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PROJECT APPRAISAL DOCUMENT
ON A
PROPOSED CREDIT
IN THE AMOUNT OF SDR 14.10 MILLION
(US\$18.00 MILLION EQUIVALENT)
TO THE
REPUBLIC OF BENIN
FOR A
COTTON SECTOR REFORM PROJECT
DECEMBER 18, 2001

Rural Development 2
Country Department 13
Africa Regional Office

CURRENCY EQUIVALENTS

(Exchange Rate Effective August 2001)

Currency Unit = CFA Franc
1 CFA = US\$0.00133
US\$ 1 = CFA Franc 750

FISCAL YEAR

January 1 -- December 31

ABBREVIATIONS AND ACRONYMS

AFD	French Development Agency (<i>Agence Française de Développement</i>)
AIC	Interprofessional Cotton Association (<i>Association Interprofessionnelle du Coton</i>)
APEB	Association of Private Ginners (<i>Association Privée des Egreneurs du Bénin</i>)
BAE	National Environment Agency
BSCC	Baseline Cotton Sector Survey
CAA	Government Foreign Exchange Services (<i>Caisse Autonome d'Amortissement</i>)
CAGIA	Input Procurement and Management Cooperative (<i>Coopérative d'Approvisionnement et de Gestion des Intrants Agricoles</i>)
CAS	Country Assistance Strategy
CFA	CFA Francs
CNAC	National Accreditation and Control Committee (<i>Comité National d'Agrément et de Contrôle</i>)
CNMP	National Tender Board (<i>Commission Nationale des Marchés Publics</i>)
COD	Privatization Office (<i>Cellules des Opérations de Dénationalisation</i>)
CPAR	Country Procurement Assessment Review
CSP	Project Monitoring Unit (<i>Cellule de Suivi des Projets</i>)
CSPR	Input Credit Recovery and Payment Agency (<i>Centrale de Sécurisation des Paiements et du Recouvrement</i>)
DAC	Direction of Contracts and Agreements
DAF	Director of Administration and Finance
DC	Central Region Department (<i>Department Centre</i>)
DN	Northern Region Department (<i>Department Nord</i>)
DGI	Directorate General of Inspection (<i>Direction Générale de l'Inspection</i>)
DIT	Directorate of Information and Technology (<i>Direction Information et Technologie</i>)
DOC	Directorate Operations Coordination
DPQC	Directorate of Quality Promotion and Control (<i>Direction de la Promotion de la Qualité et du Contrôle</i>)
DRDP	Declaration of Rural Development Policy
EA	Environmental Assessment
EMP	Environmental Mitigation Plan
FUPRO	Federation of Producer Unions (<i>Fédérations des Unions de Producteurs</i>)
GEF	Global Environment Facility

GOB	Government of Benin
GPDIA	Association of Private Input Traders <i>(Groupement Privé des Distributeurs et Importateurs d'Intrants Agricoles)</i>
GPN	General Procurement Notice
GV	Village-level Producer Associations <i>(Groupements Villageois)</i>
IDA	International Development Association
IEG	Impact Evaluation Guide
INM	Integrated Nutrient Management
IPM	Integrated Pest Management
LCS	Least Cost Selection
MAEP	Ministry of Agriculture, Livestock, and Fisheries
MDR	Ministry of Rural Development
M&E	Monitoring and Evaluation
NCB	National Competitive Bidding
NGO	Nongovernmental Organization
OMG	Project Monitoring Guide
OPA	Agricultural Producer Organizations
PIM	Project Implementation Manual
PMP	Pest Management Plan
PMR	Project Monitoring Report
PA	Project Agreement
PO	Producer Organizations
PPF	Project Preparation Facility
PPN	Promotional Procurement Notice
PSC	Project Steering Committee
PSR	Project Supervision Report
QCBS	Quality and Cost-Based Selection
RCF	Seed-cotton and Fiber Research <i>(Recherche Coton Fibres)</i>
SA	Special Account
SDD	Social Dimension of Development
SFB	Selection under a Fixed-Budget
SOE	Statement of Expenses
SONAPRA	National Company for Agricultural Promotion <i>(Société Nationale pour la Promotion Agricole)</i>
SPN	Special Procurement Notice
SPV	Extension services <i>(Service Polyvalents de Vulgarisation)</i>
ST	Technical Secretariat
STSP	Sector-wide Technical Services Programs
UDP	Department-level Producer Unions <i>(Unions Départementales de Producteurs)</i>
UN	United Nations
UNDP	United Nations Development Program
URCF	Seed-Cotton and Fiber Research Center <i>(Unité Recherche Coton Fibres)</i>
USPP	Sous-Prefecture-level Producer Unions <i>(Unions Sous-préfecturales des Producteurs)</i>

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BENIN
COTTON SECTOR REFORM PROJECT

CONTENTS

	Page
A. Project Development Objective	
1. Project development objective	2
2. Key performance indicators	3
B. Strategic Context	
1. Sector-related Country Assistance Strategy (CAS) goal supported by the project	3
2. Main sector issues and Government strategy	4
3. Sector issues to be addressed by the project and strategic choices	4
C. Project Description Summary	
1. Project components	5
2. Key policy and institutional reforms supported by the project	7
3. Benefits and target population	7
4. Institutional and implementation arrangements	8
D. Project Rationale	
1. Project alternatives considered and reasons for rejection	10
2. Major related projects financed by the Bank and other development agencies	11
3. Lessons learned and reflected in the project design	12
4. Indications of borrower commitment and ownership	13
5. Value added of Bank support in this project	13
E. Summary Project Analysis	
1. Economic	13
2. Financial	14
3. Technical	14
4. Institutional	14
5. Environmental	15
6. Social	17
7. Safeguard Policies	18
F. Sustainability and Risks	
1. Sustainability	19

2. Critical risks	20
3. Possible controversial aspects	20
G. Main Conditions	
1. Effectiveness Condition	20
2. Other	21
H. Readiness for Implementation	21
I. Compliance with Bank Policies	22
 Annexes	
Annex 1: Project Design Summary	23
Annex 2: Detailed Project Description	28
Annex 3: Estimated Project Costs	36
Annex 4: Cost Benefit Analysis Summary, or Cost-Effectiveness Analysis Summary	37
Annex 5: Financial Summary for Revenue-Earning Project Entities, or Financial Summary	39
Annex 6: Procurement and Disbursement Arrangements	40
Annex 7: Project Processing Schedule	49
Annex 8: Documents in the Project File	50
Annex 9: Statement of Loans and Credits	52
Annex 10: Country at a Glance	53
Annex 11: Environmental Assessment	55
Annex 12: Financial Management Action Plan	65

MAP(S)
IBRD 31627
TASK CODE: P072503

BENIN
Cotton Sector Reform Project

Project Appraisal Document

Africa Regional Office
AFTR2

Date: December 18, 2001 Country Director: Antoinette M. Sayeh Project ID: P072503 Lending Instrument: Sector Investment & Maintenance Loan (SIM)	Team Leader: Ousmane Badiane Sector Manager: Joseph Baah-Dwomoh Sector(s): AY - Other Agriculture Theme(s): Poverty Targeted Intervention: N
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Program Financing Data

Loan Credit Grant Guarantee Other:

For Loans/Credits/Others:

Amount (US\$m): (US\$18.0 Million)

Proposed Terms (IDA): Standard Credit

Financing Plan (US\$m):	Source	Local	Foreign	Total
BORROWER		0.30	0.00	0.30
IDA		4.62	13.38	18.00
NON-GOVERNMENT ORGANIZATION (NGO) OF BORROWING COUNTRY		0.40	5.50	5.90
Total:		5.32	18.88	24.20

Borrower: GOVERNMENT OF BENIN

Responsible agency: MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES (MAEP)

Direction of Programming and Planning, (MAEP)

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Estimated disbursements (Bank FY/US\$m):

FY	2002	2003	2004	2005				
Annual	0.50	5.50	6.00	6.00				
Cumulative	0.50	6.00	12.00	18.00				

Project implementation period: 2002-2005

Expected effectiveness date: 04/30/2002 **Expected closing date:** 06/30/2006

A. Project Development Objective

1. Project development objective: (see Annex 1)

The cotton sector remains the main engine of Benin's rural as well as formal economy, providing the bulk of primary production and domestic exports. The sector experienced very rapid growth over the past 30 years, both absolutely as well as compared to other cotton growing countries. Yields have grown by 50 percent and output has gone up six-fold. Despite this relative growth, there remain significant pockets of poverty, particularly in the cotton growing areas. The geographical distribution of absolute poverty indicates that cotton areas are the most affected as they account for up to 40 percent of the total poverty incidence. The rest of the agricultural sector has not done well, either. The average annual growth in the non-cotton sectors is estimated at 2.7 percent compared to 5 percent in Ghana and 4 percent in Burkina Faso during this decade.

While government has heavily focused its development efforts on the cotton sector at the expense of other sectors, it appears that growth in the former has not yet made significant impact on people's livelihood. The extent of poverty in the faster growing cotton sector is also testimony to the fact that mere expansion in agricultural output is not a sufficient condition for poverty reduction, which requires higher productivity and employment of resources that poor people depend on for their livelihood. Accordingly, the main purpose of Benin Cotton Sector Reform Project is to help the government achieve its strategic goal of fostering broad-based growth in Benin's rural sector and thereby increasing per capita rural incomes and reducing poverty. To achieve that objective, the project seeks to provide an answer to the main question facing Benin's cotton sector, as far as the goal of poverty reduction is concerned, which is: (i) how to further expand cotton cultivation, while (ii) spreading the productivity gains and income increases to a larger part of cotton producers, and (iii) generating income multiplier effects within and outside the cotton sector and the rest of the rural economy.

As in other cotton producing countries in West and Central Africa, the cotton sector in Benin has long been under the control of a state-owned company which operated under a monopoly system which for many years has excluded private operators from activities ranging from marketing and ginning of seed cotton, the export of lint and cottonseed, the importation and distribution of modern inputs, to the provision of services to cotton growers such as extension, credit, and transport. The tightly controlled system succeeded in rapidly expanding cotton production but has been plagued by inefficiencies, a lack of transparency, and other critical weaknesses which must be dealt with in order to increase its contribution to poverty alleviation and national economic growth. In particular, the monopoly system has created vast opportunities for rent seeking and mismanagement, generally at the cost of farmers and the economy. The resulting inefficiencies have led to frequent bankruptcies and bailouts of the industry in Benin as in other countries in the region. However, in contrast to other countries, Benin, has made significant progress in introducing far-reaching reforms, which the government initiated in the late eighties to early nineties. It has since taken measures to open up the ginning sector to private operators, which today control about 50 percent of the country's ginning capacity. It has recently lifted the monopoly of the national cotton company, SONAPRA (Société Nationale pour la Promotion Agricole), over the marketing of seed-cotton and introduced measures to increase competition in the input sector. The government is currently preparing the privatization of the ginning activities of the company.

