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Report No.P-2040-BEN

REPORT AND RECOMMENDATION
OF THE
PRESIDENT
TO THE
EXECUTIVE DIRECTORS
ON A
PROPOSED CREDIT
TO THE
PEOPLE'S REPUBLIC OF BENIN
FOR A
TECHNICAL ASSISTANCE PROJECT

May 5, 1977

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CURRENCY EQUIVALENTS

Currency Unit: CFA Francs (CFAF)
US\$1.00 = CFAF 245
CFAF 1 million = US\$4,081

FISCAL YEAR

January 1 - December 31

System of Weights and Measures : Metric

<u>Metric</u>	<u>US Equivalents</u>
1 meter (m)	3.28 feet (ft)
1 square meter (m ²)	10.8 square feet (sq.ft.)
1 cubic meter (m ³)	35.3 cubic feet (cu.ft.)
1 kilometer (km)	0.620 mile (mi)
1 square kilometer (km ²)	0.386 square mile (sq. mi.)
1 hectare (ha)	2.47 acres
1 metric ton (t)	2,204 pounds (lb)

ABBREVIATIONS AND ACRONYMS

CARDER	- Centre d'Action Regionale pour le Developpement Rural
FAC	- Fonds d'Aide et de Cooperation
FAS	- Fonds Autonome de Stabilisation et de Soutien des Prix des Produits Agricoles
FED	- Fonds Europeen de Developpement
IITA	- International Institut of Tropical Agriculture
IRAT	- Institut de Recherches Agronomiques Tropicales et des Cultures Vivrieres
IRCT	- Institut de Recherches du Coton et des Textiles Exotiques
SONACEB	- Societe Nationale pour Commercialisation et Exportations du Benin
SONADER	- Societe Nationale pour le Developpement Rural du Dahomey
SONACO	- Societe Nationale Agricole pour le Coton
SONAGRI	- Societe Nationale pour la Production Agricole
MDRAC	- Ministere du Developpement Rural et de l Action Cooperative

INTERNATIONAL DEVELOPMENT ASSOCIATION

REPORT AND RECOMMENDATION OF THE PRESIDENT
TO THE EXECUTIVE DIRECTORS ON A PROPOSED DEVELOPMENT CREDIT
TO THE PEOPLE'S REPUBLIC OF BENIN
FOR A TECHNICAL ASSISTANCE PROJECT

I submit the following report and recommendation on a proposed development credit to the People's Republic of Benin for the equivalent of US\$1.7 million on standard IDA terms to help finance a technical assistance project. FAC (Fonds d'Aide et de Cooperation) would provide co-financing for the project in the form of a grant of US\$0.7 million.

PART I - THE ECONOMY

1. There has not been any economic mission to Benin recently, although a mission to review Benin's next plan is scheduled for later this year. Annex I contains basic country data. The last economic report (Report No. 191a - DA) entitled "Economic Situation and Prospects of Dahomey" was issued on August 20, 1973. The following analysis is based on information gathered by the 1975 IMF Article XIV consultation mission and by various Bank missions that visited Benin in the course of 1976 and early 1977.

Past Development

2. With a GDP per capita of only US\$140, Benin is classified by the UN as one of the world's 25 least developed countries. It is an overwhelmingly rural nation: 80 percent of the population is dependent on agriculture which accounts for 30 percent of GDP and 90 percent of foreign exchange earnings. Insufficient and irregular rainfalls limit the production of high value tree crops. Seventy percent of the total agricultural output consists of subsistence low-value root crops (yams and cassava). Palm oil, cotton and groundnuts are the country's major export crops. GDP per capita in the rural sector is very low, averaging about US\$50.

3. Transport and commerce are the second most important activities in Benin. The port of Cotonou has traditionally been the door to the sea for landlocked Niger and a transit port for the western part of Nigeria. A large share of the imports of consumer goods (beverages, tobacco, radios, etc.) and exports of agricultural products registered as Benin trade, is in fact unofficial border trade to and from Nigeria. Due to the recent congestion of the port of Lagos, the transit function of the Cotonou port has further developed. In 1976 it is estimated that about half of the port's total traffic (960,000 tons) originated in or was destined for neighboring countries (30 percent to Niger and 20 percent to Nigeria). Transport and commerce generate about one third of Benin's GDP (at factor cost), account for 10 percent of its foreign exchange earnings, and employ about 12,000 persons.

4. The country has an embryonic industrial sector and the known mineral resources - limestone and phosphate - have not yet been exploited. There are plans to start exploiting the Onigbolo limestone deposit in the near future. There are also indications of the existence of oil offshore.

Political Situation and Recent Economic Development

5. Since independence in 1960, there have been numerous changes of Government. This instability has been due in part to regional and ideological differences. A major turning point occurred at the end of 1974, when the military Government that had been in power since 1972, decided to establish a Marxist-Leninist system. The declaration of the new regime was accompanied by measures aimed at decreasing foreign influence and increasing the country's self-reliance. Nationalization of foreign private interests in key sectors (banking and credit, gasoline distribution, services related to the port and industry) took place and the various technical assistance programs were scaled-down. These measures disrupted the economy, since there was an inadequate number of Beninese to replace the departing expatriates. The situation was further aggravated by drastic changes in the public service which resulted in further losses of productivity.

6. The agriculture sector was affected by these developments which lead to a deterioration of support services, especially input distribution. Furthermore the Government's pricing and marketing policies did not provide enough incentive to farmers, being mainly guided by the Government's desire to keep the cost of living and the level of salaries low in the urban centers. Production of most agricultural products stagnated during 1974-76 and cotton production dropped sharply from 50,000 tons in 1972/73 to less than 20,000 tons in 1975/76. Maize production was also affected by the Government's decision to prohibit maize exports by private traders to Nigeria, a traditional outlet for Benin. The Government intends to establish a state grain trading monopoly.

7. The Government decided in 1976 to implement measures aimed at encouraging farmers to produce more. Farmgate prices were increased to generally more satisfactory levels for the 1976/77 season. Farm inputs were distributed on time for the first time in four years. Preliminary results for the 1976/77 season are, however, not encouraging. The farmers' response has been limited. Low rainfall also contributed to a further decrease in output.

8. In the modern sector, transport and other economic activities have been stimulated by the rapid growth of transit trade with Nigeria. Transport was the only growing sector in Benin over the 1971-75 period. In 1976, the Government took further measures to improve the port's handling capacity which had fallen to a low 12 tons/hour in 1975 as opposed to 23 tons/hour in 1972/73. To attract Nigerian traffic away from the congestion at

the Lagos Port, border formalities are being simplified. The ad valorem transit tax of 2.08 percent on the Nigerian traffic has been dropped. ^{1/} A study of the feasibility of extending the port facilities is underway. The Government of Nigeria is financing the coastal expressway linking Cotonou with the Nigerian border, to be completed in 1977, and is planning to build several other roads linking the western part of Nigeria to the Benin-Niger axis.

9. Public investment in recent years has been at a low level. Total gross investment is estimated to have stagnated at about \$50 million per year over the 1971-75 period, (i.e. a low \$16 per capita compared with US\$32 in neighboring Togo and \$89 in the Ivory Coast), while public investment is estimated to have averaged about US\$25 million per year, (i.e. also a low US\$8 per capita compared to US\$27 and US\$55 in Togo and the Ivory Coast respectively). Public investments were concentrated in road infrastructure and agriculture. Benin has not had a national plan since 1972, but the Government is now working on the preparation of an interim 3-year plan covering the 1977-79 period.

10. While Benin has not been successful recently in spurring economic growth, it has maintained a strict financial orthodoxy. The Central Government's current budget, which was in chronic deficit during the sixties (requiring support from France until 1970), has been in equilibrium since then, even generating a small surplus of about 7 percent of current revenues between 1971 and 1975. This was achieved through an austerity policy of freezing civil servants' salaries, which have not been increased for 10 years, and limiting expenditures on materials. Revenues (in real terms) increased very little due to the zero growth of the economy.

11. Benin has succeeded in maintaining the equilibrium of its balance of payments despite the sharp deterioration of its trade balance, the deficit of which increased to US\$40 million in 1974/75 (11 percent of GDP). The improvement of the service account, due to increased transit shipments to Nigeria, helped to compensate for this. At the end of the first quarter of 1976, Benin's net foreign exchange reserves amounted to only US\$16.5 million, i.e., the equivalent of one month of imports.

12. Recent trends in the agricultural sector have inevitably resulted in a growing gap between the incomes of the urban population and the farmers, some of whom shifted back to subsistence crops. The cash income of farmers is estimated to have declined by 50 percent between 1972 and 1976.

^{1/} The resulting loss of tax revenues is negligible compared with the incremental value added created by the development of the Nigerian traffic.

Prospects

13. Benin's economic prospects are for only limited growth. GDP is not expected to grow by more than 3 to 4 percent per annum over the next decade, assuming perseverance with the recent efforts to improve the economic situation. The measures taken in 1976 mark an improvement in economic policies. The proposed technical assistance project, which would help the Government strengthen agricultural institutions and prepare a long-term development program for the Zou-Borgou area, is a reflection of this.

14. Cooperation with Nigeria could become a major factor for Benin, since Nigeria could provide what Benin lacks most, a neighboring large market and a financial base. The two countries are already associated in the extension of the Cotonou clinker grinding plant (100,000 tons) to be completed in early 1978. They are also considering joint investment in a project to produce 40,000 tons of refined sugar at Save for the Nigerian market; and a cement plant based upon the Onigbolo limestone deposit producing between 500,000 tons and 1 million tons per year. The implementation of these projects could considerably improve the balance of payments outlook for Benin given adequate price and marketing guarantees by Nigeria.

