Understanding has been executed on behalf of the Project Implementing Entity and the WAPP Organization.
- 5.02. The Additional Legal Matter is that the Subsidiary Loan Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.
- 5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is its Minister responsible for development, economy and finance.

6.02. The Recipient's Address is:

Ministère du Développement, de l'Economie et des Finances
B.P. 302
Cotonou
Republic of Benin

Cable address:	Telex:	Facsimile:
MINFINANCES Cotonou	5009 MINFIN or 5289 CAA	(229) 21 30 18 51 (229) 21 31 53 56

6.03. The Association's Address is:

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

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	1-202-477-6391

AGREED in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF BENIN

By: */s/ Cyrille Oguin*
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: */s/ Onno Ruhl*
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to assist the Recipient in developing a more stable and reliable exchange of electricity between the national power systems of the WAPP “Zone A” Coastal States.

The Project constitutes the second phase of the Coastal Transmission Backbone Project in support of the Program, and consists of the following parts:

Part A: Transmission Infrastructure Development

1. Engineering consulting services to supervise the development of the CEB owned segments of the Coastal Transmission through the provision of technical assistance.

2. Technical support to the Project through the provision of technical assistance.

Part B: Upgrade of System Control Centers

Upgrade of CEB System Control Center and associated sub-stations on the 161kV coastal transmission network of CEB, through the supply and installation of supervisory control and data acquisition telecommunication system equipment and the provision of technical assistance.

Part C: Upgrade of Strategic Power Generation Stations

Development of an emergency rehabilitation study and preparedness plan for the Nangbeto Generation Station through the provision of technical assistance.

Part D: WAPP Action Plan

Deployment of the “Operational Security and Mitigation Plan” for the CEB segment of the WAPP Coastal Transmission Backbone through the provision of technical assistance.

SCHEDULE 2

Project Execution

Section I. Subsidiary Loan Agreement; Implementation Arrangements

A. Subsidiary Loan Agreement

1. To facilitate the carrying out of the Project by the Project Implementing Entity, the Recipient shall on-lend the proceeds of the Financing to the Project Implementing Entity under a subsidiary agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association, which shall include the following (“Subsidiary Loan Agreement”):
 - (a) an annual interest rate applicable to the on-lent amount of 4.5 percent (fixed at par with the IBRD lending rate derived from LIBOR) and a repayment period of twenty (20) years including a grace period of five years. The Project Implementing Entity shall bear the foreign exchange risk on the on-lent amount;
 - (b) goods and services shall be procured in accordance with the Association’s procedures as set forth in the Financing Agreement; and
 - (c) the Project Implementing Entity shall perform all of its obligations under the Project Agreement.
2. The Recipient shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement of any of its provisions.

B. Implementation arrangements

1. The Recipient shall ensure that the Project is carried out by the Project Implementing Entity in accordance with the provisions of this Agreement and the Project Agreement, and in accordance with the guidelines, procedures, recommendations, and other specifications set forth in the Environmental Management Plan, and, except as the Association shall otherwise agree, shall not amend or waive or concur to be amended or waived any provision of the aforementioned plan, if such amendment or waiver may, in the opinion of the

Association, materially or adversely affect the implementation of the Project. The Recipient shall ensure that timely information on the status of the implementation of the Environmental Management Manual is included in the Project Reports prepared pursuant to Section II.A of this Schedule.

2. The Recipient shall carry out the Project through the Project Implementing Entity, 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.
3. The Recipient shall cause the Project Implementing Entity to establish by no later than December 31, 2006, an expert advisory panel with the responsibility of assisting, together with the General Secretariat of the WAPP Organization, in the implementation of the Operational Security and Mitigation Plan under Part D of the Project.
4. The Recipient shall cause the Project Implementing Entity to prepare an emergency preparedness plan for the Nangbeto dam within twenty four (24) months after the Effective Date.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) The Recipient shall ensure that the Project Implementation Unit monitor and evaluate the progress of the Project and that Project Reports are prepared in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than forty five (45) days after the end of the period covered by such report.
- (b) The performance indicators referred to above in sub-paragraph (a) consist of the following:
 - (i) Quantity of electricity traded (import/export) between the WAPP “Zone A” Coastal States, disaggregated by power utility;

- (ii) Level of power losses in the principal transmission networks of WAPP “Zone A” Coastal States, disaggregated by power utility;
 - (iii) Percentage of the peak power demand within the WAPP “Zone A” Coastal States met by economy power exchanges via the Coastal Transmission Backbone, disaggregated by power utility;
 - (iv) Quantity of electricity transferred between WAPP “Zone A” Coastal States, via the Coastal Transmission Backbone, disaggregated by power utility;
 - (v) Percentage reduction in the number and frequency of power outages in the WAPP “Zone A” Coastal States that are linked to malfunctions on the Coastal Transmission Backbone, disaggregated by power utility;
 - (vi) Percentage reduction in the detection/response time for power outages in WAPP “Zone A” Coastal States that are linked to malfunctions on the Coastal Transmission Backbone, disaggregated by power utility;
 - (vii) Deployment of Emergency Preparedness Plans for strategic hydropower generation stations in the WAPP “Zone A” Coastal States that are linked to the Coastal Transmission Backbone;
 - (viii) Collection, analysis and dissemination of power sector monitoring and evaluation data of the WAPP “Zone A” Coastal States; and
 - (ix) Implementation of a well functioning WAPP “Operational Security and Mitigation Plan” for the Coastal Transmission Backbone.
2. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six months before the Closing Date.
 3. On or about June 1, 2008, the Recipient shall undertake in conjunction with the Project Implementing Entity and the Association, a comprehensive midterm review of the Project during which it shall exchange views generally on all matters relating to the progress of the Project, and the performance by the