The privatization of SONAPRA's ginning operations and its withdrawal from the sector's productive activities does not only imply the need to carefully manage the process of transition to a competitive system. It also means that the private sector, including producer organizations, has to take over all the technical support services that the company used to provide as part of the monopoly system, including the

facilitation of input credit recovery. The purpose of the proposed project is to facilitate the transition to a competitive system by providing the necessary support to private sector operators and their institutions to fill the void left by the privatization of SONAPRA's ginning activities. The project would be implemented over a period of four (4) years. Its focus would be on (a) the provision of technical and financial assistance to the two institutions that are to carry the transition process, primarily the Association Interprofessionnelle du Coton (AIC) and the Centrale de Sécurisation des Paiements et du Recouvrement (CSPR), and (b) building the institutional and technical capacities of Producer Organizations (PO). The project development objective is to effect a successful transition from the current monopolistic and centrally administered system to a more competitive cotton sector and, hence, greater efficiency and productivity in the sector. The project would strengthen the competitiveness of Benin's competitiveness in international export markets, allowing the country to raise its market share and benefit from the expected expansion of world cotton demand. Ultimately, the increase in productivity and competitiveness should lead to higher incomes in the sector. It is also expected that the increase in transparency and efficiency would lead to a better distribution of incomes throughout the sector, with positive spill-over effects in other productive sectors both within and outside of the rural sector.

2. Key performance indicators: (see Annex 1)

The indicators of progress towards the achievement of the above specific objectives would document the effectiveness of project activities in raising productivity and incomes in the cotton sector and contributing to the objective of reducing poverty. More specifically, the project would have helped establish an effective input credit recovery system and allowed a successful take over by the private sector of the responsibility over primary marketing. Furthermore, it would have strengthened the technical and commercial capacities of producer organizations (POs) and enabled full private sector participation in the planning, implementation, and monitoring of agricultural services delivery. The key project performance indicators would include: (i) the increase in seed-cotton yield levels; (ii) the increase in overall sector incomes; (iii) the change in the share of export price going to producers; (iv) the success of the private sector in meeting the demand for modern inputs, both in terms of quantity and quality; (v) the ability to maintain the share of cotton production that is marketed above the levels that have been hitherto realized by SONAPRA; (vi) the satisfaction of farmers with respect to the quality of the leadership of local and apex producer organizations; and (vii) the satisfaction of producers, ginners, and input distributors with the access to and quality of technical advisory services. The complete list of indicators and their respective levels are presented in Annex 1.

B. Strategic Context

1. Sector-related Country Assistance Strategy (CAS) goal supported by the project: (see Annex 1)

Document number: IDA/R2000-242 **Date of latest CAS discussion:** 01/23/2001

A series of four in-country national and regional consultative workshops, convening key stakeholders from various levels of government, sectoral ministries, and civil society have been held in preparation of the next CAS. The sector related-CAS goal of this project, as reflected in the current document, is to sustain growth by ensuring productivity increases and greater competitiveness in the cotton sector, while raising its contribution to the poverty alleviation objectives. It would achieve this by (i) spreading the productivity gains and income increases to a larger part of cotton producers and (ii) generating income multiplier effects in the rest of the rural economy outside the cotton sector.

2. Main sector issues and Government strategy:

2.1 The Government's strategic objectives and choices for poverty reduction

Since the economic crisis of the 1980s, the issue of poverty has received constant attention in Benin and has become a major concern to the authorities. To combat poverty more effectively, the government of Benin adopted in 1994 a strategy known as the Social Dimension of Development (SDD) which not only seeks to ensure that macroeconomic and sectoral policies explicitly reflect the SDD objectives, but has also led to the formulation of an action program targeting the most vulnerable groups. The strategy also calls for an M&E system to monitor the living conditions of these groups.

In support of this strategy, a National Economic Conference held in 1996, defined the strategic choices in five essential areas: education, access to primary health services and care, food security, development of the income-generating capacities of vulnerable groups, and private sector development. It is in this context that the government's overall agricultural sector strategy emphasizes the need to promote the diversification of agricultural production by investing more in the developing of high potential crops such as pineapple, cassava, cashew, palm oil, and groundnuts. The government also believes that increasing farmer incomes would substantially reduce the pockets of poverty that now exist in both rural and urban areas. Expanding and diversifying agricultural output and supporting producer prices are seen as important components of the government's poverty reduction strategy.

With regard to the cotton sector in particular, the government is determined to complete the reforms now under way. These aim at (i) liberalizing the sector and promoting competition, (ii) enhancing the regulatory role of the government, (iii) expanding national cotton production and increasing farmer incomes, and (iv) empowering and building the capacity of producer organizations.

3. Sector issues to be addressed by the project and strategic choices:

Given the dominance of the cotton sector both in terms of income generation and employment, as well as the important potential of growth in the sector, a main entry point of the strategy to foster broad-based poverty reduction through private sector development should be to restore competitiveness of the cotton sector. Consequently, the proposed project would pursue the effective liberalization of the cotton sector, building upon the recent decisions by government to lift the monopsony of SONAPRA over seed-cotton marketing. The government's Declaration of Rural Development Policy (DRDP), which it prepared in 1999 as well as its Sector Framework Paper (Schema Directeur) and Priority Action Plan of 2000 provide the basis for its intervention in the rural sector, while confirming its withdrawal from productive and commercial activities. However, the substantial level of intervention in the cotton sector until this season and the lack of competitiveness and transparency that have resulted therefore have led to significant inefficiencies in production and processing sectors. It has also resulted in low revenue shares for seed cotton producers.

Furthermore, the lifting of the monopoly and the decision by Government to transfer the technical and commercial activities formerly entrusted to SONAPRA to the private sector, raised the critical issue of ensuring access to and recovery of modern input credit. The current input credit system which has been based on SONAPRA's monopoly over seed-cotton marketing would not work under a liberalized marketing system. Moreover, SONAPRA's involvement in the delivery of agricultural services and other technical support to cotton farmers were directly tied to its monopsony situation. The liberalization of the sector therefore raises the need to develop a new input credit recovery system as well as alternative, private-sector

based agricultural services delivery systems. Accordingly, the set of issues to be addressed by the proposed project are related to: (i) the need by the private sector to effectively take over the responsibility over ginning and primary marketing activities; (ii) the necessity to further strengthen the capacities of producer organizations and help them become credible technical and commercial partners for ginners, input distributors, banks, and technical services providers; (iii) the imperative of developing a viable mechanisms to ensure adequate access to and recovery of credit for modern inputs; (iv) the need to put in place and ensure the start off of the activities of the transitional institutions; and (v) the need to minimize the risk of failure and maximize the chance of a successful transition.

C. Project Description Summary

1. Project components (see Annex 2 for a detailed description and Annex 3 for a detailed cost breakdown):

In order to meet its development objectives, the proposed project would implement the following five sets of activities:

(i) Support to the Association Interprofessionnelle du Coton (AIC) and Project Management. The Association Interprofessionnelle du Coton is a commodity association that was created in 1999 in anticipation of the liberalization of the cotton sector and is to serve as (i) a framework for consultation among private sector operators on policy and institutional issues and (ii) a representative for the private sector to interact with government on all aspects policy design and implementation. It has just become operational. Under this component, technical assistance would be provided to ensure that it operates successfully. A Technical Secretariat (ST-AIC) has been set up to help the AIC to play its role. The project would provide support for the operation of the Secretariat through: (i) the provision of technical advisory services, including for carrying out studies, collecting data, and preparing technical report; (ii) the provision of training; and (iii) the acquisition of vehicles, equipment, furniture, and materials. Given that AIC, through its technical secretariat would be in charge of the management of the project, the support that would be provided would cover the provision of advisory services to assist the Secretariat in its management responsibilities, including the auditing of project accounts and the expenses by the two participating implementing agencies CSPR and FUPRO. At the end of the project, the private sector would take over the financing of ST-AIC's operations.

(ii) Support to the Centrale de Sécurisation des Paiements et du Recouvrement (CSPR). The CSPR would take over the responsibility of organizing primary cotton marketing during the transition period and would assume the two essential functions of the SONAPRA system, that is to ensure payment of seed-cotton to producers and of input credit to dealers and commercial banks. For that purpose, it would have to carry out three main clusters of activities: (i) registration of all loans and credits associated with the importation and distribution of modern inputs; (ii) monitoring of seed-cotton procurement and delivery during the marketing season; and (iii) channeling of all financial flows related to the payment by ginners of seed-cotton to producers and of input credit by dealers to lending banks. The current component would provide support for the operation of the Centrale through: (i) the provision of technical advisory services, including for carrying out studies, collecting data, and preparing technical report; (ii) the provision of training; and (iii) the acquisition of vehicles, equipment, furniture, and materials.

(iii) Support to the Fédérations des Unions de Producteurs (FUPRO) and its member organizations. This component would strengthen the institutional and technical capacities of producer organizations. The targeted outcome is to reinforce the leadership and representational capacities of national producer organizations and equip organizations at the local level for them to become technically and economically

credible partners vis-à-vis other operators in the sectors, in particular the cotton ginners, input importers, and commercial banks. For the latter purpose, support would be provided to build the technical and commercial capacities of the current Unions Départementales de Producteurs (UDP). The strengthened UDPs would (i) in the short run, fill the gap, in terms of technical and commercial support to producers, that would result from the privatization of the assets of SONAPRA and (ii) in the medium to long run, represent the interests of their member farmers with respect to ginners, banks, input traders, and technical services delivery organizations, public as well as private. The support to be provided under the component would include: (i) the provision to FUPRO and its member organizations of (i.a) technical advisory services, including for the management of cotton cropping, input distribution, and output marketing activities and the carrying out of studies, collecting data, and preparing technical report; (i.b) training and institutional support services; and (ii) the acquisition of vehicles, equipment, furniture, and materials.

(iv) Support for the Implementation of Sector-wide Technical Services Programs (STSP) This component would support the efforts of the private sector to take over responsibility over the agricultural services and other technical support functions which were carried out by SONAPRA under the monopoly system. It would facilitate access to agricultural services and the generation and diffusion of improved technologies of production, processing, marketing, and exporting, while helping the private sector develop a more permanent institutional response. The component would provide funding to AIC for the financing of the implementation of annual sector-wide technical services programs in the areas of (i) environmentally sound cotton ginning and pest management practices; (ii) cotton research and production of improved seeds; (iii) cotton quality control; (iv) training and extension services for cotton farmers; (v) cotton price and income stabilization; and (vi) any future sector-wide technical support programs that are agreed on by AIC and the Borrower and satisfactory to the Association. These programs would be approved by the Project Steering Committee and satisfactory to the Association, and would be implemented through qualified service providers.

(v) Support to the privatization of SONAPRA's ginning operations: Under this component, support would be provided to the government of Benin to carry out a transparent strategies to privatize the company's ginning operations. A financial advisor would be recruited to advise the government on the implementation of the privatization of the ginning plants. The advisor would prepare the transaction for offer and would work with the Government to assure that it conforms to all applicable laws and standards of transparency and openness. In addition, assistance would be provided to the Cellule des Opérations de Dénationalisation (COD), which would be in charge of managing the privatization process. The assistance would include the provision of technical advisory services and training; and the acquisition of equipment, furniture, and materials.

