

CONFORMED COPY

GRANT NUMBER H748-BJ

Financing Agreement

(Seventh Poverty Reduction Support Grant)

between

REPUBLIC OF BENIN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 21, 2011

GRANT NUMBER H748-BJ

FINANCING AGREEMENT

AGREEMENT dated September 21, 2011, entered into between the REPUBLIC OF BENIN (“Recipient”) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, *inter alia*, of: (a) the actions which the Recipient has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement, and (b) the Recipient’s maintenance of an adequate macroeconomic policy framework. The Recipient and the Association therefore 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 this 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 grant in an amount equivalent to nineteen million Special Drawing Rights (SDR 19,000,000) (“Financing”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in support of the Program in accordance with Section II of Schedule 1 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 Payment Dates are April 15 and October 15 in each year.
- 2.05. The Payment Currency is Euro.

ARTICLE III — PROGRAM

- 3.01. The Recipient declares its commitment to the Program and its implementation. To this end:
- (a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient's macroeconomic policy framework and the progress achieved in carrying out the Program and the actions specified in Section I of Schedule 1 to this Agreement;
 - (b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and
 - (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of the following, namely a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following, namely the Association is satisfied with: (i) the progress achieved by the Recipient in carrying out the Program, and (ii) the adequacy of the Recipient's macroeconomic policy framework.
- 5.02. The Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is the Recipient's Minister responsible for finance.
- 6.02. The Recipient's Address is:

Ministère 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 address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423(MCI)	1-202-477-6391

AGREED at Washington D.C., United States of America, as of the day and year first above written.

REPUBLIC OF BENIN

By: /s/ Cyrille S. Oguin

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Madani Tall

Authorized Representative

SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions Taken under the Program

The actions taken by the Recipient under the Program include the following:

PUBLIC FINANCIAL MANAGEMENT AND PUBLIC ADMINISTRATION

Budget Planning and Execution

1. The revised LOLF, in line with the West African Economic and Monetary Union(WAEMU) Directive 06/2009 concerning, *inter alia*, public finance and budget content, presentation, preparation, adoption, execution, and control, has been submitted to the Recipient's Supreme Court.
2. The Recipient's public expenditure chain has been reinforced by establishing a real-time satellite connection between the Recipient's central agencies and their deconcentrated units for the reporting of fiscal (SIGFIP) and accounting (ASTER) data.

Public Procurement

3. The Recipient has consistently published weekly results of public procurement processes as from May 2011.
4. The following presidential decrees implementing the Procurement Code have been adopted:
 - (i) decree No. 2010-494 dated November 26, 2010, determining the responsibilities, the organization and the operation of the Regulatory Authority for public procurement;
 - (ii) decree No. 2010-495 dated November 26, 2010, determining the responsibilities, the organization and the operation of the National Directorate of public procurement monitoring;
 - (iii) decree No, 2010-496 dated November 26, 2010, determining the responsibilities, the organization and the operation of the public procurement officer, the public procurement commissions and the control panels for public procurement;
 - (iv) decree No. 2011-478 dated July 8, 2011, adopting the code of ethics and values in public procurement;

- (v) decree No. 2011-479 dated July 8, 2011, defining the level of authority and contracting thresholds for public procurement; and
- (vi) decree No. 2011-480 dated July 8, 2011, defining the procedure for the elaboration of the public procurement planning process.

Decentralization

- 5. The Recipient has completed technical audits with respect to the FADEC resources for the years 2008-2009 within the Recipient's 77 communes.

Civil Service Reform

- 6. The Recipient has adopted the Public Service Code of Values and Ethics for the Public Service.

Public Sector Governance

- 7. The Recipient has adopted and promulgated the Anti-Corruption Law.

PRIVATE SECTOR COMPETITIVENESS AND ECONOMIC DIVERSIFICATION

Transport, Port and Customs Reform

- 8. The Recipient has entered into the Electronic Truck Traffic Management System Contract.
- 9. The Recipient has adopted the New Generation Import Verification Program Measures.