15. The stimulation of Benin's economy implies an increase in public investment to at least US\$50 to US\$60 million per year, in constant 1977 prices, in the late seventies and early eighties. Such a program, in view of the limited local financial resources, would have to be financed, as in the past, mostly by foreign aid. Public savings will continue to be limited, especially in view of Government's decision to increase civil service salaries starting January 1977, which will result in a 15 to 20 percent increase in the Government's wage bill.

16. Benin's total external debt was relatively high at the end of 1975, amounting to US\$160 million, or about 40 percent of the country's GDP. External public debt service amounted to about 10 percent of the country's exports in 1975/76. This constitutes a relatively high burden for Benin considering its poverty and limited foreign exchange earnings possibility. Debt service as a share of Government revenues is probably substantially higher.

17. Given Benin's extreme poverty, limited development prospects, difficulty in mobilizing domestic resources, and relatively high debt service ratio, foreign donors should continue to provide aid on the softest possible terms and also to cover a high proportion of local costs if necessary. In any case the volume of external aid to Benin is likely to be limited until a greater effort is made by the authorities concerned in project preparation and implementation.

PART II - BANK GROUP OPERATIONS IN BENIN

18. To date the Bank Group has extended 5 credits to Benin, totalling US\$39.6 million. Two of the Credits were for agriculture (29 percent of total lending) and two for highway construction and maintenance (61 percent). The fifth and most recent operation was an education project with a large rural training component. Annex II contains a summary statement of Bank Group operations in Benin as of March 31, 1977, as well as notes on the execution of ongoing projects.

19. The Hinvi Agricultural Development Project (1969) which financed the construction of an oil palm mill as well as palm plantings and food crop improvement, was IDA's first operation in Benin and has been completed satisfactorily (see para. 29). IDA's second involvement in agriculture in Benin was the Zou-Borgou Cotton Development Project (1972). The project failed to achieve its objectives for the reasons given in paras. 30-39.

20. The Bank Group's involvement in the transport sector began in 1960, when the Bank acted as Executing Agency for a UNDP "Land Transport Study". This study led to the financing of a four-year highway maintenance project in 1970, successfully completed in 1974, followed by a Second Highway Project in 1973. The Second Highway Project, co-financed by USAID, which comprises principally the reconstruction of 320 km of the Parakou-Malanville road, Benin's most important North-South trunk road, and the continuation of the road maintenance program, is progressing satisfactorily. However, severe cost overruns due to inflation and unforeseen technical difficulties led the Association in FY76 to provide a supplementary credit of US\$9 million.

21. The first Education Project, which became effective in 1976, provides for the improvement of the ongoing rural youth training program, and the construction and equipping of a skills upgrading center in Cotonou. The project also includes a preinvestment study for a follow-up training/education project. The project is progressing on schedule.

22. Another IDA operation expected to be presented to the Board on the same day as the proposed project, is a feeder road project designed to support agricultural development and to strengthen the institutional framework for the improvement and maintenance of the feeder road network. IDA is also considering financing a Third Highway Project, to be submitted to the Board within the next few months, and a project for the extension of the port of Cotonou for the preparation of which IDA has already advanced \$500,000 under the Project Preparation Facility. IDA's future involvement in the agriculture sector will depend very much on the outcome of the proposed technical assistance project.

PART III - THE AGRICULTURE SECTOR

Background

23. Benin may be broadly divided into northern Sudanian and southern Guinean type climates. The annual precipitation ranges, on average, from 1,300 mm in the South to 900 mm in the far North, although there are widespread local fluctuations and differences from year to year. Rainfall is generally insufficient for coffee, cocoa and rubber, and oil palm yields are lower than in neighboring countries. However, favorable climatic conditions exist for the cultivation of food crops, cotton and groundnuts. The quality of soils is generally mediocre throughout the country, and in the South there are signs of soil depletion due to over-cropping. Benin has an estimated 9 million ha suitable for cultivation. Of this area only about 1.1 million ha are cultivated. The agricultural population is about 2.1 million, mainly smallholders cultivating about 2.5 ha per family. In the North, a substantial area of potentially productive bottomland is left uncultivated because of onchocerciasis.

24. Benin produces about 1 million tons of yams and cassava and 320,000 tons of cereals (including 210,000 tons of maize and 90,000 tons of sorghum/ millet). Rice production, although relatively modest (15-20,000 tons), has developed rapidly in recent years. The country produces a surplus of maize which is exported to Nigeria through border trade while at the same time it imports about 5,000 tons (18,000 tons during the drought years 1972 and 1973) of wheat and rice mostly for urban consumption, i.e. about 3 percent of total cereal consumption. Export crops consist of unshelled groundnuts (40,000 tons), seed cotton (20,000 tons in 1975 and 1976), and palm oil (25,000 tons). The country's main sources of foreign exchange earnings are oil palm products (about one-third of total exports including border trade with Nigeria), followed by cotton and groundnuts. Livestock is important in the North, but Benin is a net importer of about 10,000 head of cattle annually from Niger.

Organization

25. The organization of the agriculture sector, which was entirely changed in 1975, is now as follows. The Ministry of Rural Development and Cooperative Action (MDRAC) is responsible for policy matters and coordination in the agricultural sector. It comprises six directorates for agriculture, livestock, fisheries, rural engineering, forestry and planning. The Ministry of Rural Development and Cooperative Action also coordinates the activities of six Regional Action Centers for Rural Development (CARDERS) responsible for regional agricultural development (extension work, credit delivery and primary marketing of cotton and food crops) and seven crop-oriented state agencies of which SONAGRI (National Company for Agricultural Development) is one of the most important. SONAGRI is responsible for providing management and technical support to the CARDERS and also for cotton ginning operations. The National Company for Marketing and Exports, controlled by the Ministry of Finance, has the monopoly for the export of all agricultural products.

26. Benin has been relying on French aid to carry out research, essentially the Institute of Tropical Agronomic Research and Food Crops (IRAT) for food crops, and the Institute of Cotton and Exotic Fiber Research (IRCT) for cotton. In February 1977, the Government created a national research agency in the Ministry of Rural Development and Cooperative Action to supervise all research activities in Benin, with continuing French support.

27. There are no well-defined sectoral objectives for agriculture in Benin. The Government's traditional policy in agriculture is directed towards encouraging the development of industrial export crops such as oil palm, groundnut and cotton. To capitalize on the country's good potential for food crops, the Government also aims at increasing cereal production to meet the growing demand from urban centers in Nigeria. The Government's policy on the organization of agricultural production is not clear. Several attempts have been made to create large collective farms but by and large it is assumed that individual small farms will prevail. Producer cooperatives remain limited, although the grouping of farmers was one of the most successful achievements of the Zou-Borgou Project.

28. Public investments in the agricultural sector have remained at the relatively low level of \$10 million per year during 1971/75. The two projects jointly financed by IDA and FAC, the Grand Hinvi Oil Palm and Zou-Borgou Cotton Development, represented about half of the overall agriculture investment over the 1971-75 period. FED has been another important source of financing. Because of the lack of well-prepared projects, agricultural investment is not expected to increase substantially through the early eighties.

The Hinvi Agricultural Development Project

29. The project, which dates back to 1969, aimed at establishing 6,000 ha of oil palms, preparing 6,000 ha for annual crop production, constructing an oil mill, and developing tree plantings and beef production. Development was organized through cooperatives, and the project managed by the National Rural Development Agency of Dahomey. Oil palm plantings were completed as scheduled in 1970, but two consecutive years of drought have delayed the growth of trees. Because of limited rainfall, yields are expected to be only about 80 percent of appraisal estimates. While only 1,500 ha of food-crops were planted, the project has been successful with respect to the introduction of ox-traction, and the strengthening of the project agency. The future of the cooperatives is compromised by financial difficulties and low producer prices. The mill which started operation in 1974, one year behind schedule, is running satisfactorily.

Zou-Borgou Cotton Development Project

30. The main objective of the project was to increase seed cotton production in the Zou and Borgou provinces from 25,000 tons in 1970 to 56,000 tons by 1974, through increasing the areas under cotton from 29,000 to 59,000 ha, and the number of growers from 29,000 to 41,000. The productivity of other crops grown in rotation with cotton was to be improved through the residual effects of fertilizers applied to cotton.

31. The project was to comprise the provision of staff and equipment to the National Agricultural Company for Cotton (SONACO) to administer agricultural extension, credit and primary marketing services; the establishment of a revolving fund to supply short and medium-term credit to cotton growers; construction of two new ginneries; rehabilitation of 620 km of feeder roads; applied agronomic research; and a feasibility study for agricultural diversification in the project area. The original concept was to have the National Agricultural Company for Cotton responsible for the planning and supervision of extension work carried out by two French consulting firms. The ginning of raw cotton and marketing of lint and cotton seed was entrusted to CFDT 1/ under a joint venture agreement with the Government. The project cost was estimated at \$12.7 million with IDA financing \$6.1 million, FAC \$3.1 million and the Government \$3.5 million.

32. The project initially reached appraisal production estimates for seed cotton. In 1973 production reached 19,000 tons in Zou and 23,000 tons in Borgou, with yields of 1,100 and 1,200 kg/ha respectively. However, this pace was not sustained because of institutional problems which led to the direct control of the marketing of cotton and management of extension services, and low producer prices. In 1973, the Government decided to take over cotton marketing and all ginning facilities from CFDT and make the National Agricultural Company for Cotton directly responsible for the organization of extension work, and the National Company for Marketing and Exports responsible for the marketing of cotton lint and seed. IDA agreed to these changes after the Government agreed to maintain expatriate technical assistance. However this was phased out faster than expected. Consultants were asked to withdraw in 1974 and 1975, although the Government did not have adequate staff to replace them. Government also decided to shift key project extension personnel from one region to another and from one service to another, thus disorganizing extension work.