Most likely, some employment would be suppressed with the reforms of the filière and assistance would need to be provided to Government to address the social aspects of the reform. In particular, most of SONAPRA's personnel that was in charge of primary marketing would lose their jobs. The CSPR, which is taking over the organization of primary marketing, and too a lesser extent, AIC, would be encouraged to give priority to qualified candidates among them in their recruitment efforts. CSPR has utilized the same personnel, about 70 staff, during the last marketing campaign under an agreement with SONAPRA. For those who would not find employment with CSPR or AIC, financial support would be provided for their conversion on the basis of a program to be worked out between Government and SONAPRA's management, in consultation with IDA, to be adopted by June 30, 2002. The cost of the conversion program would be funded under the Borrower's budget which would be supported under the Bank's budget program.

1. Project components: (see Annex 1)

Component	Sector	Indicative Costs (US\$M)	% of Total	Bank-financing (US\$M)	% of Bank-financing
(i) Operationalization of the AIC*	Agency Reform	4.80	19.8	4.15	23.1
(ii) Support to CSPR	Agency Reform	3.50	14.5	3.10	17.2
(iii) Support to FUPRO	Agriculture Adjustment	6.20	25.6	4.60	25.6
(iv) Support to STSP	Agriculture Adjustment	8.00	33.1	4.75	26.4
(v) Privatization of SONAPRA's ginning operations	Agency Reform	1.70	7.0	1.40	7.8
Total Project Costs		24.20	100.0	18.00	100.0
Total Financing Required		24.20	100.0	18.00	100.0

(*) Includes project coordination and PPF

2. Key policy and institutional reforms supported by the project:

The key policy and institutional reforms first relate to the creation of a transparent legal and institutional framework for the proper short and medium term operation of both the AIC and CSPR. In particular, the project would ensure an effective transfer to the private sector of the responsibility over all technical activities that were hitherto under the control of SONAPRA. For that purpose, it would equip the private sector with the necessary capacity to implement these activities. Furthermore, it would provide a framework for (i) consultations between the public and private sectors on sector policies and (ii) collaboration between the two sides in areas such agricultural services delivery and infrastructure development. The second set of reforms that would be sought relates to the privatization of SONAPRA's ginning activities. As indicated before, the government has decided to eliminate the monopsony of SONAPRA on the primary marketing of seed-cotton. However, there is no agreement yet on the privatization strategy. The Bank is currently discussing with GOB alternative strategies to privatize the ginning plants, which would be more in line with the long term objectives of sustained growth and improved income distribution in the sector.

3. Benefits and target population:

Given the strategic importance of the cotton sector, the anticipated expansion of output, increase in productivity, and improvement in income distribution would induce considerable economic, social and environmental benefits, as outlined below:

Economic benefits: Experience with respect to similar sector reforms in other African countries, such as the case the cotton sector in Zimbabwe, indicates that, when adequately implemented, such reforms can significantly improve economic returns in the sector. In the particular case of the cotton sector in Benin, greater efficiency and hence competitiveness in export markets, coupled with better distribution of revenues across key groups of actors in the sector, would not only improve incomes in the rural areas, but would also generate additional foreign exchange as well as budgetary resources. The cumulative impact of these different effects in terms of poverty reduction in and outside of the rural areas can be considerable.

Social benefits: The Project would strengthen the representational and leadership capacity of producer organization, thereby paving the way for greater participation by farmers in the design, implementation, and evaluation of sector policies. By so doing, it would also empower local communities, beyond the

narrow group of cotton farmers, to take greater responsibility within the context of the process of political and administrative decentralization that has been launched recently by the government of Benin.

Environmental benefits: The proposed project activities in the area of agricultural services delivery would strengthen the sector's capacity to generate and broadly disseminate better cropping technologies. By promoting demand-responsive services delivery systems, the project would allow farmers greater involvement in the definition of technical problems and the search for appropriate solutions, including the use of modern inputs. Moreover, the expected higher revenue shares would raise the capacity of farmers to invest in better cropping technologies, including soil and fertility conservation techniques.

4. Institutional and implementation arrangements:

4.1 Project coordination and oversight

Technically, the cotton sector is under the responsibility of the Ministry of Agriculture, Livestock, and Fisheries (MAEP). However, given the purely private sector nature of the majority of the project's activities as well as the need for sustainability, it is proposed that AIC, through its Technical Secretariat, (ST-AIC) be in charge of the implementation of the project, which would be carried out under the direction of the Secretariat's Permanent Secretary. A Project Steering Committee (PSC), to be chaired by the representative of MAEP, would be set up before project effectiveness to coordinate and supervise the implementation of the project activities. The steering committee would not have direct management responsibilities. Its main role would be to oversee the project implementation, guide the management team, and approve the project's annual work program and budget. For that purpose, AIC would submit to the Steering Committee, the Borrower, and the Association for review and comments by October 1 of each year during project implementation a draft annual program and budget for the following project year. At the latest by December 15 of each implementation year, AIC would adopt the annual work program and budget in a form and substance that is satisfactory to the Borrower, the Steering Committee, and the Association.

The Committee would meet at least twice a year to approve the annual work program, review implementation progress, and formulate recommendations, when necessary, with respect to project implementation. The secretariat of the Committee would be filled by the Permanent Secretary of the AIC. Besides the Chair and representative of MAEP, the Committee would include 6 other members representing the ministries of planning and finance, producer organizations, the associations of ginners, the group of input distributors, and the association of commercial banks.

4.2. Project management

The project's management would be the responsibility of AIC through its Technical Secretariat (ST-AIC). The Secretariat's Permanent Secretary would act as the Project Coordinator. The necessary personnel would be recruited competitively, comprising mainly of a Procurement Specialist, a Director of Administration and Finance, an Accountant, a Monitoring and Evaluation Specialist, and a Specialist in charge of the Sector-wide Technical Services Programs (STSP) who would work under the supervision of the Director of Contracts and Agreements. The Permanent Secretary, as Project Coordinator would be responsible for the day-to-day management of project activities, preparation of technical and financial reports, as well as the annual work program including the consolidated budget for all project components, and its presentation to the steering committee for approval. He would closely work with CSPR, COD, and FUPRO to prepare the annual work programs and budgets.

The STSP Assistant Coordinator would work under the supervision of the Permanent Secretary. He/she would be in charge of preparing and coordinating the implementation of the various agreements and conventions that AIC would sign with public as well as private sector institutions to carry out the sector's

technical support programs: agricultural research, extension, seed programs, quality control, and other sector-wide activities that were formerly entrusted to SONAPRA.

The project's effectiveness would be conditional upon the signing of a subsidiary financing agreement between AIC and Government, under terms and conditions satisfactory to IDA, and which (i) transfers as a grant the credit resources to AIC; (ii) designates the Technical Secretariat of AIC as the implementing agency; (iii) specifies the relationships between ST-AIC and the borrower's specialized institutions dealing with the management of external resource flows and fiduciary aspects of government funded projects, such as the Caisse Autonome d'Amortissement (CAA); the Commission Nationale des Marchés Publics (CNMP); and the Cellule de Suivi des Projets (CSP); and (iv) defines all other necessary conditions for a transparent and efficient use of the project resources by ST-AIC in order to achieve the project outcomes.

4.3 Accounting, Financial Management, Periodic Reporting and Annual Audits

AIC's Technical Secretariat, under the supervision of its Permanent Secretary and through the Director of Administration and Finance (DAF) would be responsible for financial management of project resources, including establishment of an adequate accounting system, internal control procedures, preparation and submission of periodic financial statements and ensuring that the project's annual financial statements are audited in conformity with IDA requirements. The DAF would also monitor all disbursements to ensure that all expenditures are eligible and incurred for the purposes intended under the project. The establishment of an adequate financial management system that is satisfactory to IDA, including the adoption of a satisfactory manual of procedures conform to OP/BP 10.02 would be a condition of effectiveness; and the recruitment of staff having qualifications and experience satisfactory to IDA a condition of board presentation.

A Special Account (SA) would be opened by the Borrower, on behalf of the project, at a commercial bank, on terms and conditions acceptable to IDA, where the Credit resources would be deposited to finance the project activities. The Technical Secretariat, through its Director of Administration and Finance and under the supervision of the Permanent Secretary, acting as the Project Director, would be in charge of managing the account. ST-AIC would pay for eligible expenses on behalf of the other agencies, except for eligible expenses not greater than the equivalent of US\$15,000, which can be pre-financed and reimbursed upon presentation of proper documentation. It would submit withdrawal applications through the Caisse Autonome d'Amortissement (CAA), as required by external finance procedures prevailing in Benin. All withdrawal applications would have to be signed by authorized CAA representatives, as designated by the Minister of Finance.

Every year, the financial statements of the project, including expenditures by the two participating implementing agencies (CSPR, and FUPRO) would be audited by an independent firm of professional auditors to be recruited at the latest by April 30, 2002. The auditing firm would be selected in accordance with the provisions of Section II of the Bank's Consultant Guidelines applicable to quality-and cost-based selection of consultants and under terms of reference acceptable to IDA, and which would ensure that the SA is audited in accordance with OP/BP 10.02 and the provisions of the Credit Agreement. In addition to the opinion on project financial statements, the auditors would be required to provide separate opinions on the SOEs and the management and utilization of the Special Account and Project Counterpart Fund Accounts. In line with general audit practice, the auditors would also issue a management report with practical recommendations for improvement in project's accounting and internal control system where necessary. The audit costs would be financed by the project under consultant services.

Between individual audits, CAA's Project Control Unit (Cellule de Suivi des Projets – CSP) would monitor the quality of the financial management of the project. It would regularly examine the accounts and records of AIC and review disbursement activities as well as actions taken by the Secretariat to follow up on audit recommendations.

Under the overall responsibility of the DAF, the project would be required to submit quarterly Project Monitoring Reports (PMRs) as indicated in the Bank's Project Financial Management Manual of February 1999. However, it is to be expected that the project (and the DAF in particular) would need very close guidance in this task and it is unlikely that the project would be able to produce immediately all the 12 reports required under the new FINMI (ex-LACI) procedures. It is expected, however, that the project should be able to generate the complete PMRs within 18 months after project effectiveness.

4.4 Monitoring and Evaluation

It is proposed to recruit a Monitoring and Evaluation Specialist to work with the ST-AIC's Division of Information to monitor activity outcomes and evaluate the project's impact. The M&E tasks and modalities would be defined in a Monitoring and Evaluation Plan, satisfactory to IDA, including a Project Monitoring Guide (OMG) and an Impact Evaluation Guide (IEG) that would be prepared and adopted no later than 4 months after project effectiveness. As part of the impact evaluation activities, a baseline cotton sector survey (BCSS) would be carried out within the first year of project implementation to provide a basis against which the various project indicators would be measured. The BCSS would include four separate sets of structured surveys on (i) farm households, (ii) processing sector, (iii) the main private sector institutions, i.e. AIC, C SPR, CAGIA, FUPRO and its member organizations, and the associations of ginners and input distributors; and (iv) government institutions dealing with agricultural services and other sector-wide technical support activities. These surveys would be implemented under the supervision of ST-AIC's Division of Information.