Business Enabling Environment

- 10. The Recipient has adopted and promulgated the Code on Civil, Commercial and Administrative Judicial Procedures.

Agricultural Diversification and Cotton Sector Reform

- 11. The Recipient has adopted the PSRSA.

Section II. Availability of Financing Proceeds

- A. General.** The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.

- B. Allocation of Financing Amounts.** The Financing is allocated in a single withdrawal tranche, from which the Recipient may make withdrawals of the Financing. The allocation of the amounts of the Financing to this end is set out in the table below:

Allocations	Amount of the Financing Allocated (expressed in SDR)
(1) Single Withdrawal Tranche	19,000,000
TOTAL AMOUNT	19,000,000

C. Withdrawal Tranche Release Conditions.

1. No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied (a) with the Program being carried out by the Recipient, and (b) with the appropriateness of the Recipient's macroeconomic policy framework.

D. Deposits of Financing Amounts

1. The Recipient shall open, prior to furnishing to the Association the first request for withdrawal from the Financing Account, and thereafter maintain a dedicated deposit account ("Dedicated Account") on terms and conditions satisfactory to the Bank.
2. The Recipient shall ensure that upon each deposit of an amount of the Financing into the Dedicated Account, an equivalent amount is accounted for in the Recipient's budget management system, in a manner acceptable to the Association.

E. Audit. Upon the Association's request, the Recipient shall:

1. have the Dedicated Account audited by the Recipient's Chamber of Accounts (*Chambres des Comptes*) (or such other independent auditors acceptable to the Association), in accordance with consistently applied auditing standards acceptable to the Association;
2. furnish to the Association as soon as available, but in any case not later than four(4) months after the date of the Association's request for such audit, a certified copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request; and
3. furnish to the Association such other information concerning the Dedicated Account and its audit as the Association shall reasonably request.

- F. Excluded Expenditures.** The Recipient undertakes that the proceeds of the Financing shall not be used to finance Excluded Expenditures. If the Association determines at any time that an amount of the Financing was used to make a payment for an Excluded Expenditure, the Recipient shall, promptly upon notice from the Association, refund an amount equal to the amount of such payment to the Association. Amounts refunded to the Association upon such request shall be cancelled.
- G. Closing Date.** The Closing Date is June 30, 2012.

APPENDIX

Section I. Definitions

1. “Anti-corruption Law” means the Recipient Law No. 2011-20 dated October 12, 2011 (*Loi portant lutte contre la corruption et autres infractions connexes en République du Bénin*), which, *inter alia*, aims to prevent and combat corruption and other related practices.
2. “Autonomous Port of Cotonou” means the Recipient’s public company established by the Recipient law No. 64-39, dated December 31, 1964, and reorganized by the Recipient Ordonnance Number 76-55, dated October 11, 1976 as amended thereof.
3. “ASTER” means a computer-based accounting system.
4. “Code on Civil, Commercial and Administrative Judicial Procedures” means the Recipient’s code under law No. 2008-07 dated February 28, 2011 (*Loi portant code de procedure civile, commerciale, sociale, administrative et des comptes*) which, *inter alia*, streamlines the judicial process and introduces stricter deadlines for the delivery of judicial decisions.
5. “Dedicated Account” means the dedicated deposit account referred to in Section I.D.1 of Schedule 1 to this Agreement.
6. “Electronic Truck Traffic Management System Contract” means: (i) the contract dated May 22, 2010 between the Recipient, through its Ministry of Maritime Economy, Maritime Transportation and Port Infrastructure, and Sequest Technologies; and (ii) the contract dated May 29, 2010 between the Autonomous Port of Cotonou and Sequest Technologies, both in respect, *inter alia*, of an electronic truck traffic management system for the Port of Cotonou.
7. “Excluded Expenditure” means any expenditure:
 - (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Association or the Bank has financed or agreed to finance, or which the Association or the Bank has financed or agreed to finance under another credit, grant or loan;
 - (b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Recipient:

