

CONFORMED COPY

CREDIT NUMBER 3073 BEN

Project Agreement

(Social Fund Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

Agence de FINANCEMENT des Initiatives de Base

Date June 22, 1998

CREDIT NUMBER 3073 BEN

PROJECT AGREEMENT

AGREEMENT, dated June 22, 1998, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and Agence de financement des Initiatives de Base (AGEFIB).

WHEREAS: (A) by the Development Credit Agreement of even date herewith between 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 twelve million four hundred thousand Special Drawing Rights (SDR 12,400,000), on the terms and conditions set forth in the Development Credit Agreement, but only on conditions that AGEFIB agree to undertake such obligations toward the Association as are set forth in this Agreement;

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

WHEREAS AGEFIB, 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) AGEFIB declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and environmental practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and AGEFIB shall otherwise agree, AGEFIB shall carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to this Agreement.

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

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

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

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

(c) Without prejudice to the generality of the foregoing, AGEFIB shall participate fully in the reviews referred to in paragraphs B.2 (b) and B.3 (a) of Schedule 3 to the Development Credit Agreement and, to this end, shall: (a) furnish to the Borrower and the Association such reports as may be required for that purpose, and in such detail as the Borrower or the Association shall reasonably request, on the progress and status of the Project; (b) following each review, act promptly and diligently in order to take, or assist the Borrower in taking, any corrective action deemed necessary to remedy any shortcoming noted in the implementation of the Project, or to implement, or assist the Borrower in implementing, such other measures as may have been agreed upon between the parties in furtherance of the objectives of the Project; and (c) take all measures on its part to organize, in conjunction with the Association and the Borrower, the workshop referred to in paragraph B.2 (e) of Schedule 3 to the Development Credit Agreement.

ARTICLE III

Management and Operations of AGEFIB

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

(b) AGEFIB shall ensure that the positions of Director General, Head of Finance and Accounting and Head of Monitoring and Evaluation, as well as coordinators for each of Part A, Part B and Part C of the Project, respectively, both in the AGEFIB

national office and in each of the four AGEFIB departmental offices, shall be kept filled at all times by persons, whose qualifications and experience shall have been communicated to the Association and found to be acceptable.

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

Section 3.03. AGEFIB 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) AGEFIB shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) AGEFIB shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements), including those for the Special Account, for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) have its administrative, technical and managerial performance for each fiscal year audited by said auditors, having regard to the provisions of the Statutes, and of this Agreement, the Convention, the Operating Manual and the Administrative and Financial Procedure Manual;
- (iii) furnish to the Association as soon as available, but in any case not later than six (6) months after the end of each such year, (A) certified copies of its financial statements for such year as so audited and (B) the report of such audit by said auditors of such scope and in such detail as the Association shall have reasonably requested; and
- (iv) furnish to the Association such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Association shall from time to time reasonably request.

ARTICLE V

Effective Date; Termination; Cancellation and Suspension

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

Section 5.02. (a) This Agreement and all obligations of the Association and of AGEFIB 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 AGEFIB of this event.

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

ARTICLE VI

Miscellaneous Provisions

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

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

For AGEFIB:

Agence de Financement des Initiatives de Base
02 B.P. 287
Cotonou
Republic of Benin

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 AGEFIB, may be taken or executed by the Director General or such other person or persons as the Director General shall designate in writing, and AGEFIB shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

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

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Theodore Ahlers

Acting Regional Vice President
Africa

AGENCE DE FINANCEMENT DES
INITIATIVES DE BASE

By /s/ Lucien Tonoukouin

Authorized Representative

Procurement and Consultants' Services

Section I. Procurement of Good and Works

Part A: General

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 and September 1997 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

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.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Works estimated to cost the equivalent of \$25,000 or more but less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$100,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Goods estimated to cost the equivalent of \$60,000 or more but less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$300,000 equivalent, 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 \$60,000 equivalent per contract, up to an aggregate amount not to exceed \$100,000 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 Notwithstanding the provisions of paragraphs 1 and 2 of this Part C, goods and works required for Part A of the Project shall be procured in accordance with procedures acceptable to the Association, as set forth in the Operating Manual.

Part D: Review by the Bank 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

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

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

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 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

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 for capacity building, training, Project auditing and third party post review under Part C of the Project, estimated to cost less than \$50,000 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. Selection Under a Fixed Budget

Services for management of Subprojects under Part A of the Project may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services for Project evaluation under Part C of the Project estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Individual Consultants

Services for Project management, capacity building and Project evaluation under Part C of the Project 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 Bank 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 for Parts A through C of the Project estimated to cost the equivalent of \$100,000 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 consulting firms for Parts A through C of the Project estimated to cost the equivalent of \$50,000 or more, but less than the equivalent of \$100,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 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 the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 1 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply provided that the exceptions to prior Bank review shall not apply to the terms of reference for each such contract, assignments of a critical nature as reasonably determined by the Bank, amendments to contracts for the employment of consulting firms or amendments to contracts for the employment of individual consultants raising the contract value to \$ 50,000 equivalent or above.

SCHEDULE 2

Implementation Program

A. General

1. Except as the Association shall otherwise agree, AGEFIB shall: (i) apply criteria, policies, procedures and guidelines set out in the Operating Manual and the Administrative and Financial Procedure Manual, and (ii) not amend, or waive, or permit to be amended or waived, the Operating Manual and the Administrative and Financial Procedure Manual or any provision thereof, in a manner which, in the opinion of the Association, may materially and adversely affect the implementation of the Project. AGEFIB shall take the action referred to in Section 3.06 (a) of the Development Credit Agreement.