4.3.2 The M&E specialist would implement a systematic and detailed monitoring and reporting system focusing on both the outputs and outcomes of the project. The system should allow for an effective evaluation of: (a) the effectiveness of the project's delivery mechanisms and procedures; and (b) the impact of project activities on the basis of the stated objectives, the baseline data base, and the input, output, and impact indicators that are identified in the Project Design Summary (Annex 1). The key tasks under the monitoring arrangements would include: (i) regular monitoring of project activities on the basis of the project impact and outcome indicators that are specified in the Project Design Summary; (ii) updating at the beginning of year 3 and middle of year 4 of the project of the baseline surveys; (iii) analysis of the survey data through qualified and independent research entities (universities, research centers, consulting firms); and (iv) collection of additional information as necessary to document the progress status of project activities. The progress towards project outcomes would be evaluated during its execution and at project completion. A project mid-term review would be carried out by Government to determine, based on the results of M&E as described above, the extent to which the project is performing vis-à-vis its development objectives. At the end of year 4, an impact study would be carried out to assess whether the project's objectives have been met.

D. Project Rationale

1. Project alternatives considered and reasons for rejection:

There are not many alternative ways of dealing with sector reform issues such as the ones that are being addressed by the proposed project. There were practically two approaches to moving ahead the cotton

sector reform agenda in Benin. One was through extensive policy dialogue and the other was to go beyond the dialogue and commit resources to a comprehensive program that would address in a fairly consistent manner all the obstacles that hinder a successful transition to a competitive sector. Given the strategic nature of the cotton sector and the political sensibility surrounding it, policy dialogue alone would not have worked, as shown by the experience of the two years preceding the decision by Government to finally launch the reform process in June 2000. There has been a justified need to reassure Government that the Bank is willing to invest the necessary resources to tackle all potential risks and ensure a successful transition.

2. Major related projects financed by the Bank and/or other development agencies (completed, ongoing and planned).

Sector Issue	Project	Latest Supervision (PSR) Ratings (Bank-financed projects only)	
		Implementation Progress (IP)	Development Objective (DO)
Bank-financed			
Implement an industrial plantation to reduce dependence imports (closed 1991)	Forestry Project	S	S
Capacity Building of Producer Organization (effective September 2000)	Institutional & Technical Capacity Building of Producer Organizations	S	S
Increase agricultural productivity and farm incomes (closed June 1999)	Agricultural Services Restructuring Project	S	S
Improve food security for vulnerable populations (closed September 2000)	Food Security	S	S
Decentralized and community-based rural development	Borgou Pilot Rural Support Project	S	S
Management of natural resources (closed June 1999)	Natural Resources Management Project	S	S
GEF Financed: Sustainable use of national parks	National Parks Conservation & Management Project	S	S
Improve access to basic social services	Social Funds	S	S
Rehabilitation of rural credit cooperatives (closed December 2000)	Rural Credit II	U	U
Other development agencies			
Agricultural cooperative consolidation (closed 1999)	Support to the Consolidation of the Zou Agricultural Cooperatives		
Agricultural export diversification	Improvement & Agricultural Diversification Project		
Rural road rehabilitation & maintenance	Rural Roads Rehabilitation & Maintenance Project in Zou & Borgou		

IP/DO Ratings: HS (Highly Satisfactory), S (Satisfactory), U (Unsatisfactory), HU (Highly Unsatisfactory)

3. Lessons learned and reflected in the project design:

The most important lessons that have been learned with respect to the proposed project come from the long and extensive interaction with Government and the private sector on the strategies to move from an administered sector to a more market-based system. This interaction has led to the realization that the private sector, primarily ginners and producers, have to take the lead in inventing the solutions to the sector's problems. The several initiatives of the past year have indeed demonstrated that private operators were well capable of establishing a collective discovery process for solutions to the problems faced by the sector, if given the opportunity and challenged to do so. For instance, in preparing the current project, the Bank team has deliberately refused to make any proposals. Rather, it has challenged the producer and ginners' organizations to come to the negotiating table and invent solutions and make proposals themselves. The team limited its role to providing support to the negotiating process, including through consultants whose sole assignment had been to keep the parties talking to each other and ensuring that the consultation process does not breakdown.

Over a three month period, between June and September 1999, the two parties (producers and ginners) worked very hard to i) produce a consensus on transitory seed cotton pricing and marketing arrangements, ii) successfully negotiate the establishment of the Association Interprofessionnelle du Coton (AIC), and iii) outline a proposal for a new input credit mechanism that would replace the SONAPRA-system after the lifting of the monopoly over cotton-seed marketing. Given this early success and the demonstration that the private sector can negotiate a comprehensive reform program, the Bank decided to adopt the same process in designing the current project. The different components, with the exception of the privatization of SONAPRA ginning activities, which is being designed in consultation with Government and the company's leadership, are entirely based on the outcome of the negotiations between the four main stakeholder groups: the ginners associations, the producer organizations, the input distributors, and the commercial banks.

Other important lessons that are reflected in the design of the program are related to the need for gradualism and pragmatism when moving from heavily controlled systems to more open ones. The experience of domestic market reforms in many countries in Africa teaches us the importance of gradualism and proper sequencing in opening small-holder based sectors to more competition. The project has consequently chosen to start and build from the existing institutional set up. In doing so, it has been guided by the following principle: (i) to introduce as much change as possible to ensure irreversibility of the transition process but (ii) as little as possible so that existing institutional arrangements can carry us smoothly through the first stages of the transition, and then (iii) build technical and institutional capacities in the private sector while accelerating the pace of change.

The final lessons is derived from the observation that one of the main reasons why the cotton sector has not contributed to its fullest potential to poverty reduction, not only in Benin but in all other West and Central African countries, is that the decision making system has been strongly biased against the interest of farmers. The observed implicit taxation, management inefficiencies, and the related rents and transfers have been so pervasive because the primary losers, the farmers, have had very little influence on decision making in the sector. As a consequence, the project places strong emphasis on building the technical, commercial, and organizational capacities of farmer associations in order to allow them to better represent their interest and to become credible business partners to other private sector operators.

4. Indications of borrower commitment and ownership:

The government has demonstrated a clear commitment to the development of the proposed Project. This is evidenced by the fact that after the government has eliminated the monopsony of the SONAPRA on the primary marketing of the seed cotton, the State Minister has sent several requests for a support to accompany this major decision. During the identification mission conducted in July 2000, the Ministry of Rural Development and the Ministry of Finance Economy explicitly lent their support to the proposed project. Furthermore, the government initiated and fully supported an IDF Grant for the institutional and technical capacity building of the producer's organizations. This was seen by Government as a prerequisite to this larger program as the producers and more specifically their organizations are the weakest group in the sector and need to be strengthened to accompany the sector reforms. Moreover, representatives from the key ministries have participated in all the technical meetings during the identification mission, which assembled all stakeholders and potential beneficiaries to elaborate the project's logical framework.

5. Value added of Bank support in this project:

The cotton filière has benefited from support through bilateral donors such as the Swiss Development Cooperation, the French Development Agency (AFD), the Dutch and German Technical Cooperation Agencies. However, this support has been targeted primarily to strengthening the organizational capacities of producer organizations. Accordingly, it has hitherto lacked the necessary comprehensive approach to support the effective liberalization of the sector.

The Bank would play the required leadership role in assisting the government to effect the transition to a liberalized and more competitive sector. It would thereby act as a catalyst to consolidate the support to the transition process and provide a well articulated framework that ensures consistency across individual donor activities in the sector.

E. Summary Project Analysis (Detailed assessments are in the project file, see Annex 8)

I. Economic (see Annex 4):

Cost benefit NPV=US\$ million; ERR = % (see Annex 4)

Cost effectiveness

Other (specify)

The economic analysis of the project has focused on the component related to the improvement of the provision of commercial and technical services to producer organizations at the level of the Unions Départementales de Producteurs (UDP). This component accounts for a small share of total project costs. The other components (support to CSPR and AIC) deal with activities that have more the character of public goods and whose benefits are not easy to measure. Given the difficulty of obtaining reliable benefit estimates for these types of activities, the analysis has focused on (i) a diagnosis of the weaknesses in the area of services deliveries in the context of a withdrawal of SONAPRA and (ii) the identification of institutional and organization responses at the level of local organizations. Given the growth experience in the cotton sector and the role played therein by the provision of services, the outcome of the analysis indicates that considerable benefits should be expected from project activities.

2. Financial (see Annex 4 and Annex 5):

NPV=US\$ million; FRR = % (see Annex 4)

2. Financial

As specified above, the bulk of the project activities support the operations of non-profit making institution, the Association Interprofessionnelle du Coton (AIC) and the Centrale de Sécurisation des Paiements et du Recouvrement (CSPR). These activities do not lend themselves to reliable financial estimates.

Fiscal Impact:

N/A

3. Technical:

Two key studies have been conducted by international consultants to finalize the concepts and work programs of CSPR and AIC, which constitute the core institutions of the reforms. These detailed studies have defined for each the two institutions the status, mission, and broad program areas. They have also defined the human as well as financial resources needed, including detailed terms of reference for key staff. A third study has been carried out on the strengthening of the capacities of UDPs. That study examined the challenge facing local farmer organizations following the withdrawal of SONAPRA from primary marketing, the provision of technical services, the distribution of modern inputs, to the facilitation of access to credit. It has defined a new set of activities to be carried out by the strengthened UDPs and specified the required human and financial resources. The study has also defined the job profile and terms of reference for the key personnel and has also prepared financial plans that ensure cost recovery and sustainability with respect to the commercial and technical activities that are to be carried out by the UDPs.

4. Institutional:

Since the reforms are to be carried out through the private sector, the main issues that arise from the institutional point of view relate to the coordination of implementation activities within the private sector and between the latter and government institutions, primarily the Ministry of Agriculture, Livestock, and Fisheries (MAEP). The coordination with government should be facilitated through the establishment of the proposed Project Steering Committee (PSC) which would be chaired by MAEP and which would include representatives from the other two key ministries, planning and finance, as well as from the main private sector groups. The PSC, which would be established before project effectiveness, would supervise the project implementation by the Technical Secretariat of the Association Interprofessionnelle du Coton (ST-AIC). It would review the annual work programs and budgets. Specialized government institutions such as the Caisse Autonome d'Amortissement (CAA), the Commission National des Marchés Publics, and the Cellule de Contrôle des Projets would all be involved in the fiduciary aspects of the project. These relationships would be clarified in the implementation manual of the project.

4.1 Executing agencies:

Four main agencies would participate in the execution of project activities: the Association Interprofessionnelle du Coton through its Technical Secretariat (ST-AIC), as the main executing agency and coordinator of project implementation; the Centrale de Sécurisation des Paiements et du Recouvrement (CSPR), the Fédération des Unions de Producteurs (FUPRO), and the Cellule des Opérations de Dénationalisation (COD). AIC would collaborate with COD in implementing the privatization component of the project. It would collaborate with FUPRO to carry out the support to producer organizations, and with CSPR for the implementation of the new input credit recovery system and other related activities.

Support would be provided to all three agencies to strengthen their technical and institutional capacities and enable them to effectively participate in the implementation of the project activities.

4.2 Project management:

ST-AIC would be in charge of the day to day management of project activities. It would be in charge of the financial management, procurement, reporting, and preparation of work programs and budgets. The Secretariat would establish, before project effectiveness, an adequate financial management system that is satisfactory to IDA, including the adoption of a satisfactory manual of procedures and the recruitment of staff having qualifications and experience satisfactory to IDA. It would also recruit procurement personnel with qualifications and experience satisfactory to IDA. Finally, the Borrower would adopt a project implementation manual that is satisfactory to IDA and which details the relationships between the individual executing agencies.