Group	Sub-group	Description of Item
112		Alcoholic beverages
121		Tobacco, un-manufactured, tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitutes)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971		Gold, non-monetary (excluding gold ores and concentrates)

- (c) for goods intended for a military or paramilitary purpose or for luxury consumption;
- (d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party;
- (e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

- (f) with respect to which the Association determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or other recipient of the Financing proceeds, without the Recipient (or other such recipient) having taken timely and appropriate action satisfactory to the Association to address such practices when they occur.
8. “FADEC” means the Recipient’s Communal Development Support Fund (*Fonds d’Appui pour le Développement des Communes*).
 9. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010 with the modifications set forth in Section II of this Appendix.
 10. “LOLF” means the Recipient’s draft Organic Budget Law (*Avant-projet de loi organique relative aux lois de finances*).
 11. “New Generation Import Verification Program Measures” means the following measures: (i) the contract between the Recipient, through its Ministry of Maritime Economy, Maritime Transportation and Port Infrastructure, its Ministry of Economy and Finance and its Ministry of Planning, Development, Evaluation and Coordination, on the one hand, and *Société Bénin Control SA*, on the other hand, dated February 2, 2011 for the installation of scanners, a system for the electronic tracing of products in transit and the certification of weight and value of terrestrial imports and imports from the Port of Cotonou; (ii) the presidential decree No. 2011-106 of March 22, 2011 on the establishment of a new generation import verification program; and (iii) the inter-ministerial decision No. 161/MEF/MPDEPP-CAG/MDCENTMIP for the implementation of said decree.
 12. “PSRSA” means the Recipient’s Strategic Plan for Reform of the Agriculture Sector dated August 2011 (*Plan Stratégique du Secteur Agricole*) and adopted by the Recipient’s cabinet on October 12, 2011.
 13. “Procurement Code” means the Recipient’s code for public procurement under law No. 2009-02 dated August 7, 2009.
 14. “Program” means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated October 28, 2011 from the Recipient to the Association declaring the Recipient’s commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution.

15. “Public Service Code of Values and Ethics for the Public Service” means the Recipient’s code of values and ethics for the public service adopted by the presidential decree No. 2008-813 of December 31, 2008.
16. “SIGFIP” means an Integrated Computer-based Budget Management System (*Système Intégré de Gestion des Finances Publiques*).
17. “Single Withdrawal Tranche” means the amount of the Financing allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.
2. Sections 2.04 (*Designated Accounts*) and 2.05 (*Eligible Expenditures*) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.
3. Sections 4.01 (*Project Execution Generally*), and 4.09 (*Financial Management; Financial Statements; Audits*) are deleted in their entirety, and the remaining Sections in Article IV are renumbered accordingly.
4. Paragraph (a) of Section 4.05 (renumbered as such pursuant to paragraph 3 above and relating to *Use of Goods, Works and Services*) is deleted in its entirety.
5. Paragraph (c) of Section 4.06 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

“Section 4.06. *Plans; Documents; Records*

... (c) The Recipient shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Financing until two years after the Closing Date. The Recipient shall enable the Association’s representatives to examine such records.”

6. Section 4.07 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

“Section 4.07. *Program Monitoring and Evaluation*

... (c) The Recipient shall prepare, or cause to be prepared, and furnish to the Association not later than six months after the Closing Date, a report of such scope and in such detail as the Association shall reasonably request, on the execution of the Program, the performance by the Recipient and the Association of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Financing.”

7. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

(a) The definition of the term “Eligible Expenditure” is modified to read as follows:

“‘Eligible Expenditure’ means any use to which the Financing is put in support of the Program, other than to finance expenditures excluded pursuant to the Financing Agreement.”

(b) The term “Financial Statements” and its definition as set forth in the Appendix are deleted in their entirety.

(c) The term “Project” is modified to read “Program” and its definition is modified to read as follows:

“‘Program’ means the program referred to in the Financing Agreement in support of which the Financing is made.” All references to “Project” throughout these General Conditions are deemed to be references to “Program”.