33. At the end of 1975, Government set up the CARDERS and turned the National Agricultural Company for Cotton into SONAGRI whose functions are spelled out in paragraph 25. This resulted in coordination problems with the CARDERS, the production agencies. In addition, SONAGRI suffered from financial problems since the Government did not pay its contribution to project costs in 1974 (US\$1.6 million), and has not repaid SONAGRI for the subsidies granted to farmers since the beginning of 1974. The Government has given assurances that the \$1.6 million would be paid to SONAGRI during 1978 in three equal payments, the first of which would be made not later than March 31, 1978 (Development Credit Agreement, Section 4.03(b)), and that FAS (Autonomous Support Fund) would reimburse SONAGRI for the unpaid

1/ CFDT is a company which, in accordance with the Credit Agreement, managed its own and the Government's ginneries in the project area, and supplied technical and marketing services to the Project.

subsidies before the end of September 1977 (Development Credit Agreement, Section 4.03(a)). The Government also agreed to include in the "bareme" paid to SONAGRI, in addition to production and operating costs, the amount of input subsidy (Development Credit Agreement, Section 4.03(c)).

34. The Government pricing policy also acted as a disincentive. Cotton producer prices were too low in both absolute terms and compared with groundnuts and maize to make cotton attractive to the farmers, until the 1976/77 season, when they were raised to CFAF 50/kg. This together with the organizational changes, affected the farmer's confidence in the project. As a result there has been a sharp decline in cotton production in the project area from 42,000 tons in 1973 to 17,600 tons in 1975 and perhaps less in 1976. Yield and quality have also deteriorated. This has resulted in heavy losses to the economy estimated at US\$10 million for 1974 and US\$25 million for 1975 and 1976, i.e. about 10 percent of Benin's annual foreign exchange earnings.

35. No reliable data are available on foodcrops, but their production is believed to have suffered from attempts to restrict the traditional border trade with Nigeria.

36. Other components of the project were implemented more successfully. The Glazoue ginnery financed under the project is operating satisfactorily. A proposed second ginnery was not built since cotton production never reached the expected level. A nonquantifiable but important benefit has been the organization of effective farmer groups. These groups operate like small cooperatives and some of them have demonstrated their ability to handle primary cotton marketing and to organize the distribution of farm inputs. The project has also been successful in expanding the production of rice and hybrid maize and introducing ox-drawn cultivation. SONAGRI (formerly SONACO) has maintained its activities reasonably well, especially the operation of the ginneries. Accounting procedures are being improved, and the 1975 and 1976 accounts were properly audited. However the feeder roads construction program had to be reduced from 620 km to 450 km because of cost overruns.

37. In 1973, a Government delegation visited Washington to seek IDA's agreement to the then proposed organizational changes. Later, with IDA's agreement, the Government entered into a new technical assistance agreement with CFDT. Upon the creation of the CARDERS in 1975, another delegation came to Washington and it was agreed that the newly created SONAGRI should be strengthened by certain key appointments, its accounts audited, its relationship with the CARDERS more clearly defined and the Government's pricing and marketing policies made more growth oriented. Measures taken since then have been responsive to these agreements except with respect to marketing policies.

38. The Credit Agreement provided for IDA financing of the purchase of incremental inputs for 1973 and 1974. However, a portion of the funds allocated for this purpose were left undisbursed at the end of the period concerned. In early 1977, the Association decided to disburse this amount,

together with the funds originally allocated for the second ginnery and the unallocated funds, a total of \$1.1 million, for expenditures for fertilizers and pesticides purchased for the 1974 and 1975 seasons. This decision was made despite the problems encountered by the project, to enable SONAGRI to maintain the area presently under cotton production.

PART IV - THE PROJECT

39. The proposed project was identified by an IDA mission in May 1976. An appraisal mission visited Benin in October 1976, and a follow up appraisal took place in February 1977. Negotiations were held in Washington from April 20, through April 22, 1978. The Beninese delegation was led by Mr. Akpo, Minister of Rural Development and Cooperative Action.

Rationale for a Technical Assistance Project

40. It was always intended that there should be a follow-up project to Zou Borgou I. But the failure of the first project and the prevailing structural problems (lack of a clearly defined pricing and marketing policy, financial and technical weaknesses of the agricultural institutions such as SONAGRI, deterioration of the support and extension services) in the agriculture sector indicate that a full-scale second project is presently not feasible. Yet in view of the key role of the agriculture sector, especially cotton, and the recent more determined approach taken by the Government, both the Government and IDA have agreed that it was important to maintain IDA's involvement in the sector. The proposed technical assistance project would be an appropriate means of providing the expertise required to improve the institutional situation and prepare a follow up project. It would also allow more time for the farmers to regain confidence in the project.

Project Description

41. The proposed project, which is summarized in the Project and Credit Summary (Annex III), would be of an interim nature designed to prepare the way for a regional development project. It would be carried out over two years and would include:

- (a) the provision of technical assistance to SONAGRI through the assignment of consultants and equipment to:
 - (i) strengthen the accounting and financial management;
 - (ii) set up an Evaluation and Planning Directorate within SONAGRI to help the CARDERS in their technical and other farm support services, and to prepare development projects for the Borgou and the Zou; and

- (iii) reorganize and reinforce the training capability of SONAGRI and the CARDERS, especially in the Borgou area;
- (b) providing trucks and staff vehicles to SONAGRI;
- (c) setting up within SONAGRI a development fund for pilot projects to be carried out by the CARDERS in Borgou and Zou;
- (d) providing consultant services to make investment proposals for the area to be cleared of onchocerciasis, and establishing a field station in the area to develop land use programs;
- (e) providing additional personnel and equipment to the Planning Directorate of the Ministry of Rural Development and Cooperative Action to carry out a detailed agricultural survey in the Zou and Borgou; and
- (f) pursuing adaptive research in cotton and food crops and organizing seed multiplication for food crops.

Detailed terms of reference of the various components were agreed upon during negotiations, together with various covenants governing their implementation. These requirements are described in their context in Annex III. The more important covenants are listed in Annex IV.

Project Implementation

42. The General Manager of SONAGRI, who reports to the Ministry of Rural Development and Cooperative Action, would be the Project Manager. He would be directly responsible for all project activities, except the applied research and agricultural survey. The applied research activities would be under the responsibility of the Director of Research of the Ministry of Rural Development and Cooperative Action, but the program would be designed in consultation with SONAGRI. The Director of Planning of this Ministry would be in charge of the agricultural survey.

43. All expatriate staff financed under the project would report directly to the Project Manager except for the research specialist. The technical assistance posts would be filled by expatriates, since it is unlikely that nationals with the required experience and qualifications would be available. Government agreed that it would cause the General Manager of SONAGRI to employ for all expatriate staff posts and consultant assignments, specialists whose qualifications, experience, terms of reference and conditions of employment are satisfactory to IDA. The terms of reference were agreed upon during negotiations (Development Credit Agreement Section 3.02).

Project Costs and Financing

44. The total cost of the project, based on March 1977 prices and including contingencies, would amount to US\$2.5 million (net of taxes of US\$0.1 million). Foreign exchange costs are estimated at US\$1.7 million or 65% of total costs. The proposed IDA credit of US\$1.7 million would be complemented by a grant from FAC of US\$0.7 million. Total external financing (IDA and FAC) would amount to 96 percent of total costs, thereby financing US\$0.7 million of local costs. Both the IDA credit and the FAC grant would be passed on by the Government as grants to SONAGRI (Development Credit Agreement Section 3.01(b)). The FAC participation would be pari-passu (2/3 IDA: 1/3 FAC) except for the cost of expatriate staff (three fully financed by FAC, three fully financed by IDA), short term consultants and onchocerciasis studies (both fully financed by IDA). IDA would finance \$0.3 million of local costs. Total expatriate staff services would amount to 9.5 man-years and consultants services to 68 man-months for a total cost of US\$1.0 million. The average cost would be US\$65,000 per man-year of expatriate staff, and US\$80,000 per man-year of short-term consultant. A condition of effectiveness of the proposed credit would be the effectiveness of the FAC grant (Development Credit Agreement Section 6.01). The Government contribution of \$0.2 million would cover 45 percent of incremental local staff salaries (including taxes).

Procurement

45. Contracts for the purchase of goods or civil works of more than \$10,000 would be procured on the basis of competitive bidding advertised locally in accordance with the applicable procedures of the borrower which are considered acceptable to the Association. To the extent feasible, vehicles totalling \$220,000 would be grouped for bulk procurement. Contracts of less than \$10,000, would be purchased locally in accordance with other applicable procedures of the Borrower including solicitation of price quotations from local suppliers. It is expected that the Government would request the Bank's West Africa Agricultural Project Management Unit to assist in recruiting expatriate staff to be financed by IDA. The expatriate research and training specialists already in place would be retained by SONAGRI. The services of short-term consultants would be procured in accordance with IDA's guidelines.

Disbursement

46. The IDA credit would be disbursed against:
- (a) 100% of the total cost of expatriate staff - with the exception of the research and training specialists, and the agricultural economist - (US\$278,000);
 - (b) 100% of the total cost of consultants (US\$421,000);

- (c) 39% of incremental local personnel costs (US\$150,000);
- (d) 67% of the costs of equipment (US\$240,000), and of expenditures under the development fund (US\$133,000);
- (e) 67% of the costs of buildings (US\$32,000); and
- (f) 67% of the operating costs (US\$176,000).
- (g) unallocated (US\$270,000).