4.3 Procurement issues:

A detailed assessment of the procurement capacity of ST-AIC has been carried out during appraisal. The Secretariat has just been set up has no experience yet with procurement. It is planned to set up a procurement unit within ST-AIC. The recruitment of the procurement personnel with qualification and experience that are acceptable to IDA would be a condition of board presentation. Terms of reference for the recruitment of the procurement specialist have been prepared during the appraisal mission.

ST-AIC, through its procurement unit, would be responsible for all project procurement activities. It would carry out these procurement activities on behalf of government. It would also carry out procurement activities on behalf of the other executing agencies, except for contracts processed by FUPRO's member organizations, such as the Unions Départementales des Producteurs (UDPs) and in amounts not greater than US\$7,500. It would agree to use documents and follow procedures of the Bank or that of the Borrower for public procurement, provided these are acceptable to IDA. That agreement as well as the details of the intervention of the Borrower's institutions in the procurement activities would be specified in the subsidiary financing agreement that AIC and the government would sign before project effectiveness., using procedures for IDA funded projects.

4.4 Financial management issues:

From the financial management point of view, the main issue would be to establish a financial management system that is compliant with OP/BP 10.02 by effectiveness. The approach that is proposed to establishing such a system is described in C.4.2 above.

5. Environmental: Environmental Category: B (Partial Assessment)

5.1 Summarize the steps undertaken for environmental assessment and EMP preparation (including consultation and disclosure) and the significant issues and their treatment emerging from this analysis.

Expansion of cotton production would involve the increase in the use of chemical fertilizers, pesticides, herbicides and other chemicals, as well as the operation of ginning plants. The residues of these chemicals may affect wild fauna, fisheries and other surrounding environment. These chemicals can also cause bodily harm, if farmers are not taught on their proper handling. Likewise, the operation of ginning plan could expose workers to substance and dust emission as well as occupational hazards. An Environmental Analysis and an Integrated Pest Management study have been carried out. The significant issues raised by the analyses and the details of the EMP that is recommended for implementation under the proposed project are presented in Annex 11. The project would work with the Borrower to ensure that all recommendations are implemented by the ginning companies by June 30 2003.

Based on the findings of the above analyses and the review by the ASPEN team, the recommended environmental category for the proposed project is category B. The final EA draft was received in April 2001.

5.2 What are the main features of the EMP and are they adequate?

The main features of the EMP are adequate (see Annex 11 for details).

5.3 For Category A and B projects, timeline and status of EA:

Date of receipt of final draft: April 2001

5.4 How have stakeholders been consulted at the stage of (a) environmental screening and (b) draft EA report on the environmental impacts and proposed environment management plan? Describe mechanisms of consultation that were used and which groups were consulted?

The environmental analysis has two components: the audit of the ginning factories and the review of pest management issues in cotton production. The team of consultants that carried out the environmental audit has consulted closely with Benin's environmental agency (ABE) as well as the relevant technical ministries (agriculture and environment) on the planning and implementation of its work program. In addition, the team has spent several weeks traveling around the regions where ginning plants are located. They have visited all ginning plants and have carried out interviews with about 100 people, consisting of two major groups. The first, internal group includes personnel from the various ginning plants: managers, engineers, environmental specialists, maintenance personnel, health and emergency services staff, security personnel, and other technical personnel. The external group includes populations currently and formerly living next to ginning plants, private entrepreneurs, former employees, and employees from environmental regulatory institutions, emergency and rescue services, as well as local administrations. At the end of the mission, a meeting was organized to review the preliminary results with representatives from government and the ginning industry.

The pest management evaluation team, which was in the field at the same time as the environmental audit team, has also consulted closely with the main stakeholder groups. It has held working meetings with the main regulatory institution, the National Plant Protection Service, and the main research centers dealing with cotton production (Benin's environmental agency - ABE; the Cotton and Fiber Research Center - URCF; and the Biological Control Center for Africa of the International Institute of Tropical Agriculture). The team has also held working meetings with representatives from two main farmer organizations, the Chamber of Agriculture, and the nation-wide Input Procurement and Management Cooperative. The consultations have also included meetings in the main cotton producing areas with (i) farmer groups at the village level as well as at the regional level and (ii) representatives from the local technical extension services. Furthermore, the team has carried out on-farm visits in several cotton growing areas to meet and discuss directly with individual farmers. At the end of the mission, the team organized a meeting to present and discuss the draft Integrated Pest Management Plan (IPMP) with stakeholder representatives.

5.5 What mechanisms have been established to monitor and evaluate the impact of the project on the environment? Do the indicators reflect the objectives and results of the EMP?

Regarding the recommendations of the environmental audit, a dated covenant has been added to the Development Credit Agreement, which requires the government of Benin to ensure that they are all implemented by the ginning companies by June 30, 2003. By that date, a review mission would be carried out to verify compliance with the covenant. For the monitoring and evaluation of the impact of the Integrated Pest Management Plan, the project would develop a collaborative program with the Global IPM Facility and the National Plant Protection Service. To this end, a dated covenant is included in the Project

Agreement, which obligates the main implementing agency to organize an IPM strategy workshop by March 31, 2002, which would finalize the implementation details of the *Integrated Pest Management Plan*, including the relevant indicators and the arrangements for monitoring and evaluation. These arrangements would be included in the overall Project Monitoring and Evaluation Plan, which the government of Benin is obligated, under the Development Credit Agreement, to adopt no later than 4 months after project effectiveness.

6. Social:

6.1 Summarize key social issues relevant to the project objectives, and specify the project's social development outcomes.

As a result of the support for the conversion of sector employees component, the project envisages some loss of employment. This would inevitably cause some direct and indirect socio-economic effects, which would need to be addressed in the project framework. The project is well grounded in the Government's strategy on the Social Dimension of Development (SDD), which underscores the importance of integrating social issues in national macro-economic and sectoral policies and reforms. The group that is most likely to be affected at this stage are SONAPRA's personnel, about 70 employees, that were in charge of primary marketing. Many if not most of these employees could be hired by CSPR, which is taking over the organization of primary marketing, and to a lesser extent, AIC, for its field level support activities. The two institutions would be encouraged to give priority to qualified candidates among this group in their recruitment efforts. For those who would not find employment with CSPR or AIC, financial support would be provided for their conversion on the basis of a program to be worked out between Government and SONAPRA's management, in consultation with IDA. However, with the privatization of SONAPRA's ginning operations, a larger portion of its current employees would be affected. The conversion and compensation of employees in both cases would be funded through the borrower's budget which would be supported under the Bank's budgetary support program.

On the health side, the increased use of fertilizers and pesticides may have a potential negative impact on people. Measures to address these concerns would be developed and implemented as part of the IPM program so as to mitigate potential negative effects. These measures would be detailed in the IPM Strategy and Action Plan to be prepared following the IPM seminar that is scheduled shortly after project effectiveness.

6.2 Participatory Approach: How are key stakeholders participating in the project?

The preparation of the project has been led by the stakeholders from the first draft of the logical framework to the commissioning of all the technical studies that have served as a basis for the establishment of the Association Interprofessionnelle du Coton (AIC), the founding members of which are the associations of producers and ginners, and the Centrale de Sécurisation des Paiements et du Recouvrement (CSPR), which has been founded by the same associations plus the association of input importers and distributors, the Groupement Privé des Distributeurs d'Intrants Agricoles (GPDIA). Moreover, with the exception of the privatization component, the project activities would be implemented exclusively by agencies that have been set up by stakeholder groups, including AIC's Technical Secretariat, which would have responsibility over overall coordination, CSPR, and the apex organization of farmer associations (FUPRO) as well as its member organizations.

6.3 How does the project involve consultations or collaboration with NGOs or other civil society organizations?

The most relevant civil society organizations are the organizations of the main private sector operators that are active in the various segments of the cotton sector. Most of the background documents, on the basis of which the main project components are based, were commissioned by one or several of the organizations

referred to in section 6.2 above. The preparation of the underlying studies involved extensive consultations with the main stakeholder groups. Furthermore, the logical framework of the project was prepared in collaboration with the above organizations during a mission to Cotonou in May 2000. Finally, the project activities would be implemented directly or coordinated by several of these organizations. No independent, outside unit has been set up to run the project activities.

6.4 What institutional arrangements have been provided to ensure the project achieves its social development outcomes?

The most important issues on the social side would be to avoid the loss of employment and mitigate other potential social effects of the privatization of the ginning activities of SONAPRA and the takeover of its marketing activities by AIC and CSPR. Agreement has been reached for the latter to give priority to qualified candidates among affected SONAPRA employees in their recruitment efforts. For those who would not find employment with CSPR or AIC, agreement has been reached in principle for financial support to be provided for their conversion on the basis of a program to be worked out between Government and SONAPRA's management, in consultation with IDA. That program would be prepared in association with the finalization of the privatization of SONAPRA and would be adopted by June 30, 2002. The cost of the conversion program would be funded under the Borrower's budget which would be supported under the Bank's budget support program.

6.5 How will the project monitor performance in terms of social development outcomes?

The activities to be carried out on the social side are not complex, given the limited size of the affect staff, and can be monitored easily. The conversion / mitigation program referred to above would detail the monitoring arrangements to be adopted.

7. Safeguard Policies:

7.1 Do any of the following safeguard policies apply to the project?

Policy	Applicability
Environmental Assessment (OP 4.01, BP 4.01, GP 4.01)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Natural Habitats (OP 4.04, BP 4.04, GP 4.04)	<input type="radio"/> Yes <input type="radio"/> No
Forestry (OP 4.36, GP 4.36)	<input type="radio"/> Yes <input type="radio"/> No
Pest Management (OP 4.09)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Cultural Property (OPN 11.03)	<input type="radio"/> Yes <input type="radio"/> No
Indigenous Peoples (OD 4.20)	<input type="radio"/> Yes <input type="radio"/> No
Involuntary Resettlement (OP/BP 4.12)	<input type="radio"/> Yes <input type="radio"/> No
Safety of Dams (OP 4.37, BP 4.37)	<input type="radio"/> Yes <input type="radio"/> No
Projects in International Waters (OP 7.50, BP 7.50, GP 7.50)	<input type="radio"/> Yes <input type="radio"/> No
Projects in Disputed Areas (OP 7.60, BP 7.60, GP 7.60)*	<input type="radio"/> Yes <input type="radio"/> No

7.2 Describe provisions made by the project to ensure compliance with applicable safeguard policies.

An Environmental Mitigation Plan (EMP) and a Pest Management Plan (PMP) have been prepared as part of project preparation. The environmental audit of cotton ginning companies that has been carried out under the environmental analysis proposes the following measures to address the environmental problems caused by the cotton ginning plants are of several types and include the following:

- (i) Enforcement of national regulations to ensure full compliance of plants with safety and emission standards;
- (ii) Formulation and adoption environmental awareness raising programs within the plants and without to sensitize the surrounding populations on the environmental problems, and the best way to mitigate them;

- (iii) Adoption of environmental management plans in order to control air emission, treat and dispose of wastes, and protect workers from exposure to harmful substances, heat, dust, malfunctioning equipment;
- (iv) Training of the key people responsible for implementing the environmental management plans of the plants, and improving record keeping;
- (v) Integrating environmental management at plant level with the local or municipal environmental management plans, especially, for waste treatment, handling of hazardous substances (transport, storage, treatment, and disposal), and awareness raising.

