

CONFORMED COPY

CREDIT NUMBER 4117 BEN

Project Agreement

(Second Decentralized City Management Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

AGENCE D'EXECUTION DES TRAVAUX URBAINS

Dated November 3, 2005

CREDIT NUMBER 4117 BEN

PROJECT AGREEMENT

AGREEMENT dated November 3, 2005, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and AGENCE D'EXECUTION DES TRAVAUX URBAINS (AGETUR).

WHEREAS (A) by the Development Credit Agreement of even date herewith between the Republic of Benin (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to twenty four million Special Drawing Rights (SDR 24,000,000), on the terms and conditions set forth in the Development Credit Agreement, but only on conditions that AGETUR agree to undertake such obligations toward the Association as are set forth in this Agreement;

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

WHEREAS AGETUR, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) AGETUR declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement and, to this end, shall carry out Parts B, D.2 (a), D.3 (a) (i), D.3 (b) (i) and D.4 of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and technical practices, and shall provide, or cause to be provided, promptly

as needed, the funds, facilities, services and other resources required for Parts B, D.2 (a), D.3 (a) (i), D.3 (b) (i) and D.4 of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and AGETUR shall otherwise agree, AGETUR shall carry out Parts B, D.2 (a), D.3 (a) (i), D.3 (b) (i) and D.4 of the Project in accordance with the Implementation Program set forth in Schedule 4 to the Development Credit Agreement.

Section 2.02. (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 the Development Credit Agreement as said provisions may be further elaborated in the Procurement Plan.

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

Section 2.03. (a) AGETUR shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the AGETUR Project Agreement and Parts B, D.2 (a), D.3 (a) (i), D.3 (b) (i) and D.4 of the Project.

(b) For the purposes of Section 9.06 of the General Conditions and without limitation thereto, AGETUR shall:

- (i) prepare, on the basis of guidelines acceptable to the Association and furnish to the Association through the Project Unit not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Association and AGETUR, a plan for the sustainability of the Project; and
- (ii) afford the Association a reasonable opportunity to exchange views with AGETUR on said plan.

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

Section 2.05. (a) AGETUR shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of

its obligations under this Agreement and under the AGETUR Subsidiary Agreement, and other matters relating to the purposes of the Credit.

(b) AGETUR shall promptly inform the Association through the Project Unit of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by AGETUR of its obligations under this Agreement and under the AGETUR Subsidiary Agreement.

ARTICLE III

Management and Operations of AGETUR

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

Section 3.02. AGETUR shall at all times operate and maintain its installations, material, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and technical practices.

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

ARTICLE IV

Financial Covenants

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

(b) AGETUR shall:

(i) have its financial statements (balance sheets, statements of income and expenses and related statements) 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 (including the AGETUR Project Account and the Special Account A), 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 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 and accounts and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

ARTICLE V

Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of AGETUR thereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) the date fifteen years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify AGETUR of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telex or facsimile to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. Deliveries made by facsimile transmission shall also be confirmed by mail. The addresses so specified are:

For the Association:

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

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

For AGETUR-SA:

Agence d' Exécution des Travaux Urbains
01 BP 2780 R.P.
Cotonou, République du Bénin
Facsimile : 229-31-26-73

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of AGETUR, may be taken or executed by the Director General or such other person or persons as the Director General shall designate in writing, and AGETUR shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

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

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Diarietou Gaye
Authorized Representative

AGENCE D'EXECUTION DES TRAVAUX URBAINS

By /s/ Lambert Koty
Authorized Representative