Disbursements for local personnel and operating costs would be made against certificates of expenditures, the documentation for which would not be submitted for review, but would be retained by SONAGRI and made available to supervision missions. Expenditures under the Development Fund would be subject to IDA's prior approval.

Benefits and Risks

47. The general situation in the agricultural sector can only be characterized as unsatisfactory. But there have recently been some more favorable trends such as the increase in the producer price for cotton and improvement in the financial management of SONAGRI. The main purpose of the technical assistance provided under the project, would be to build upon these trends and help prepare a full-scale, second-phase project. Without the technical assistance, it is difficult to envisage that the conditions would be created in the sector in a reasonable amount of time, sufficient to warrant further IDA involvement. Even with the technical assistance there is an inherent risk that the Government may not create the necessary conditions. There is a risk that technical advisers would not be able to achieve a constructive dialogue with the authorities concerned. The Association would take special care to ensure this does not happen by intense supervision efforts.

PART V - LEGAL INSTRUMENTS AND AUTHORITY

48. The draft Development Credit Agreement between the People's Republic of Benin and the Association, the Recommendation of the Committee provided for in Article V, Section 1 (d) of the Articles of Agreement of the Association and the draft resolution approving the proposed Development Credit, are being distributed separately to the Executive Directors.

49. Features of special interest of the draft credit document are listed in Annex IV. A condition of effectiveness included in the Credit Agreement, would be the effectiveness of the FAC agreement. A condition of disbursement would be the approval by IDA of sub-projects to be financed under the Development Fund.

50. I am satisfied that the proposed Credit would comply with the Articles of Agreement of the Association.

PART IV - RECOMMENDATIONS

51. I recommend that the Executive Directors approve the proposed Credit.

Robert S. McNamara
President

Attachments

Washington, D.C.
May 5, 1977

TABLE 3A
- SOCIAL INDICATORS DATA SHEET

LAND AREA (THOU KM ²)	BENIN			REFERENCE COUNTRIES (1970)			
	TOTAL	1963	1970	MOST RECENT ESTIMATE	TOGO	LIBERIA	IVORY COAST**
TOTAL	112.6						
AGRIC.	..						
GNP PER CAPITA (US\$)		70.0	100.0	140.0	180.0	290.0	340.0
POPULATION AND VITAL STATISTICS							
POPULATION (MID-YR, MILLION)		2.1	2.7	3.1	2.0	1.3	5.4
POPULATION DENSITY PER SQUARE KM.		18.0	24.0	28.0	36.0	12.0	16.0
PER SQ. KM. AGRICULTURAL LAND		114.0 ^a	..	..	..	..	30.0
VITAL STATISTICS							
AVERAGE BIRTH RATE (/THOU)		51.4	50.6	49.9	51.0	42.8	46.1
AVERAGE DEATH RATE (/THOU)		31.5	26.6	23.0	26.6	23.5	23.3
INFANT MORTALITY RATE (/THOU)		110.0 ^{b,d}	..	..	..	137.3	..
LIFE EXPECTANCY AT BIRTH (YRS)		34.3	38.5	41.8	38.5	41.0	41.0
GROSS REPRODUCTION RATE		3.3	3.3	3.3	3.3	2.6	3.1
POPULATION GROWTH RATE (%)							
TOTAL		3.1	2.8	2.7	2.7	3.3 ^e	3.4 ^f
URBAN		..	6.0	5.9 ^a	6.0	..	8.7 ^a
URBAN POPULATION (% OF TOTAL)		9.3	..	13.1	13.0	26.2	28.0
AGE STRUCTURE (PERCENT)							
0 TO 14 YEARS		46.0	44.9	45.4	45.0	40.7	42.5
15 TO 64 YEARS		50.2	52.6	52.1	52.0	56.0	54.8
65 YEARS AND OVER		3.8	2.5	2.5	3.0	3.3	2.7
AGE DEPENDENCY RATIO							
ECONOMIC DEPENDENCY RATIO		1.0	0.9	0.9	0.9	0.8	0.8
		0.9 ^f	1.0 ^a	1.0 ^b	1.3 ^a	1.0 ^a	0.9 ^b
FAMILY PLANNING							
ACCEPTORS (CUMULATIVE, THOU)		..	..	..	..	..	..
USERS (% OF MARRIED WOMEN)		..	..	..	..	..	..
EMPLOYMENT							
TOTAL LABOR FORCE (THOUSAND)		1100.0	1300.0	1500.0	720.0	580.0	2600.0
LABOR FORCE IN AGRICULTURE (%)		55.0	52.0	..	78.0	72.0	82.0
UNEMPLOYED (% OF LABOR FORCE)		..	..	..	..	20.0 ^b	6.0
INCOME DISTRIBUTION							
% OF PRIVATE INCOME REC'D BY-							
HIGHEST 5% OF HOUSEHOLDS		31.4 ^c	..	..	..	61.7 ^c	..
HIGHEST 20% OF HOUSEHOLDS		51.7 ^c	..	..	..	72.6 ^c	..
LOWEST 20% OF HOUSEHOLDS		5.5 ^c	..	..	..	5.3 ^c	..
LOWEST 40% OF HOUSEHOLDS		15.8 ^c	..	..	..	10.9 ^c	..
DISTRIBUTION OF LAND OWNERSHIP							
% OWNED BY TOP 10% OF OWNERS		..	..	..	..	..	..
% OWNED BY SMALLEST 10% OWNERS		..	..	..	..	..	..
HEALTH AND NUTRITION							
POPULATION PER PHYSICIAN		..	29260.0	30050.0 ^c	28140.0	10450.0	15320.0
POPULATION PER NURSING PERSON		..	440.0	2360.0 ^c	4200.0	4140.0	3130.0 ^c
POPULATION PER HOSPITAL BED		..	870.0 ^b	880.0 ^d	820.0 ^b	530.0	850.0 ^c
PER CAPITA SUPPLY OF -							
CALORIES (% OF REQUIREMENTS)		96.0	98.0	98.0	94.0	88.0	108.0
PROTEIN (GRAMS PER DAY)		54.0	55.0	56.0	51.0	36.0	60.0
-OF WHICH ANIMAL AND PULSE		..	18.0 ^e	..	19.0 ^c	10.0 ^d	18.0 ^d
DEATH RATE (/THOU) AGES 1-4		45.0 ^d	..	..	..	..	..
EDUCATION							
ADJUSTED ENROLLMENT RATIO							
PRIMARY SCHOOL		26.0	40.0	..	76.0	43.0	76.0
SECONDARY SCHOOL		2.0	5.0	..	8.0 ^d	12.0	11.0 ^e
YEARS OF SCHOOLING PROVIDED (FIRST AND SECOND LEVEL)		13.0	13.0	13.0	13.0	12.0	13.0
VOCATIONAL ENROLLMENT (% OF SECONDARY)		13.0	..	..	10.0	5.0	7.0
ADULT LITERACY RATE (%)		20.0 ^e	..	..	..	15.0	20.0
HOUSING							
PERSONS PER ROOM (AVERAGE)		..	..	..	..	..	..
OCCUPIED DWELLINGS WITHOUT PIPED WATER (%)		..	..	..	..	..	..
ACCESS TO ELECTRICITY (% OF ALL DWELLINGS)		..	..	..	..	..	..
RURAL DWELLINGS CONNECTED TO ELECTRICITY (%)		..	..	..	..	..	..
CONSUMPTION							
RADIO RECEIVERS (PER THOU POP)		13.0	32.0	52.0	22.0	132.0	17.0
PASSENGER CARS (PER THOU POP)		1.0	4.0	5.0	4.0	11.0	10.0
ELECTRICITY (KWH/YR PER CAP)		5.0	12.0	17.0	33.0	330.0	120.0
NEWSPRINT (KG/YR PER CAP)		..	..	..	..	0.1	0.2

SEE NOTES AND DEFINITIONS IN REVERSE

NOTES

Unless otherwise noted, data for 1960 refer to any year between 1959 and 1961, for 1970 between 1968 and 1970 and for Most Recent Estimate between 1973 and 1975.

** The Ivory Coast has been selected as an objective country because of its geographic proximity and its more advanced stage of economic development.

<u>BENIN</u>	<u>1960</u>	<u>/a</u> 1963; <u>/b</u> African population only; <u>/c</u> Population; <u>/d</u> Based on deaths reported for 12 months period; <u>/e</u> Prior to 1965; <u>/f</u> Ratio of population under 15 and 65 and over to total labor force.
	<u>1970</u>	<u>/a</u> Ratio of population under 15 and 65 and over to total labor force; <u>/b</u> Government hospital establishments only; <u>/c</u> 1964-66.
	<u>MOST RECENT ESTIMATE:</u>	<u>/a</u> 1961-73; <u>/b</u> Ratio of population under 15 and 65 and over to total labor force; <u>/c</u> 1971; <u>/d</u> Government hospital establishments only.
<u>TOGO</u>	<u>1970</u>	<u>/a</u> Ratio of population under 15 and 65 and over to total labor force; <u>/b</u> Government hospital establishments only; <u>/c</u> 1964-66; <u>/d</u> 12-18 years of age.
<u>LIBERIA</u>	<u>1970</u>	<u>/a</u> Ratio of population under 15 and 65 and over to total labor force; <u>/b</u> Unemployed and partially employed; <u>/c</u> Population, higher income calculated as residual, includes expatriates; <u>/d</u> 1964-66; <u>/e</u> Due to migration, growth rate is higher than the rate of natural increase.
<u>IVORY COAST</u>	<u>1970</u>	<u>/a</u> 1965-75; <u>/b</u> Ratio of population under 15 and 65 and over to total labor force; <u>/c</u> Government only; <u>/d</u> 1964-66, <u>/e</u> 12-18 years of age; <u>/f</u> Due to immigration, population growth rate is higher than the rate of natural increase.