Recipient and the Project Implementing Entity of their respective obligations under the Legal Agreement, having regard to the performance indicators referred to in paragraph 1 (b) of this Part A.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall ensure that the Project Implementation Unit prepare and furnish to the Association, not later than forty five (45) days after the end of each calendar quarter, interim un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

Section III. Procurement

A. General

1. **Goods.** All goods required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Schedule.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods

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

Procurement Method
(a) National Competitive Bidding
(b) Shopping

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Quality Based Selection
(b) Individual Consultants

D. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Recipient, to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed
(1) Goods	6,900,000	100%
(2) Consultants’ services	2,300,000	100%
(3) Unallocated	900,000	
TOTAL AMOUNT	10,100,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date is December 31, 2010.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit Repayable (expressed as a percentage)*
On each April 1 and October 1	
commencing October 1, 2016 to and including April 1, 2026	1%
commencing October 1, 2026 to and including April 1, 2046	2%

*The percentages represent the percentage of the principal amount of the Financing to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

APPENDIX

Section I. Definitions

1. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
2. “CFA Franc” or “CFAF” means *Franc de la Communauté Financière Africaine*, the currency of the Recipient.
3. “Coastal Transmission Backbone” or “CTB” means the program regarding the establishment of the 330kV transmission lines pursuant to Decision A/Dec.7/01/05 of 19 January, 2005 of the Authority of Heads of State and Government of ECOWAS that will extend from the Prestea sub-station (Ghana) to the Aboadze and Volta sub-stations (Ghana), the Mome Hagou sub-station (Togo), the Sakete sub-station (Benin) and terminate at the Ikeja West sub-station (Nigeria).”
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
5. “ECOWAS” means the Economic Community of West African States, whose member states are the Recipient, Burkina Faso, Cape Verde, Côte d’Ivoire, Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo.
6. “EEP” means the ECOWAS Energy Protocol A/P4/1/03, signed at the 26th Summit of the Heads of State and Government of the ECOWAS Member States.
7. “Environmental Management Plan” means the Recipient’s plan dated March 8, 2006, as the said plan may be amended and/or supplemented from time to time with the prior concurrence of the Association, giving details of measures appropriate or required to manage potential environmental risks and mitigate adverse impacts associated with the implementation of any construction, rehabilitation, installation and maintenance activities under the Project, together with adequate institutional, monitoring and reporting arrangements for ensuring proper implementation of, and regular feedback on compliance with, the Environmental Management Plan.
8. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005.

9. “Operational Security and Mitigation Plan” means the common set of rules for system protection, restoration and operation of the CTB which define and put in place specific procedures for concerned Transmission System Operators to: (i) allocate and monitor the sharing of spinning reserves; (ii) coordinate load shedding, if necessary; (iii) determine maximum loading limits for interconnection lines and monitoring compliance to ensure safe and secure regional operations; (iv) establish operational criteria for generators connected to the regional network and for deployment of designated black start units for execution of network restoration plans under multiple scenarios; and (v) communicate during emergencies and/or reporting of events.
10. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
11. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated June 1, 2006 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
12. “Program” means the program designed to serve as the framework for policy reform, institutional development and investments in the energy sector as outlined in (i) the ECOWAS Energy Protocol (“EEP”) adopted pursuant to Decision A/DEC dated January 17, 2003 of the Authority of Heads of State and Government of ECOWAS and ratified by the Recipient; and (ii) the “ECOWAS Revised Master Plan for the Generation and Transmission of Electrical Energy” adopted pursuant to Decision A/Dec.7/01/05 dated January 19, 2005 of the Authority of Heads of State and Government of ECOWAS.
13. “Project Administrative, Financial and Accounting Manual” means the Project-specific manual outlining the administrative, financial and accounting arrangements for the implementation of the Project, as the same may be amended from time to time, and such term includes any schedules to the Project Administrative, Financial and Accounting Manual.
14. “Project Agreement” means the agreement between the Association and the Project Implementing Entity 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 Project Agreement.
15. “Project Implementation Manual” and “PIM” means that the manual, containing, *inter alia*, monitoring and performance indicators, procurement guidelines, bidding procedures, 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.

16. “Project Implementing Entity” or “CEB” means *Communauté Electrique du Bénin*, an international public enterprise established and operating pursuant to the *Accord Relatif à l’Institution d’un Code Daho-Togolais de l’Electricité et à la Création d’une Communauté Electrique du Bénin*, between the Borrower and the Togolese Republic, dated July 27, 1968, (the CEB Treaty);
17. “Project Implementing Entity’s Legislation” means the CEB Treaty;
18. “Subsidiary Loan Agreement” means the agreement referred to in Section I.A of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity;
19. “WAPP” means the West Africa Power Pool, a cooperative mechanism for pooling the operations of the national power systems of ECOWAS member states into a unified regional electricity market, established pursuant to Decision A/Dec.8/12/01 of December 20-21, 2001 of the Authority of Heads of State and Government of the ECOWAS;
20. “WAPP Action Plan” means the action plan of the Project Implementing Entity specifying measures to be implemented under the Program as specified in a memorandum of understanding between the Project Implementing Entity and the WAPP Organization;
21. “WAPP Organization” means the specialized institution of ECOWAS, established pursuant to Decision A/Dec.18/01/06 of January 12, 2006 and Decision A/Dec.20/01/06 of January 12, 2006 of the Authority of Heads of State and Government of the ECOWAS, whose mission is to promote technical cooperation and operational coordination among power utilities in ECOWAS member states;
22. “WAPP Zone A Coastal States” means collectively Côte d’Ivoire, Ghana, Togo, Benin and Nigeria.