The PMP includes an assessment of: (i) current pest management practices and the extent to which these are part of an IPM approach, (ii) risks associated with current pesticide use and, (iii) regulatory framework for the control of pesticides and institutional and technical capacity to promote IPM.

The PMP provides: (i) proposals for direct measures to reduce risks associated with use of pesticides, (ii) a plan to develop an IPM strategy for cotton in Benin (the strategy would be developed and introduced under this project), (iii) recommendations for the strengthening of the regulatory framework and institutional capacity for pesticide control and IPM implementation. Further the PMP includes a monitoring scheme to track compliance with OP 4.09 during project implementation.

Activities recommended by the PMP would be reflected in the project design and carried out during implementation. There would not be a specific project component on pest management. Instead, these activities would be fully integrated into the Sector-wide Technical Services Programs, in particular in the research and extension/training programs. For this purpose, an IPM strategy would be prepared, beginning with a workshop to be held by March 31, 2002 to identify the underutilized potential for IPM and Integrated Nutrient Management (INM) and to design pilot projects to adapt and validate cotton IPM and INM technologies and approaches to the specific situation in Benin. The strategy would be prepared in collaboration with the Global IPM Facility and adopted by Government by June 30, 2002.

F. Sustainability and Risks

1. Sustainability:

Except in crisis years, the cotton sector has always mobilized sufficient resources to finance the most critical activities related to technical support, marketing, input financing, and infrastructure maintenance. These activities have been financed through levies operated by SONAPRA on the price of cotton paid by ginners. With the liberalization of primary marketing, the private sector needs to regroup and find alternative mechanisms of carrying out the same activities and new modalities for mobilizing resources and paying for these activities. One of the main rationales behind the project is to provide the necessary support to (i) avoid transitory funding difficulties that may cause the sector to collapse and (ii) help the stakeholders develop viable private-sector mechanism.

With the exception of the privatization component, all of the counterpart funds are provided by the private sector, totaling nearly US\$6.0 million or about 25 percent of total project costs. Through AIC, the private sector would contribute 80 percent in the first two years and 60 percent thereafter of the operating costs of ST-AIC and the other participating implementing agencies, FUPRO and CSPR. The significant level of contribution to project costs, in addition to the expected expansion of incomes in the cotton sector, would indicate that the private sector would be in a position to carry out the activities beyond the life of the project. The question is not one of resources but rather of institutional set up. The project is helping set up the institutions that would allow the sector to effectively address its technical and commercial needs.

2. Critical Risks (reflecting the failure of critical assumptions found in the fourth column of Annex 1):

Risk	Risk Rating	Risk Mitigation Measure
<p>From Outputs to Objective</p> <p>The CSPR system may create rigidities that would prevent the transition to greater competition in the sector</p> <p>Government may not maintain its commitment to privatizing SONAPRA's ginning operations</p> <p>Public sector services may not fully cooperate with the private sector in delivering technical services</p>	<p>M</p> <p>S</p> <p>M</p>	<p>The project team would continue to interact closely with key stakeholders in order to ensure that the transition process progresses smoothly</p> <p>GOB's continued commitment would be secured through continued policy dialogue and consultation with development partners and key stakeholders in the private sector</p> <p>Comprehensive and transparent collaborative agreements would be signed with the main government agencies and their performance closely monitored</p>
<p>From Components to Outputs</p> <p>Producer associations may collude to create a de facto monopoly over seed cotton marketing</p> <p>The government may interfere with the proper operation of the CSPR mechanism</p>	<p>M</p> <p>M</p>	<p>The project team will make every possible effort to educate all private sector families about the need of maintaining a transparent and competitive environment and will use the proposed mediation mechanism for that purpose</p> <p>The Bank team would continue the close policy dialogue that has accompanied the reform process so far to reduce the need for interference</p>
Overall Risk Rating	M	

Risk Rating - H (High Risk), S (Substantial Risk), M (Modest Risk), N (Negligible or Low Risk)

3. Possible Controversial Aspects:

None

G. Main Loan Conditions

1. Effectiveness Condition

- Signing of a subsidiary financing agreement between AIC and Government under terms and conditions satisfactory to IDA;
- Initial payment of the equivalent of CFA 50 million by the Borrower into a project account to be opened at the treasury, and on terms and conditions satisfactory to IDA, to receive its contributions to the project's counterpart funds under the privatization component;
- Initial payment of the equivalent of CFA 300 million by AIC on behalf of its members into another project account to be opened at a commercial bank, and on terms and conditions satisfactory to IDA, to receive the contributions of its members to the project's counterpart funds under the remaining components of the project;
- Adoption by AIC of a project implementation manual and a manual of financial procedures that are satisfactory to IDA.
- Establishment at ST-AIC of an adequate financial management system that is satisfactory to IDA;

- Establishment by Government of a Steering Committee chaired by the Ministry of Agriculture, Livestock and Fisheries (MAEP) in a manner and with members and staff whose number, qualifications, and experience are satisfactory to IDA.

2. Other [classify according to covenant types used in the Legal Agreements.]

None

Conditions of Board Presentation

None

3. Dated covenants in the Development Credit Agreement:

- Government would prepare by June 30, 2002 a plan of action which is acceptable to IDA, to mitigate the loss of employment in the cotton sector that may result from the activities carried out under the project;
- Government would establish an independent Rural Development Fund to be operated in a manner satisfactory to IDA by December 31, 2002;
- Government would ensure that the Environmental Mitigation Plan (EMP) is fully implemented by all ginning companies by June 30, 2003, in a manner satisfactory to IDA;
- Government would adopt the Integrated Pest Management Plan (IPMP), in form and substance acceptable to IDA by June 30, 2002; and ensure compliance thereto in a timely manner by cotton producers, in a form satisfactory to IDA;
- Government would adopt the Monitoring and Evaluation Plan, in form and substance satisfactory to IDA, not later than four months after project effectiveness.

4. Dated covenants in the Project Agreement:

- AIC would assist Government in establishing the Rural Development Fund, in a manner satisfactory to the Association by December 31, 2002;
- AIC would recruit an independent auditor on terms and conditions acceptable to IDA by April 30, 2002;
- By October 1 of each year during the implementation of the Project, AIC would submit to Government, IDA, and the Steering Committee, for review and comments, the draft program of activities and budget for the following year;
- By December 15 of each year during the implementation of the Project, AIC would adopt the program of activities and budget for the following year, in a form and substance satisfactory to Government, IDA, and the Steering Committee;
- AIC would prepare and submit to the Steering Committee, Government, and IDA the Monitoring and Evaluation Plan no later than three months after project effectiveness;
- AIC would prepare and furnish to Government, IDA, and the Steering Committee the Integrated Pest Management Plan no later than May 30, 2002.

H. Readiness for Implementation

1. a) The engineering design documents for the first year's activities are complete and ready for the start of project implementation.
1. b) Not applicable.

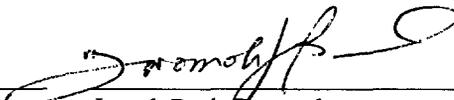
- 2. The procurement documents for the first year's activities are complete and ready for the start of project implementation.
- 3. The Project Implementation Plan has been appraised and found to be realistic and of satisfactory quality.
- 4. The following items are lacking and are discussed under loan conditions (Section G):
 - (a) Adequate financial management system established; and
 - (b) Signing of subsidiary financing agreement between Government and AIC.

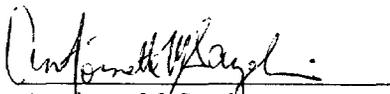
I. Compliance with Bank Policies

- 1. This project complies with all applicable Bank policies.
- 2. The following exceptions to Bank policies are recommended for approval. The project complies with all other applicable Bank policies.

OP/BP 10.02 requires that the cost of the annual audit be financed from the operating cost category. The Task Team has, at the Borrower's request, agreed that these costs be disbursed from the consultants' services category.


Ousmane Badiane
Team Leader


Joseph Baah Owomoh
Sector Manager


Antoinette M. Sayeh
Country Director

Annex 1: Project Design Summary
BENIN: Cotton Sector Reform Project

Hierarchy of Objectives	Key Performance Indicators	Data Collection Strategy	Critical Assumptions
<p>Sector-related CAS Goal: To assist the Borrower in increasing the productivity and efficiency of its cotton sector, by moving from a monopolistic, centrally administered production system to a system based on competition.</p>	<p>Sector Indicators: Average cotton yields have increased by 10 and 15 percent respectively in the 2nd and 4th years of the Project compared to the baseline;</p> <p>Farmer incomes from cotton production have increased by at least 30 percent by the end of the project compared to the baseline;</p> <p>The farmers' share in the cotton export price has increased by 10 and 20 percent respectively in the 2nd and 4th years of the Project compared to the baseline;</p>	<p>Sector/ country reports: Baseline data base and updated baseline survey</p>	<p>(from Goal to Bank Mission) World market price trends and instability would not reduce attractiveness of cotton production to farmers</p>
<p>Project Development Objective: Increased cotton sector productivity and efficiency through successful transition to a more competitive system of production and trading</p>	<p>Outcome / Impact Indicators: AIC has set up adequate mechanisms to successfully provide technical support services to farmers and ginners;</p> <p>Producers and ginners have acquired the capacities to make pricing and marketing decisions through independent contracts by the end of the 4th year;</p>	<p>Project reports: a) Supervision reports b) Technical studies and reports</p>	<p>(from Objective to Goal) Government would not go back on the reform process</p>

Hierarchy of Objectives	Key Performance Indicators	Data Collection Strategy	Critical Assumptions
<p>Output from each Component:</p> <p>1. An efficient primary marketing system has been established</p> <p>2. An effective input credit recovery system has been established</p> <p>3. The leadership, technical, and commercial capacities of farmer organizations have been strengthened</p>	<p>Output Indicators:</p> <p>The share of cotton production that is marketed each year through the new system meets or exceeds the baseline levels (achieved by SONAPRA)</p> <p>The delay of payment to producers has been reduced to a maximum of 30 days by the 2nd year of the Project compared to the baseline</p> <p>The delay of payment to producers has been reduced to a maximum of 30 days by the 2nd year of the Project compared to the baseline</p> <p>The CSPR mechanism ensures that demand for modern inputs is fully satisfied by the private sector, every year, both in terms of quantity and quality</p> <p>The recovery rate of input credit through the CSPR system is at least 99 percent in first year of Project</p> <p>Credit repayment period is at least 50 percent shorter in year two of Project compared to the baseline</p> <p>At least 80 percent of member farmers are satisfied with the quality of the leadership of FUPRO and its other member organizations by the end of the 2nd year;</p> <p>At the latest by the middle of the 2nd Project year: (i) FUPRO publishes and distributes regularly a newsletter on the sector; (ii) general assemblies are held regularly by all member organizations; (iii) adequate communications tools are</p>	<p>Project reports:</p> <p>a) Supervision reports</p> <p>b) Technical studies and reports</p> <p>a) Supervision reports</p> <p>b) Technical studies and reports</p> <p>a) Supervision reports</p> <p>b) Technical studies and reports</p>	<p>(from Outputs to Objective)</p> <p>The CSPR system would not create rigidities that would prevent the transition to greater competition in the sector</p>