R3, May 10, 1977

DEFINITIONS OF SOCIAL INDICATORS

<u>Land Area (thou km²)</u>	<u>Population per nursing person</u> - Population divided by number of practicing male and female graduate nurses, "trained" or "certified" nurses, and auxiliary personnel with training or experience.
<u>Total</u> - Total surface area comprising land area and inland waters.	<u>Population per hospital bed</u> - Population divided by number of hospital beds available in public and private general and specialized hospital and rehabilitation centers; excludes nursing homes and establishments for custodial and preventive care.
<u>Agric.</u> - Most recent estimate of agricultural area used temporarily or permanently for crops, pastures, market & kitchen gardens or to lie fallow.	<u>Per capita supply of calories (% of requirements)</u> - Computed from energy equivalent of net food supplies available in country per capita per day; available supplies comprise domestic production, imports less exports, and changes in stock; net supplies exclude animal feed, seeds, quantities used in food processing and losses in distribution; requirements were estimated by FAO based on physiological needs for normal activity and health considering environmental temperature, body weights, age and sex distributions of population, and allowing 10% for waste at household level.
<u>GNP per capita (US\$)</u> - GNP per capita estimates at current market prices, calculated by same conversion method as World Bank Atlas (1973-75 basis); 1960; 1970 and 1975 data.	<u>Per capita supply of protein (grams per day)</u> - Protein content of per capita net supply of food per day; net supply of food is defined as above; requirements for all countries established by USDA Economic Research Services provide for a minimum allowance of 60 grams of total protein per day, and 20 grams of animal and pulse protein, of which 10 grams should be animal protein; these standards are lower than those of 75 grams of total protein and 23 grams of animal protein as an average for the world, proposed by FAO in the Third World Food Survey.
<u>Population and vital statistics:</u>	<u>Per capita protein supply from animal and pulse</u> - Protein supply of food derived from animals and pulses in grams per day.
<u>Population (mid-year million)</u> - As of July first; if not available, average of two end-year estimates; 1960, 1970 and 1975 data.	<u>Death rate (/thou) ages 1-4</u> - Annual deaths per thousand in age group 1-4 years, to children in this age group; suggested as an indicator of malnutrition.
<u>Population density - per square km</u> - Mid-year population per square kilometer (100 hectares) of total area.	<u>Education</u>
<u>Population density - per square km of agric. land</u> - Computed as above for agricultural land only.	<u>Adjusted enrollment ratio - primary school</u> - Enrollment of all ages as percentage of primary school-age population; includes children aged 6-11 years but adjusted for different lengths of primary education; for countries with universal education, enrollment may exceed 100% since some pupils are below or above the official school age.
<u>Vital statistics</u>	<u>Adjusted enrollment ratio - secondary school</u> - Computed as above, secondary education requires at least four years of approved primary instruction; provides general, vocational or teacher training instructions for pupils of 12 to 17 years of age; correspondence courses are generally excluded.
<u>Crude birth rate per thousand, average</u> - Annual live births per thousand of mid-year population; ten-year arithmetic averages ending in 1960 and 1970, and five-year average ending in 1975 for most recent estimate.	<u>Years of schooling provided (first and second levels)</u> - Total years of schooling; at secondary level, vocational instruction may be partially or completely excluded.
<u>Crude death rate per thousand, average</u> - Annual deaths per thousand of mid-year population; ten-year arithmetic averages ending in 1960 and 1970 and five-year average ending in 1975 for most recent estimate.	<u>Vocational enrollment (% of secondary)</u> - Vocational institutions include technical, industrial or other programs which operate independently or as departments of secondary institutions.
<u>Infant mortality rate (/thou)</u> - Annual deaths of infants under one year of age per thousand live births.	<u>Adult literacy rate (%)</u> - Literate adults (able to read and write) as percentage of total adult population aged 15 years and over.
<u>Life expectancy at birth (yrs)</u> - Average number of years of life remaining at birth, usually five-year averages ending in 1960, 1970 and 1975 for developing countries.	<u>Housing</u>
<u>Gross reproduction rate</u> - Average number of live daughters a woman will bear in her normal reproductive period if she experiences present age-specific fertility rates, usually five-year averages ending in 1960, 1970 and 1975 for developing countries.	<u>Persons per room (urban)</u> - Average number of persons per room in occupied conventional dwellings in urban areas; dwellings exclude non-permanent structures and unoccupied parts.
<u>Population growth rate (%) - total</u> - Compound annual growth rates of mid-year population for 1950-60, 1960-70 and 1970-75.	<u>Occupied dwellings without piped water (%)</u> - Occupied conventional dwellings in urban and rural areas without inside or outside piped water facilities as percentage of all occupied dwellings.
<u>Population growth rate (%) - urban</u> - Computed like growth rate of total population, different definitions of urban areas may affect comparability of data among countries.	<u>Access to electricity (% of all dwellings)</u> - Conventional dwellings with electricity in living quarters as percent of total dwellings in urban and rural areas.
<u>Urban population (% of total)</u> - Ratio of urban to total population; different definitions of urban areas may affect comparability of data among countries.	<u>Rural dwellings connected to electricity (%)</u> - Computed as above for rural dwellings only.
<u>Age structure (percent)</u> - Children (0-14 years), working-age (15-64 years), and retired (65 years and over) as percentages of mid-year population.	<u>Consumption</u>
<u>Age dependency ratio</u> - Ratio of population under 15 and 65 and over to those of ages 15 through 64	<u>Radio receivers (per thou pop)</u> - All types of receivers for radio broadcasts to general public per thousand of population; excludes unlicensed receivers in countries and in years when registration of radio sets was in effect; data for recent years may not be comparable since most countries abolished licensing.
<u>Economic dependency ratio</u> - Ratio of population under 15 and 65 and over to the labor force in age group of 15-64 years.	<u>Passenger cars (per thou pop)</u> - Passenger cars comprise motor cars seating less than eight persons; excludes ambulances, hearse and military vehicles.
<u>Family planning - acceptors (cumulative, thou)</u> - Cumulative number of acceptors of birth-control devices under auspices of national family planning program since inception.	<u>Electricity (kwh/yr per cap)</u> - Annual consumption of industrial, commercial, public and private electricity in kilowatt hours per capita, generally based on production data, without allowance for losses in grids but allowing for imports and exports of electricity.
<u>Family planning - users (% of married women)</u> - Percentages of married women of child-bearing age (15-44 years) who use birth-control devices to all married women in same age group.	<u>Newsprint (kg/yr per cap)</u> - Per capita annual consumption in kilograms estimated from domestic production plus net imports of newsprint.
<u>Employment</u>	
<u>Total labor force (thousand)</u> - Economically active persons, including armed forces and unemployed but excluding housewives, students, etc., definitions in various countries are not comparable.	
<u>Labor force in agriculture (%)</u> - Agricultural labor force (in farming, forestry, hunting and fishing) as percentage of total labor force.	
<u>Unemployed (% of labor force)</u> - Unemployed are usually defined as persons who are able and willing to take a job, out of a job on a given day, remained out of a job, and seeking work for a specified minimum period not exceeding one week, may not be comparable between countries due to different definitions of unemployed and source of data, e.g., employment office statistics, sample surveys, compulsory unemployment insurance.	
<u>Income distribution</u> - Percentage of private income (both in cash and kind) received by richest 5%, richest 20%, poorest 20%, and poorest 40% of households.	
<u>Distribution of land ownership</u> - Percentages of land owned by wealthiest 10% and poorest 10% of land owners.	
<u>Health and Nutrition</u>	
<u>Population per physician</u> - Population divided by number of practicing physicians qualified from a medical school at university level	

ECONOMIC INDICATORSGROSS NATIONAL PRODUCT IN 1975

	US\$ Mln.	%
GDP at Market Prices	403.6	100.0
Gross Domestic Investment	60.9	15.1
Gross Domestic Saving	13.5	3.3
Current Account Balance	-47.4	-11.7
Exports of Goods, NFS	125.6	31.1
Imports of Goods, NFS	173.1	42.9

ANNUAL RATE OF GROWTH (% current prices)

1970 -75
7.9%
decrease
decrease
decrease
1.0%

OUTPUT, LABOR FORCE AND PRODUCTIVITY IN 1975

	Value Added		Labor Force ^{1/}		V. A. Per Worker	
	US\$ Mln.	%	Mln.	%	US \$	%
Agriculture	111.0	34.6				
Industry	44.0	13.7				
Services)	166.0	51.7				
Unallocated)	321.0					
Total/Average		100.0		100.0		100.0
GDP at factor cost						

GOVERNMENT FINANCE

	General Government			Central Government		
	(Mln.)	% of GDP		(CFAF Mln.)	% of GDP	
	1975	1970	1970-75	1975	1975	1971-75
Current Receipts				15.7	17.4	17.9
Current Expenditure				15.0	16.7	16.6
Current Surplus				0.7	0.7	1.3
Capital Expenditures				5.8	6.4	8.1
External Assistance (gross)				5.1	5.7	6.8

MONEY, CREDIT and PRICES

	1970	1971	1972	1973	1974	1975
	(Billion CFAF outstanding end period)					
Money and Quasi Money	7.26	7.71	9.90	11.93	14.03	29.66
Bank credit to Public Sector	-0.14	-0.82	-0.51	-1.16	-2.42	-2.94
Bank Credit to Private Sector	7.40	8.53	10.41	12.73	16.45	32.60

(Percentages or Index Numbers)

Money and Quasi Money as % of GDP	11.8	11.6	14.4	15.9	18.0	32.9
General Price Index (1969 = 100)						
Annual percentage changes in:				117.3	130.9	144.0 ^{2/}
General Price Index						
Bank credit to Public Sector						
Bank credit to Private Sector	19%	15%	22%	22%	29%	98%

NOTE: All conversions to dollars in this table are at the average exchange rate prevailing during the period covered.

