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**GRANT NUMBER H448-BJ**

# **Financing Agreement**

**(Fifth Poverty Reduction Development Policy Financing)**

**between**

**REPUBLIC OF BENIN**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated February 5, 2009**

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**FINANCING AGREEMENT**

AGREEMENT dated February 5, 2009, entered into between REPUBLIC OF BENIN (“Recipient”) and 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 appropriate macro-economic 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 twenty million one hundred thousand Special Drawing Rights (SDR 20,100,000) (variously, “Grant” and “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 1 and October 1 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 progress achieved in carrying out the Program;
  - (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: 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 Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

6.01. The Recipient's Representative is the Minister at the time 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:	Telex:	Facsimile:
MINFINANCES Cotonou	5009 MINFINOR 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 Cotonou, Benin, as of the day and year first above written.

**REPUBLIC OF BENIN**

**By: /s/ Soulé Mana Lawani**

**Authorized Representative**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**By: /s/ Joseph Baah-Dwomoh**

**Authorized Representative**

**SCHEDULE 1****Program Actions; Availability of Financing Proceeds****Section I. Actions under the Program**

**Actions Taken Under the Program.** The actions taken by the Recipient under the Program include the following:

**1. To improve the regulatory framework and policy environment for private investment and infrastructure under terms satisfactory to the Association**

- (a) (i) Simplification of the administrative procedures and implementation of tax measures so as to facilitate the establishment of a company; (ii) simplification of the customs procedures on import and export of goods; (iii) facilitation of the conversions of living permits (“*permis d’habitations*”) into ownership property deeds; (iv) institution of single tax identification for individuals and legal entities; (v) adoption of a decree with regards to the development policy in the microfinance sector.
- (b) Adoption of implementing regulations for the Rural Electrification Fund.
- (c) Establishment of a new public-private mixed corporation with the ginning assets of SONAPRA and in partnership with a private operator that owns at least thirty three percent (33%) of the shares of this new corporation.

**2. To pursue progress towards the Millennium Development Goals by improving access to basic services and ensuring greater efficiency of public expenditures on human capital formation.**

- (a) Management through local public-private partnership (PPP) arrangements, of at least fifteen percent (15%) of the village water supply systems, in a manner satisfactory to the Association.
- (b) Implementation of the health strategic plan, in a manner satisfactory to the Association, through: (i) the development of at least three community based health insurance schemes; (ii) the extension of the benefit of the Fund for the Poor in ten (10) additional sanitary zones; and (iii) the provision of gratuity for some aspects of health care for women.
- (c) Recruitment to fill one thousand three hundred (1,300) new contractual positions in primary schools for the school year 2007-2008, in a decentralized manner under terms satisfactory to the Association.

**3. To promote better governance through public financial management reforms**

- (a) Submission of the draft 2009 Budget Law to the National Assembly in line with revised MTEF and PRSP priorities.
- (b) Implementation of the 2008 budget programs for Priority Sectors.
- (c) Conduct of training, under terms satisfactory to the Association, in procurement for staff of the Priority Sector ministries.
- (d) Submission of the 2003 and 2004 draft central budget audit reports (*Lois de Règlement*) to the Supreme Court.

**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 shall be withdrawn in a single tranche. 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)
Single Tranche	20,100,000
<b>TOTAL AMOUNT</b>	<b>20,100,000</b>

- C. Deposits of Financing Amounts.** Except as the Association may otherwise agree:
  - 1. all withdrawals from the Financing Account shall be deposited by the Association into an account designated by the Recipient and acceptable to the Association; and
  - 2. the Recipient shall ensure that upon each deposit of an amount of the Financing into this account, an equivalent amount is accounted for in the Recipient's budget management system, in a manner acceptable to the Association.

- D. 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.
- E. Closing Date.** The Closing Date is December 31, 2009.



## APPENDIX

### Section I. Definitions

1. “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)
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- (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.
2. “Fund for the Poor” means the Beneficiary’s Fund established according to *Inter-ministerial Decree 2005-743/MFE/MSP/CAB/SB* dated June 13, 2005.
  3. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006) with the modifications set forth in Section II of this Appendix.
  4. “Millennium Development Goals” means the goals endorsed at the September 2000 United Nations Millennium General Assembly in New York.
  5. “MTEF” means the Recipient’s Medium Term Expenditure Framework for 2008-2011 dated September 2007.
  6. “PRSP” means the Recipient’s 2007-2009 Poverty Reduction Strategy Paper, dated February 26, 2007, as revised as of April 2007.
  7. “Priority Sectors” means the following sectors: education, health, road infrastructure, water and energy, agriculture and environment, as outlined in the PRSP.
  8. “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 December 12, 2008 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.

9. "Rural Electrification Fund" means the Recipient's fund established pursuant to the law No. 2006-16 dated March 27, 2007.
10. "Single Tranche" means the amount of the Financing allocated to the category entitled "Single Tranche" in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
11. "SONAPRA" means the Recipient's National Cotton Company (*Société Nationale pour la Promotion Agricole*) established pursuant to Decree 91-161 of July 22, 1991 with regard to the endorsement of the statute of SONAPRA.

## **Section II. Modifications to the General Conditions**

The modifications to the "International Development Association General Conditions for Credits and Grants", dated July 1, 2005 (as amended through October 15, 2006) 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. Section 2.05 (renumbered as such pursuant to paragraph 2 above) is modified to read as follows:

*"Section 2.05. Refinancing Preparation Advance*

If the Financing Agreement provides for the repayment out of the proceeds of the Financing of an advance made by the Association or the Bank ("Preparation Advance"), the Association shall, on behalf of the Recipient, withdraw from the Financing Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Financing Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Association shall pay the amount so withdrawn to itself or the Bank, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance."

4. 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.

5. 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.
6. 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.”

7. 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.”

8. 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”.

- (a) The term “Program Preparation Advance” (renamed as such pursuant to subparagraph 8 (c) above) is modified to read “Preparation Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.05.”