<p>4. Satisfactory implementation of all Sector-wide Technical Services Programs has been achieved</p>	<p>distributes regularly a newsletter on the sector; (ii) general assemblies are held regularly by all member organizations; (iii) adequate communications tools are available to all local producer organizations</p> <p>At the latest by the middle of the 2nd Project year: (i) an operational accounting system is used by all beneficiary UDPs; (ii) a uniform manual of procedures containing transparent management and decision making procedures are adopted by FUPRO and all its beneficiary member organizations.</p> <p>All beneficiary UDPs have recruited qualified staff and provide adequate marketing and technical support to their members, by the end of the 2nd project year, as reflected in lower payment delay, full credit recovery, timely input order and delivery, and lower crop losses</p> <p>At least 80 percent of producers, ginners, and input distributors are satisfied with the quality of technical services by the end of the 2nd year</p>		<p>Public sector services would cooperate fully with the private sector in delivering technical services</p>
<p>5. The privatization of SONAPRA's ginning operations has been completed in line with the sector's long term goals</p>	<p>The privatization method has been open and transparent</p> <p>The terms of the transaction are compatible with the institutional outcomes of the reform process</p> <p>The form of asset transfer is conducive to a competitive sector structure</p>		<p>Government would maintain its commitment to privatizing SONAPRA's ginning operations</p>

Hierarchy of Objectives	Key Performance Indicators	Data Collection Strategy	Critical Assumptions
<p>Project Components / Sub-components:</p> <p>1. <u>Support to AIC</u> <i>2.a Technical support for the preparation of the establishment of the Secretariat Technique of the Association Interprofessionnelle du Coton (ST-AIC)</i> <i>2.b Financial support for the operation of ST-AICs</i></p> <p>2. <u>Support to CSPR</u> <i>1.a Technical support for the preparation of the establishment of the Centrale de Sécurisation des Paiements et du Recouvrement (CSPR)</i> <i>1.a Technical and financial support for the operation of CSPR</i></p> <p>3. <u>Support to (FUPRO)</u> <i>3.a Training and financial support to strengthen the leadership and representation capacities of national producer organizations</i> <i>3. b Technical and financial support to set up farmer owned Unités Techniques et Commerciales (UTC)</i></p> <p>4. <u>Support to STSP</u> <i>Financial assistance to fund sector-wide technical support services</i></p> <p>5. <u>Support to privatization of SONAPRA's ginning operations</u> <i>Technical and financial assistance to the Cellule des Opérations Dénationalization</i></p>	<p>Inputs: (budget for each component)</p> <p>UD\$4.15 M</p> <p>US\$3.10 M</p> <p>US\$4.60 M</p> <p>US\$4.75 M</p> <p>US\$1.40 M</p> <p>US\$18.00</p>	<p>Project reports:</p>	<p>(from Components to Outputs)</p> <p>Producer associations would not collude to create a de facto monopoly over seed cotton marketing</p> <p>The government would not interfere with the operation of the CSPR mechanism.</p>

Annex 2: Detailed Project Description

BENIN: Cotton Sector Reform Project

Benin's economy is driven primarily by the cotton sector both in terms of employment and income generation and as a source of fiscal and foreign exchange revenue. For several decades, the government has heavily focused its development efforts on the cotton sector, which grew much faster than the other agricultural sub-sectors. The longstanding policy and institutional bias against producers and other private sector operators that has characterized the government's intervention has considerably diminished the contribution of the sector's rapid growth to poverty reduction in the rural areas. The government believes that increasing farmer incomes would substantially reduce the pockets of poverty that now exist in both rural and urban areas. Expanding and diversifying agricultural output and improving producer prices are seen as important components of the government's poverty reduction strategy. With regard to the cotton sector in particular, the government is determined to complete the reforms now under way. It has already taken measures to liberalize the ginning sector. It has recently lifted the monopoly of the public enterprise SONAPRA over cotton-seed marketing and introduced measures to increase competition in the input sector. It has announced in its letter of rural development policy its determination to work towards enhancing the regulatory role of the government while empowering and building the capacity of producer organizations. Through these changes, the government hopes to raise efficiency in the sector and thereby expand national cotton production and increase farmer incomes.

The main purpose of Benin Cotton Sector Reform Project is to support the government's efforts to achieve broad-based growth in the country's rural sector and thereby increase per capita rural incomes and reduce the incidence of poverty. To achieve that objective, the project seeks to provide an answer to the main question facing Benin's cotton sector, as far as the goal of poverty reduction is concerned, which is: (i) how to further expand cotton cultivation, while (ii) spreading the productivity gains and income increases to a larger part of cotton producers, and (iii) generating income multiplier effects within and outside the cotton sector and the rest of the rural economy. The project development objective is to effect a successful transition from the current monopolistic and centrally administered system to a more competitive cotton sector and, hence, greater efficiency and productivity in the sector. The project would strengthen Benin's competitiveness in international export markets, allowing the country to raise its market share and benefit from the expected expansion of world cotton demand. Ultimately, the increase in productivity and competitiveness should lead to higher incomes in the sector. It is also expected that the increase in transparency and efficiency would lead to a better distribution of incomes throughout the sector, with positive spill-over effects in other productive sectors both within and outside of the rural sector. The proposed project would achieve the above objectives through the following five (5) sets of activities:

By Component:

Project Component 1 - US\$4.15 million

A. Support to the Interprofessional Cotton Association (AIC).

The main challenge facing the stakeholders in the cotton sector after the lifting of the SONAPRA's monopoly is to find alternative institutional arrangements and mechanisms to the unilateral, government-centered, mode of decision making that has hitherto characterized the system. Given the nature of cotton marketing and the institutional environment of cotton production, these new arrangements and mechanisms would (a) require the organization of the multitude of actors in the private sector and (b) involve collective action and contracts between (i) individual private sector families, on the one hand, and (ii) the latter and the government, including its specialized services, on the other. It is for that purpose that a commodity association, the Association Interprofessionnelle to Coton (AIC), was created in 1999 in anticipation of the

liberalization of the cotton sector. Its founding members are the Federation of Producer Unions (Federation des Union des Producteurs – FUPRO) and the Association of Private Ginners (Association Privée des Egrenneurs du Bénin – APEB). It is to serve as (i) a framework for consultation among private sector operators on policy and institutional issues and (ii) a representative for the private sector to interact with government on all aspects policy design and implementation.

The mission of AIC is twofold: general and specific. Under its general mission, AIC, through its Technical Secretariat (ST-AIC), would organize and coordinate the process of consultations and negotiations within the private sector and with government to arrive at agreements that would allow the private sector to take over the sector's critical commercial and technical functions that have been formerly entrusted to SONAPRA. The general mission also include the organization of mediation and arbitration between contracting parties as well as the collection and dissemination of relevant economic and technical information. Under its specific mission, ST-AIC would implement directly or through third party institutions, including sub-contracting to the private sector, the activities and measures emanating from the above sectoral agreements. These activities would include:

- 1) Preparation and supervision of the annual seed-cotton marketing campaign, including pricing negotiations, seed-cotton delivery, and input credit repayment;
- 2) Elaboration and implementation of a new seed sector policy and a cotton research program in collaboration with the research system (URCF) and the ministry of rural development;
- 3) Overhaul the system of norms/standards and quality control, including the role of the current direction of quality control (DPQC);
- 4) Define a new policy and develop an effective and efficient training and extension system in collaboration with the ministry of rural development and its specialized services;
- 5) Development of a new private sector-based price / income stabilization mechanism;
- 6) Development and implementation of a strategy to mobilize resources to fully finance the operation of the Secretariat as well as the institutional and technical support activities falling under the Association's specific missions.

Significant preparatory work, including technical studies, has been done with respect to this set of activities, with direct involvement and in many cases supervision by the producers and ginners organizations. Implementation by the technical secretariat has partly started and is being supported currently through a PPF. The study on the fifth set of activities has been commissioned by AIC and is under completion. The terms of reference for the studies and other preparatory work that should guide the remaining activities would be defined in the project's implementation manual. AIC would be in charge of the first set of activities described above during the 2-to-3-year transition period towards a competitive contract farming system. After the successful strengthening of the commercial and technical capacities of UDP under the FUPRO component of the project, pricing and marketing negotiations as well as input and credit contracting would be carried out at the local level by these units on behalf of the local farmer organizations.

The Technical Secretariat (ST-AIC), which would be in charge of the implementation of the proposed project on behalf of AIC, would be headed by a Permanent Secretary, who would act as the Project Coordinator, and would comprise three (3) main departments: Direction of Information, Monitoring, and Evaluation (DIS); Direction of Contracts and Agreements (DAC); and Direction of Administration and Finance (DAF). The DAC would be responsible for the coordination of seed services, technical advisory services, research, and the coordination of the Sector-wide Technical Services Programs. The DAF would include an Accounting Unit, and Payment and Credit Recovery Unit, and a Procurement Unit. Under the current component, support would be provided to strengthen the institutional and technical capacities of the Technical Secretariat through: (i) the provision of technical advisory services, including for carrying out

studies, collecting data, and preparing technical report; (ii) the provision of training; and (iii) the acquisition of vehicles, equipment, furniture, and materials. Given that ST-AIC would be in charge of the management of the project, the support that would be provided would cover the provision of advisory services to assist the Secretariat in its management responsibilities, including the auditing of project accounts and the expenses by the two participating implementing agencies CSPR and FUPRO. At the end of the project, the private sector would take over the financing of ST-AIC's operations. At the end of the project, the profession would take over the financing of its operations.

Project Component 2 - US\$3.10 million

B. Support to the Centrale de Sécurisation des Paiements et du Recouvrement (CSPR).

Up until the lifting of the monopoly shortly before the current marketing season, the cotton sector was funded through three different channels:

- Credit to input dealers to import fertilizers and pesticides, the repayment of which is guaranteed by SONAPRA to the lending banks based on its monopoly over seed cotton;
- Credit to private ginners to pay for seed cotton; ginners may also receive seed-cotton on credit from SONAPRA and pay once they sell the fiber;
- Seasonal credit to SONAPRA (crédit de campagne) from a pool of national and international banks, which it uses to pay producers for the seed-cotton, after deducting the cost of modern inputs which it uses to repay input dealers and their lending banks.

The seasonal credit to SONAPRA basically bears no risk, since (i) it is given once the level of harvest is known, (ii) no other buyer competes with SONAPRA to buy seed-cotton, and (iii) export and sales contracts are already available, in addition to a fiber warehousing system that gives lending banks some control over the output that they are financing. Although the system worked extremely well in securing credit for modern inputs, due the absolute monopoly of SONAPRA and the deduction of credit cost from the seed-cotton price, it had also significant weaknesses. Firstly, the fact that SONAPRA fully guarantees the credit to input dealers not only discourages sound financial management among dealers but also opens the door to any one with sufficient political ties to enter the sector. The result has been high costs of inputs and a lack of professionalism within the input distribution sector, which affects the quality of inputs. Furthermore, fully protected by SONAPRA's guarantee, the lending banks had little incentives to apply proper lending practices, contributing thereby to the proliferation of amateur traders in the system, with the same consequences for input cost and quality. Finally, the delivery of seed-cotton to private ginners fully on credit not only caused considerable delays in the payment of seed-cotton to producers but also significant losses to SONAPRA.