^{1/} Total labor force; unemployed are allocated to sector of their normal occupation. "Unallocated" consists mainly of unemployed workers seeking their first job.

.. not available
 . not applicable

^{2/} February 1975

TRADE PAYMENTS AND CAPITAL FLOWS

BALANCE OF PAYMENTS

	<u>1970</u>	<u>1973</u>	<u>1975</u>
	(Millions US \$)		
Exports of Goods, NFS	72.2	115.5	125.6
Imports of Goods, NFS	<u>95.2</u>	<u>157.5</u>	<u>173.0</u>
Resource Gap (deficit = -)	-23.0	-42.0	-47.5
Interest Payments (net)	} 12.9	} 16.2	} 20.2
Workers' Remittances			
Other Factor Payments (net)			
Net Transfers			
Balance on Current Account	-10.1	-25.8	-27.3
Direct Foreign Investment	6.8	3.3	
Net MLT Borrowing			
Disbursements	-	-	
Amortization	-	-	
Subtotal	0.3	10.8	9.9
Capital Grants	8.8	8.9	10.7
Other Capital (net)	} 1.0	} -2.9	
Other items n.e.i			
Increase in Reserves (+)	6.8	-5.7	-6.7
Gross Reserves (end year)	20.6	38.2	74.2
Net Reserves (end year)	12.9	16.4	20.8
	(1971)		(1974)
Fuel and Related Materials	2.8	6.2	8.6
Imports	76.2	108.6	146.4
of which: Petroleum	3.7%	5.7%	5.9%
Exports	-	-	-
of which: Petroleum	-	-	-

MERCHANDISE EXPORTS (AVERAGE 1971-74)

(Recorded)	<u>US \$ Mln</u>	<u>%</u>
Cotton	10.5	27.0
Cocoa	8.2	21.0
Palm products	4.4	11.4
Other	15.7	40.6
Total	<u>38.8</u>	<u>100.0</u>

EXTERNAL DEBT, DECEMBER 31, 1975

	<u>US \$ Mln</u>
Public Debt, incl. guaranteed	
Non-Guaranteed Private Debt	
Total outstanding & Disbursed	<u>93.7</u>

DEBT SERVICE RATIO for 1975^{1/}

	<u>%</u>
Public Debt, incl. guaranteed	7%
Non-Guaranteed Private Debt	-
Total outstanding & Disbursed	<u>7%</u>

IDA LENDING, March 31, 76 (Million US \$):

	<u>IBRD</u>	<u>IDA</u>
Outstanding & Disbursed		25.0
Undisbursed		14.6
Outstanding incl. Undisbursed	<u>-</u>	<u>39.6</u>

RATE OF EXCHANGE

1975 - US \$ 1.00 =	CFAF 223
1974 - US \$ 1.00 =	CFAF 240
1973 - US \$ 1.00 =	CFAF 230
1972 - US \$ 1.00 =	CFAF 256
1971 - US \$ 1.00 =	CFAF 278
1970 - US \$ 1.00 =	CFAF 278

^{1/} Ratio of Debt Service to Exports of Goods and Non-Factor Services.

. . not available

. not applicable

May 5, 1977

THE STATUS OF BANK GROUP OPERATIONS IN BENIN

A. STATEMENT OF IDA CREDITS
(as of March 31, 1977)

<u>Credit Number</u>	<u>Year</u>	<u>Borrower</u>	<u>Purpose</u>	<u>Amount</u> ^{/1} (US\$ million)	<u>Undisbursed</u> (US\$ million)
144-DA	1969	Dahomey	Oil Palm	5.2 /2	0.0 /4
215-DA	1970	Dahomey	Road Maintenance	3.5	-
307-DA	1972	Dahomey	Cotton	6.1	1.1
415-DA	1973	Dahomey	Roads	20.8 /3	9.5
583-DA	1975	Dahomey	Rural Education and Training	<u>4.0</u>	<u>4.0</u>
		TOTAL		39.6	14.6
		of which has been repaid		<u>0.0</u>	
		TOTAL now outstanding		39.6	
		TOTAL now held by IDA		39.6	
		TOTAL undisbursed		14.6	

/1 Prior to Exchange Adjustment.

/2 Including a Supplementary Credit of \$.6 million made in 1974.

/3 Including a Supplementary Credit of \$9 million made in 1976.

/4 Balance \$24,448.00.

B. Projects in Execution 1/

Credits No. 144 and 144-2 Hinvi Agricultural Development Project; US\$4.6 million Credit of March 5, 1969 and US\$0.6 million Supplementary

The Project was satisfactorily completed (see para 29 of the main text).

Credit No. 215 Highway Maintenance Project; US\$3.5 million Credit of September 9, 1970; Closing Date: December 31, 1974

The Project was satisfactorily completed in 1974 and its main objective of improving the quantity and quality of road maintenance was achieved.

Credit No. 307 Zou-Borgou Cotton Project; US\$6.1 million Credit of May 24, 1972; Closing Date: September 30, 1975

The Project is discussed in detail in paras 30-39 of the main text.

Credit No. 415 Second Highway Project; US\$11.8 million Credit of July 3, 1973; Closing Date: December 31, 1977

Due to inflation and currency realignments, project cost estimates increased to US\$23.2 million or 77 percent above the original cost estimates. The Association provided a supplementary credit of US\$9.0 million on March 10, 1976, which became effective on October 5, 1976. All contracts for improvement of the southern section (151 km) of the Parakou-Malanville road and two sections (20 km) of the Godomey-Bohicon road, as well as for consultants' services for supervision of construction and for technical assistance, have been awarded and work is now proceeding on schedule.

1/ These notes are designed to inform the Executive Directors regarding the progress of projects in execution, and in particular to report any problems which are being encountered, and the action being taken to remedy them. They should be read in this sense and with the understanding that they do not purport to present a balanced evaluation of strengths and weaknesses in project execution.

Credit No. 583

Rural Education and Training Project; US\$4.0 million
Credit of September 5, 1975; Closing Date: June 30, 1981

This project consists of two main components (i) building and equipment of a skills upgrading center in Cotonou; and (ii) technical assistance, buildings and equipment for an ongoing rural youth training program. The project is proceeding well almost on schedule despite some delays in declaring the credit effective. Bids have been called. Tenders are expected to be returned by June 1977. The chief of the Skills Upgrading Center is in post, and the one of the Rural Youth Training Program will take post in December 1977.

BENIN

TECHNICAL ASSISTANCE PROJECT

Credit and Project Summary

- Borrower: People's Republic of Benin
- Beneficiary: Societe Nationale d'Agriculture (SONAGRI)
- Amount: US\$1.7 million, equivalent
- Terms: Standard
- Co-financing: The French Fonds d'Aide et de Cooperation (FAC) would participate in the financing of the project with a grant to Government of US\$0.7 million equivalent.
- Project Description: The proposed project would be of an interim nature, and designed to prepare the ground for a regional development project. It would be carried over two years and include: 1/
- (a) providing technical assistance to SONAGRI through the assignment of consultants and equipment to:
 - (i) strengthen accounting and financial management through the appointment of a financial advisor and an accountant;
 - (ii) set up an Evaluation and Planning Directorate within SONAGRI, with support by an agricultural economist and an agronomist, to backstop CARDERS in their technical and other farm support services, and to prepare development projects for the Borgou and the Zou;

1/ A detailed description of items (a-f) is given in an Appendix X to this Annex.

- (iii) reorganize and reinforce the training capability of SONAGRI and the CARDERS, especially in the Borgou area through the appointment of a training specialist, the creation of a national audio-visual workshop, and the continuation of black-smith training program;

- (b) providing trucks and staff vehicles for SONAGRI;

- (c) setting up within SONAGRI a development fund for pilot projects to be carried out by the CARDERS in Borgou and Zou; and

- (d) providing consultant services to make investment proposals for the areas to be cleared of onchocerciasis, and establishing a field station in the area to develop land use programs;

- (e) providing additional personnel and equipment to the Planning Directorate of the Ministry of Rural Development and Cooperative Action to carry out a detailed agricultural survey in the Zou and Borgou;

- (f) pursuing adaptive research in cotton and food crops and organizing seed multiplication for food crops through the appointment of a research agronomist, the establishment of a field experimental unit and of a seed multiplication farm within the Research Agency of the Ministry of Rural Development and Cooperative Action.