2. AGEFIB shall operate under the overall control of a Board of Directors whose composition shall be as indicated in the Statutes.

3. The Board of Directors shall appoint a Director General, who shall be responsible for the day to day management of activities under the Project.

4. The composition of each Departmental Screening Committee shall be as indicated in the Operating Manual. B. Part A of the Project

5. Eligibility Criteria for Subprojects

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

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

(b) the Subproject shall be submitted to AGEFIB by an Implementing Agency;

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

(d) the Subproject is approved by the Borrower's Ministry responsible for the particular sector;

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

(f) adequate arrangements are in place for the financing of maintenance and other incremental recurrent costs, if any, related to the Subproject; and

(g) the Beneficiary shall provide at least 10% of the estimated Subproject costs in the form of land, buildings, cash, materials, labor or other services.

6. Procedures

(a) Applications for Grants to finance Subprojects shall be prepared by Beneficiaries, and submitted to the respective AGEFIB departmental office for its approval. Where the applications are in respect of Grants in excess of twenty million CFA Francs (CFAF 20,000,000), the AGEFIB departmental office concerned shall refer these applications to the Departmental Screening Committee for its approval.

(b) Subject to the decision of the Departmental Screening Committee, applications for Grants in excess of twenty million CFA Francs (CFAF 20,000,000) shall be approved by the Director General.

7. Terms and Conditions of Grants made for Subprojects

Subprojects shall be carried out pursuant to Financing Agreements, to be concluded between AGEFIB and the Implementing Agency, under terms and conditions satisfactory to the Association, which, inter alia, shall include the following:

- (a) financing shall be on a grant basis;
- (b) the obligation to carry out the Subproject in accordance with the Operating Manual and the Administrative and Financial Procedure Manual, with due diligence and efficiency and in accordance with sound environmental, technical, financial and managerial standards and to maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Subproject;
- (c) the requirement that: (i) the goods, works and services to be financed from the proceeds of the Credit shall be procured in accordance with the procedures set forth in Part C (3) of Section I and Part C (1) of Section II of Schedule 1 to this Agreement; and (ii) such goods, works and services shall be used exclusively in the carrying out of the Subproject;
- (d) the right of AGEFIB to inspect, by itself, or jointly with the Association, if the Association shall so request, the goods, work sites, plants and construction included in the Subproject, the operations thereof and any relevant records and documents;
- (e) the right of AGEFIB to obtain all information as AGEFIB or the Association shall reasonably request regarding the administration, operations and financial conditions of the Subproject; and
- (f) the right of AGEFIB to suspend or terminate the right of the Implementing Agency to use the proceeds of the Grant for the Subproject upon failure by the Implementing Agency to perform any of its obligations under its Financing Agreement.

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

- (a) before the beginning of each Project Year, a proposed annual work program, including a proposed budget and financing plan, for the forthcoming fiscal year; and
- (b) semiannual and annual progress reports on the status of the Project, including regular beneficiary feedback reports and Subprojects completion reports. C. Part B of the Project

9. Without limitation upon the provisions of paragraph 1 above, no formal financial institution shall benefit from social intermediation services eligible for financing out of the proceeds of the Credit unless AGEFIB has determined, on the basis of an appraisal conducted in accordance with the guidelines set forth in the Operating Manual, that the formal financial institution satisfies the eligibility criteria specified below and in more detail in the Operating Manual, which shall include, inter alia, the following:

- (a) the financial institution shall have been carrying out financial activities for three (3) years at least, and shall have a competent staff;
- (b) the financial institution shall have maintained or published, in accordance with sound accounting practices, its financial statements for the last three (3) fiscal years; and
- (c) the financial institution shall offer financial services appropriate to low income clients.

10. Without limitation upon the provisions of paragraph 1 above, no informal financial institution shall benefit from the provision of technical advisory services and training eligible for financing out of the proceeds of the Credit, and from the provision of Matching Grants, unless AGEFIB has determined, on the basis of an appraisal conducted in accordance with the guidelines set forth in the Operating Manual, that the informal financial institution satisfies the eligibility criteria specified below and in more detail in the Operating Manual, which shall include, inter alia, the following:

- (a) the financial institution shall agree to be assisted by a Facilitator;
- (b) the financial institution shall have been carrying out its activities for two (2) years at least;
- (c) the financial institutions shall have thirty (30) clients and members at least, the majority of which shall be women; and
- (d) the financial institution shall maintain written records and accounts albeit in simplified manner, and prepare financial statements.

11. Procedures

Applications for Matching Grants shall be prepared by the concerned informal financial institutions with the assistance of a Facilitator, as the case may be, submitted to the AGEFIB national office or the respective AGEFIB departmental offices, as the case may be, and approved by the Director General.

12. Conditions of Matching Grant Agreements

Subprojects shall be carried out pursuant to Matching Grant Agreements, to be concluded between AGEFIB and the concerned informal financial institution, under terms and conditions satisfactory to the Association which, inter alia, shall include the following:

- (a) financing from the Association shall be on a grant basis;
 - (b) financing from the Association shall match the funds held by the informal financial institution for the concerned Subproject;
 - (c) the informal financial institution shall agree to be assisted by a Facilitator chosen by AGEFIB, and to implement the Facilitator's recommendations as needed to ensure sound use of the Matching Grant; and
 - (d) the informal financial institution shall agree to apply lending rates sufficient to cover its operating costs, prudent risk provisioning and adequate profit.
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