Estimated Costs (including taxes)

	<u>Local</u>	<u>Foreign</u>	<u>Total</u>
	-----US\$'000-----		
Financial Management	56	257	313
Evaluation and Planning Unit	34	227	261
Training	77	214	291
Trucks and Staff Vehicles for SONAGRI	23	102	125
Development Fund	50	150	200
Onchocerciasis Studies	53	217	270
Agricultural Survey	99	40	139
Adaptive Research	304	198	502
Seed Multiplication	<u>102</u>	<u>65</u>	<u>167</u>
Subtotal	798	1,470	2,268
Physical Contingencies (5%)	40	73	113
Price Contingencies <u>/1</u>	<u>90</u>	<u>166</u>	<u>256</u>
	928	1,709	2,637 <u>/2</u>

Financing Plan

	<u>IDA</u>	<u>FAC</u>	<u>Government</u>	<u>Total</u>
	-----US\$'000-----			
Financial Management	283	14	16	313
Evaluation and Planning Unit	141	115	5	261
Training	146	136	9	291
Trucks and Staff Vehicles for SONAGRI	84	41	-	125
Development Fund	133	67	-	200
Onchocerciasis Studies	242	-	28	270
Agricultural Survey	72	36	31	139
Adaptive Research	211	200	91	502
Seed Multiplication	<u>117</u>	<u>50</u>	<u>-</u>	<u>167</u>
Subtotal	1,429	659	180	2,268
Contingencies	<u>271</u>	<u>41</u>	<u>57</u>	<u>369</u>
Total	1,700	700	237	2,637

/1 6% in 1977, 13.5% in 1978.

/2 Include US\$120,000 in taxes.

Estimated Disbursement (US\$'000)

	<u>1977</u>	<u>1978</u>	<u>1978</u>
Annual	400	800	500
Cumulative	400	1,200	1,700

Procurement Arrangements

Contracts for the purchase of goods or civil works of more than \$10,000 would be procured on the basis of competitive bidding advertised locally in accordance with the applicable procedures of the borrower which are considered acceptable to the Association. To the extent feasible, vehicles totalling \$220,000 would be grouped for bulk procurement. Contracts of less than \$10,000, would be purchased locally in accordance with other applicable procedures of the Borrower including solicitation of price quotations from local suppliers. It is expected that the Government would request the Bank's West Africa Agricultural Project Management Unit to assist in recruiting expatriate staff to be financed by IDA. The expatriate research and training specialists already in place would be retained by SONAGRI. The services of short-term consultants would be procured in accordance with IDA's guidelines.

DETAILED FEATURES OF THE PROJECT

A. Strengthening of the Financial Management of SONAGRI

1. SONAGRI, formerly SONACO, has been hampered by the lack of competent financial management. Under the Zou Borgou Cotton Development Project, a consultant initiated work on the reorganization of SONACO, and the SONAGRI accounts were reviewed by an independent auditor. These activities would be pursued under the proposed project. In order to set up an effective accounting and cost system, the project would provide for (a) a financial advisor for 18 months to initiate the reorganization of accounting procedures, (b) three consultant missions (totalling 15 man-months) to support the reorganization program, and (c) the services of an external auditor to ensure an independent audit of SONAGRI's accounts for three years (1976-77 through 1978-79). Funds would also be made available for vehicles and the operating costs of the support. No later than the end of March 1978, the financial advisor should prepare an administrative and accounting reorganization plan to be reviewed by Government and IDA (Development Credit Agreement Section 3.06).

2. Since an important role of the financial advisor would be to train nationals for the financial management and accounting of SONAGRI and the CARDERS, Government agreed to appoint five accountants to work with the consultants not later than by September 30, 1977 (Development Credit Agreement Section 3.03). Cost of these accountants for a two year period is covered under the project.

B. Evaluation and Planning Directorate

3. There is an obvious need to strengthen the organization and management of SONAGRI and to endow it with the capability of designing development programs. This would be the task of the Evaluation and Planning Directorate to be established within SONAGRI. This Directorate would be responsible for identifying the main technical problems, preparing regional development projects for the Zou and Borgou, and also monitoring the impact of prices on farmers' incomes and making recommendations to the Government on pricing and marketing policies.

4. The proposed project would provide for (a) an agricultural economist (18 man-months), (b) an agronomist (1 man-year), (c) 10 man-months of consultants (livestock, maize, cotton, rice, small irrigation schemes), (d) two qualified nationals for a two-year period, and (e) equipment vehicles and operating cost of the unit. Government agreed that (a) the two nationals would be appointed to the Directorate by September 30, 1977 (Development Credit Agreement, Section 3.03); (b) it would cause the Evaluation and Planning Directorate to submit to IDA quarterly reports on its activities (Development Credit Agreement, Section 3.07 (a)); (c) forward to IDA for its comments proposals for a Borgou project by June 1978, and a Zou project by

December 1978 (Development Credit Agreement, Section 3.07 (c)), and (d) by December of each year, review with IDA the findings of the Evaluation and Planning Directorate on pricing and production incentives (Development Credit Agreement, Section 3.07 (b)).

C. Training

5. The training program carried out by consultants in the Zou under the first project would serve as a basis to reinforce the training capability of SONAGRI and the CARDERS, especially by training the trainers, preparing a comprehensive overall training program for a follow up project, and reinforcing the current training program in the Borgou. Funds would be provided under the project for (a) the extension for another two years of the training specialist already in place, including vehicles and operating costs, (b) the training of senior CARDER personnel in crop production (maize, rice, groundnuts) by the International Institute of Tropical Agriculture (IITA), in Nigeria, (c) missions to study other agricultural development projects in West Africa, (d) equipping and upgrading the audio-visual workshop established in the Zou under the first cotton project, to transform it into a national workshop serving all CARDERS, (e) since ox-traction implements are currently imported, and the progress of ox-traction depends on proper repair and maintenance facilities, a blacksmith training program carried out at Parakou (under UNDP financing until early 1977) would be pursued under the project, with the help of a specialist assigned for 18 months. The workshop would be used to meet the needs of all its agricultural services (Development Credit Agreement, Section 3.08).

D. Reinforcement of SONAGRI's Transport Fleet

6. SONAGRI has responsibility for transporting the cotton crop to the ginneries and for leasing its trucks to the CARDERS for the transportation of inputs and the food crop output. SONAGRI purchased 15 new trucks, which now enable it to meet transport needs until the end of 1977. To ensure that the fleet continues to meet the needs, provision would be made under the credit to purchase 4 new trucks in 1978.

E. Development Fund

7. While the project is essentially limited to technical assistance at the management level to prepare for subsequent projects, ongoing field development would be carried out on a pilot scale, to test the project implementation capability of the CARDERS. Among possible small sub-projects that could be promoted are: (a) bottomland development for low-land rainfed rice; (b) the purchase of rice mills by village groups; (c) building of grain storage facilities; (d) animal traction; and (e) the purchase of ULV equipment for cotton spraying. To make provision for such activities, a development fund of US\$200,000 equivalent would be created within SONAGRI. Sub-projects would be presented by the CARDERS of the Zou and Borgou to SONAGRI for review,

then by SONAGRI to IDA for approval for disbursement from the Fund (paragraph 3(b) of Schedule 1). Criteria for approval would include technical and economic feasibility, costs, implementation schedule, credit terms and conditions, and provision for credit recovery.

F. Development of Areas Freed from Onchocerciasis

8. The rich potential of the valleys of North Benin can be developed after completion of the ongoing program of onchocerciasis eradication scheduled to be completed by mid-1978. To prepare for this development, a resource inventory will be carried out by earth satellite under USAID financing, and through ground surveys under UNDP financing. In order to prepare investment proposals for these areas, once the resource surveys are completed, provision would be made under the project for 25 man-months of consultant services. Since little is known about possible land use (crops and varieties, management, fertilization, pest control), a field research station would be equipped under the project in the onchocerciasis area to initiate work to develop the needed information. Government has agreed that it would submit to IDA a program for the station by December 30, 1977 (Development Credit Agreement Section 3.10). The station would be operated under the Directorate of Research of the Ministry of Rural Development and Cooperative Action, while it is anticipated that the investment studies would be made by SONAGRI.

G. Detailed Agricultural Survey

9. UNDP has supplied the services of an agricultural economist and a statistician to the Planning Directorate of the Ministry of Rural Development and Cooperative Action to start a base line data survey on agriculture in the country. This survey, of a reconnaissance nature, will not supply sufficient data on which to base comprehensive development programs. In addition, the Ministry has not been provided with enough surveyors, transport and calculating equipment. Under the project, therefore, the Directorate would be supplied with additional personnel and equipment to carry out a more detailed survey in the Zou and Borgou by focussing on the input-output relationships of typical farms depending on ecology, cropping patterns and level of technology, thus providing a better basis for preparation of a second stage project.

H. Adaptive Research

10. Under the Zou Borgou Cotton Project, technical improvements on cotton and food crops were tested and extended to farmers, through the adaptive research work sub-contracted by IRCT and IRAT. Because of lack of financing in 1977, the ongoing cotton research program, currently financed by IRCT, will soon be stopped, and jeopardizing future cotton improvement. Therefore, cotton research would be financed under the project, and would focus on pest control, variety testing (including seed production) and agronomy, and other priority aspects of research, namely rice improvement, and variety testing of sorghum and groundnuts in the Borgou, not hitherto covered.

11. Funds would be provided under the project for: (a) four man-months of consultants, (b) two years of a cotton research specialist, (c) six qualified nationals to carry out the programs, (d) training of Beninese personnel at the International Institute of Tropical Agriculture or other suitable organizations and (e) construction equipment and operation of a field experimental unit at Okpara for foodcrops. Government would (a) appoint the national personnel to carry out the research program by September 30, 1977 (Development Credit Agreement Section 3.03) (b) give IDA an opportunity to review the qualifications and programs of consultants who would visit Benin in support of the research activities, and (c) submit by end December 1977 a detailed research program for the 1978 season (Development Credit Agreement Section 3.10). All research activities under the project would be carried out under the responsibility of the Director of the newly-created national Research Agency in the Ministry of Rural Development and Cooperative Action in close liaison with SONAGRI and the CARDERS of Zou and Borgou. The national research programs would greatly benefit from a liaison with neighboring national research programs, and those of the regional and international research institutes such as IITA, IRAT, IRCT, and the West Africa Rice Development Association. This liaison would be encouraged under the project.

I. Seed Multiplication

12. Cotton seed multiplication has been satisfactorily carried out as part of the cotton research program and would be pursued under the project. Seed multiplication of hybrid maize is to be undertaken by SONAGRI to cover the increasing demand of farmers. Under the project, a seed multiplication farm would be equipped, and funds would be made available to cover the operating costs of maize seed production. This program, designed with consultant support (2 man-months) would help set up a national seed production service with SONAGRI, with technical support by the Research Directorate of the Ministry of Rural Development and Cooperative Action. It is expected that the program would be incorporated in a future development project. Government would cause SONAGRI to submit a maize seed multiplication program (including a budget) to IDA for approval by September 30, 1977 (Development Credit Agreement, Section 3.09).

BENIN
TECHNICAL ASSISTANCE PROJECT

	<u>Project Cost</u>			<u>Foreign Exchange</u> %
	US\$			
	<u>Foreign</u>	<u>Local</u>	<u>Total</u>	
	----- US\$-----	----- US\$-----	----- US\$-----	----- -----
<u>1. Strengthening Financial Management</u>				
Financial advisors	109,300	14,700	124,000	83
Trainees		36,600	36,600	
Consultants	65,500		65,500	100
External Audit	65,000		65,000	100
Equipment	17,600	4,400	22,000	80
	<u>257,400</u>	<u>55,700</u>	<u>313,100</u>	<u>80</u>
<u>2. Evaluation and Planning Directorate</u>				
Expatriates	167,400	17,100	184,500	88
Local Personnel (trainees)		13,000	13,000	
Equipment	17,600	4,400	22,000	80
Consultants	42,000		42,000	100
	<u>227,000</u>	<u>34,500</u>	<u>261,500</u>	<u>85</u>
<u>3. Training</u>				
Expatriates	160,200	15,000	175,200	91
Local Personnel		22,500	22,500	
Equipment Infrastructure	32,200	16,400	48,600	66
Operating Costs	5,600	8,300	13,900	40
Training courses	16,500	14,000	30,500	54
	<u>214,500</u>	<u>76,200</u>	<u>290,700</u>	<u>74</u>
<u>4. SONAGRI - Transport Fleet</u>				
	102,000	23,300	125,300	80
<u>5. Development Fund</u>				
	150,000	50,000	200,000	75
<u>6. Project Preparation in Area Freed from Onchocerciasis</u>				
Personnel (national)		18,400	18,400	
Equipment	20,200	15,000	35,200	57
Operating Costs	6,400	9,600	16,000	40
Consultants	200,000		200,000	100
	<u>226,600</u>	<u>43,000</u>	<u>269,600</u>	<u>84</u>
<u>7. Agricultural Survey</u>				
Personnel (national)		75,000	75,000	
Equipment	28,600	7,200	35,800	83
Operation	11,200	16,800	28,000	40
	<u>39,800</u>	<u>99,000</u>	<u>138,800</u>	<u>29</u>
<u>8. Adaptive Research</u>				
Research Specialist	105,500	6,000	111,500	95
Personnel (national)		218,400	218,400	
Equipment and buildings	20,500	21,200	41,700	49
Operation	40,400	57,600	98,000	41
Consultants	32,000		32,000	100
	<u>198,400</u>	<u>303,200</u>	<u>501,600</u>	<u>39</u>
<u>9. Seed Multiplication Farm</u>				
Equipment and Buildings	48,600	27,100	75,700	64
Operating Costs		75,000	75,000	
Consultants	16,000		16,000	100
	<u>64,600</u>	<u>102,100</u>	<u>166,700</u>	<u>39</u>
Subtotal	1,480,300	787,000	2,267,300	65
Physical contingencies	74,000	39,400	113,400	
Price contingencies	173,000	83,100	256,100	
Subtotal	247,000	122,500	369,500	
TOTAL	<u>1,727,300</u>	<u>909,500</u>	<u>2,636,800</u>	<u>65</u>

SUPPLEMENTAL PROJECT DATA SHEET

Section I

Timetable of Key Events

- | | |
|--|-----------------------|
| (a) <u>Project Identification:</u> | May 1976 |
| (b) <u>Project Preparation Agency:</u> | SONAGRI |
| (c) <u>Appraisal:</u> | October 11-15, 1976 |
| (d) <u>Follow up Appraisal:</u> | February 7 - 16, 1977 |
| (e) <u>Negotiations:</u> | April 20 - 22, 1977 |
| (f) <u>Loan Effectiveness planned:</u> | September 1977 |

Section II

Special Implementation Action: None.

Section III

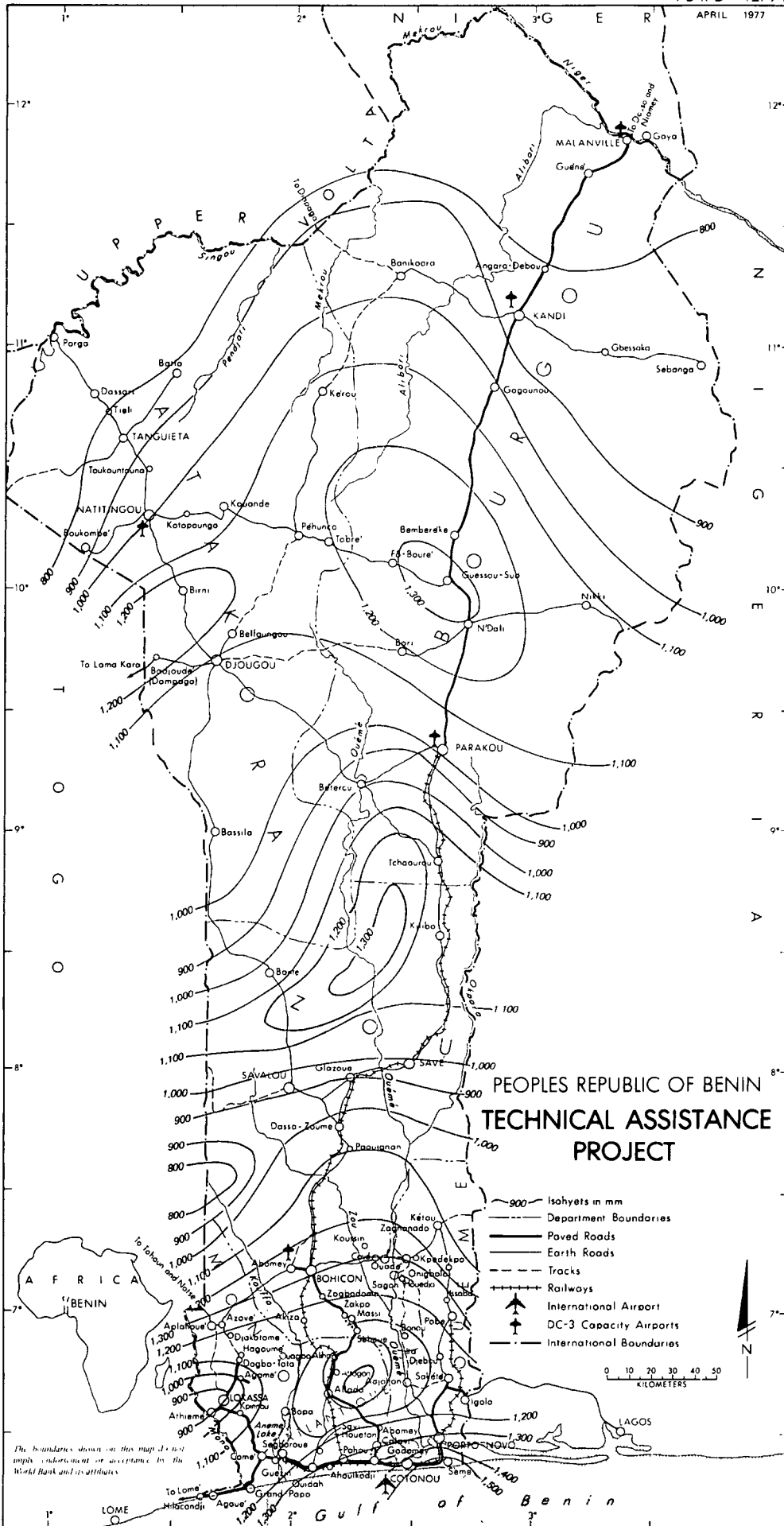
Special Conditions

- (a) Government's payment to SONAGRI of US\$1.6 million in three equal payments, the first of which would be not later than March 31, 1978 (para. 33).

(b) Payment by FAS to SONAGRI by September 30, 1977 of the balance of the subsidies due to SONAGRI since January 1, 1974 (para. 33).

(c) Setting up the price for cotton sales by SONAGRI at a level sufficient to enable SONAGRI to recover in addition to its production and operating costs (including financial charges relating to cotton production) the subsidies provided to cotton farmers in any one year (para. 33).
- Condition of effectiveness: the effectiveness of the FAC's grant agreement (para. 45).

Condition of disbursement: withdrawals for any pilot rural development activity financed under the development fund would be subject to approval by IDA of a detailed plan for such activity (para. 46).



PEOPLES REPUBLIC OF BENIN
 TECHNICAL ASSISTANCE
 PROJECT

- Isohyets in mm
- - - Department Boundaries
- Paved Roads
- Earth Roads
- - - Tracks
- Railways
- ✈ International Airport
- ✈ DC-3 Capacity Airports
- - - International Boundaries

0 10 20 30 40 50
 KILOMETERS

The boundaries shown on this map do not imply endorsement or acceptance by the World Bank and its affiliates.

Gulf of Benin