The new input credit recovery system (the Centrale de Sécurisation des Paiements et du Recouvrement - CSPR) that is being put in place by the private sector and which is to be supported by the proposed operation would keep the two essential functions of the SONAPRA system, that is to ensure payment of seed-cotton to producers and of input credit to dealers and commercial banks. The new system would, however, eliminate the weaknesses that are outlined above. Several studies have been commissioned directly by on or behalf of the two main professional associations that are leading the reform process (FUPRO and APEB). These two and the Association of Private Input Importers and Distributors (Groupement Privé des Distributeurs et Importateurs d'Intrants Agricoles – GPDIA) are the founding members of CSPR, which has the legal status of a private non-profit business association. The membership is, however, open to future representative professional associations. The objective of these studies has been to (a) review the current system, (b) identify the concerns and interests of all key parties and (c) develop an alternative mechanism that would effectively address all these concerns and interest while satisfying the efficiency and long term competitiveness goals of the sector. The output from these

studies include, among others, (i) an in-depth review and evaluation of the marketing and payment procedures, (ii) definition of the mission and identification of the key functions that would be devoted to the new system, (iii) the proposed institutional set up, (iv) the estimation of required financial and human resources, and (v) a detailed work plan towards the establishment of the mechanism.

The current mission of the CSPR is to provide the private sector with an effective mechanism to ensure payment to producers and the recovery of input credit in an efficient, transparent, and timely manner and in a way that encourages sound business management and lending practices throughout the sector. When the capacities of local farmer organizations have been sufficiently strengthened and the sector moves towards a decentralized system of contract farming, the mission and activities of CSPR would be adjusted to meet the demands of the new environment. During the transition period and under the currently centralized system, CSPR has to carry out three main clusters of activities:

- Registration of all loans and credits associated with the importation and distribution of modern inputs;
- Monitoring of seed-cotton procurement and delivery during the marketing season;
- Channeling of all financial flows related to the payment by ginners of seed-cotton to producers and of input credit by dealers to lending banks.

These activities would be managed through a main office in Cotonou and two regional offices in the two main producing regions in the North and Center of the country. Each regional office would oversee commercial branches at the Sous-préfecture levels as well as technical teams at the level of individual gins. The main office in Cotonou would have 6 departments: four central services (Administration and Finances - DAF; General Inspection - DGI; Operations Coordination - DOC; and Information Technology - DIT) and two geographic units (Center and North departments – DC and DN). The latter departments would be in charge of the supervision of the work by the two regional offices and their affiliated branches and teams.

CSPR worked with SONAPRA to organize the 2000-2001 primary cotton marketing season. It would be fully in charge starting from the 2001-2002 season. Village-level producer organizations would continue to assemble seed-cotton from their members and work with CSPR and ginners to deliver cotton to individual gins. During the 2-3 years transition period, it is expected that producers and ginners would continue to collectively negotiate the price of seed-cotton based on a formula that would link it to the world market price and allocate seed-cotton on the basis of ginning capacity. The payment system that was introduced this year is likely to be maintained during the transition, that is: individual ginners would deposit 40 percent of the value of their respective allocations with the CSPR; the remaining 60 percent would be paid for any share of the quota that is delivered; the CSPR uses the advances to pay the input credit and distribute a first round of payments to producers. Once the totality of seed-cotton has been delivered to the gins, producers would be fully paid and the entire input credit recovered. The emerging system would fully satisfy the short term goals of the reform process: ensure timely payment of seed-cotton by ginners and full recovery of input credit by input dealers.

Under the current component technical and institutional support would be provided in order to build the capacities of the Centrale and establish its credibility with respect to the lending local and international banks through: (i) the provision of technical advisory services, including for carrying out studies, collecting data, and preparing technical report; (ii) the provision of training; and (iii) the acquisition of vehicles, equipment, furniture, and materials.

Project Component 3 - US\$ 4.60 million

C. Support to Fédération des Unions de Producteurs (FUPRO) and its Member Organizations.

In its Declaration of Rural Development Policy, as well as in the Policy Framework Paper (Schema Directeur du Développement Agricole et Rural) and the associated Priority Action plan (Plan Stratégique Opérationnel) adopted in July 2001, the Government of Benin has decided to refocus its role in the agricultural and rural sector and promote greater participation by the private sector, particularly Agricultural Producer Organizations (OPAs). The Government has since launched a reform process with the objective of reducing state control over economic activities in the sector and transferring greater responsibility in the process of policy making and implementation to OPAs and other stakeholders. These changes and the political and administrative reforms that have been introduced recently have created an environment in which producer organizations not only have to take on new responsibilities in critical areas such the provision of agricultural services but also, as part of the local communities, are challenged to play a greater role in economic policy and decision making. Agricultural Producer Organizations include 77 District Producers Unions (Unions Sous-préfecturales des Producteurs - USPP) at the commune level, which are subdivided in more than 1500 village-level unions (Groupements Villageois - GV). The 77 USPP are regrouped in 6 department-level unions (Unions Départementales des Producteurs - UDP), which are all members of the national federation of producer organizations (Fédération des Unions de Producteurs - FUPRO).

In its efforts to confront this challenge, FUPRO has created about two years ago the agricultural inputs supply and management cooperative (Coopérative d'Approvisionnement et de Gestion des Intrants Agricoles - CAGIA). The objective of CAGIA is to take over from Government the organization of the bidding process to award input import and distribution contracts. It has also, together with the organization of private ginners, created the Interprofessional Cotton Association (AIC), which is described above and which provides a contracting framework within which producers and ginners, as well as other concerned parties, would negotiate issues related to the production and marketing of cotton. Finally, FUPRO has established this year, in collaboration with the associations of ginners and input traders a new mechanism to ensure input credit access and recovery, the C SPR.

The proper operation of all three institutions, CAGIA, AIC, and C SPR, requires adequate participation of FUPRO and its member organizations in the preparation, implementation, and monitoring of contractual arrangements, which in turn calls for significant strengthening of their logistical, organizational, legal, and technical capacities. Particularly during the next 2-to-3 year transition, when contracts are negotiated centrally through FUPRO and its specialized agencies on behalf of the local producer organizations, it is critical that the resulting obligations be adhered to and implemented by their wider membership. This too creates a considerable demand on the capacities, both technical and institutional, of local organizations.

Although necessary at this stage in order to ensure a smooth transition, the centralized collective contracting system that is being put in place would need to evolve gradually in order to move the commercial and technical decision making process closer to local producer organizations. This transition is necessary in order to empower producers and bring more competition into the sector. It would set the stage for a decentralized system of contract-farming which would allow local producer groups to develop transparent and competitive business relationships with individual ginning companies. Under such a system, seed-cotton prices would be negotiated between ginners and producers at the local/regional level and the allocation of seed-cotton based on ginning capacities would be phased out. Similarly, input

procurement, bank credit, as well as the provision of technical advisory services would be managed primarily at the local level with the necessary support of the central institutions. Such a decentralized system would strengthen the negotiating power of producer organizations. It would also allow the ginning companies to better plan supply and other business activities. Furthermore, it would eliminate the risks of rigidities and inefficiencies which, over time, would undermine the effectiveness of the current arrangements. Finally, the decentralization of the commercial and technical decision process would allow the central institutions, AIC, CAGIA, and CSPR, to better focus their activities and provide the collective goods that cannot be internalized at the level of production or ginning.

The current component would support the transition described above by strengthening the institutional and technical capacities of producer organizations at all levels. It would focus on two major areas: (1) national-level leadership and organizational strength and (2) commercial and technical capacities at the local level. Under the first set of activities, it would provide training and other institutional support to (i) reinforce the leadership and representational capacities of national producer organizations and (ii) improve transparency and accountability among FUPRO's member organizations, from the top to the grass-roots. In addition to the general institutional challenge that it poses to producer organizations, the emerging environment will also require that the latter become technically and economically credible partners vis-à-vis other operators in the sectors, in particular the cotton ginners, input importers, and commercial banks. Consequently, the second set of activities would center around the necessary technical and institutional support to create the necessary capacities at the level of the Unions Départementales des Producteurs (UDPs) to allow them to successfully (i) fill the gap, in terms of technical and commercial support to producers, that would result in the short run from SONAPRA's withdrawal from productive activities in the sector and (ii) represent, in the medium to long run, the interests of their member farmers with respect to ginners, commercial banks, input traders, and technical services delivery organizations, public as well as private. The objective here is to build the capacities of local producer organizations as a pre-condition for the transition toward a competitive contract farming system which would be based on contestable contracts between individual ginning companies and local producer organizations. Under such a system, prices would be negotiated between ginners and producers at the local/regional level and the allocation of seed-cotton based on ginning capacities would be phased out.

The support that would be provided under the current component would include (i) the provision to FUPRO and its member organizations of (i.a) technical advisory services, including for the management of cotton cropping, input distribution, and output marketing activities and the carrying out of studies, collecting data, and preparing technical report; (i.b) training and institutional support services; and (ii) the acquisition of equipment, furniture, and materials.

Project Component 4 - US\$4.75 million

D. Support to sector-wide Technical Services Programs.

SONAPRA has hitherto been responsible for the provision of sector-wide technical support services through well structured programs covering areas ranging from research, extension, quality control, to improved seed production. It used to finance these activities through levies on the price of seed cotton paid by ginners. With the lifting of the monopoly of SONAPRA over seed cotton marketing, the private sector is undertaking efforts to find alternative mechanisms to coordinate the financing, preparation, and implementation of these programs. The current component would support these efforts by providing assistance for the preparation and implementation, through AIC, of annual Sector-wide Technical Support (STSP) Programs based on the sectoral agreements that are described in section 1 above (cf. Support to the Interprofessional Cotton Association). These programs would have detailed action plans and budgets,

including counterpart financing arrangements, that would be agreed on by the main private sector associations and government services, where applicable, and approved by the Project Steering Committee. The STSP would be implemented by AIC through sub-contracting with services providers. A specialist would be recruited and based in ST-AIC's Direction of Contracts and Agreements (DAC) to coordinate the preparation and implementation of the STSP. The component would support technical services programs in the areas of (i) environmentally sound cotton ginning and pest management practices; (ii) cotton research and production of improved seeds; (iii) cotton quality control; (iv) training and extension services for cotton farmers; (v) cotton price and income stabilization; and (vi) any future sector-wide technical support programs that are agreed on by AIC and the Borrower and satisfactory to the Association. The support would be provided through advisory services by services providers with experience and qualification satisfactory to IDA.

The Project would finance on average 70 percent of the cost of these programs while the private sector, through AIC, would contribute the remaining 30 percent. During the first two years of the project, IDA would finance 80 percent of the costs of the programs. The IDA contribution would drop to 60 percent for the last two years of the project. The support to the STSP would facilitate access to funding for agricultural services and other critical commercial and technical services during the transition, while helping the private sector develop more permanent institutional arrangements. For this purpose, the private sector would set up by December 31, 2002, an independent Rural Development Fund, which would take over the financing of these activities by the end of the project. The Fund would be financed through contributions by producers, ginners, input distributors, exporters, and grants by the government. During the implementation of the project, it would provide funding to AIC to co-finance STSP activities.

Project Component 5 - US\$1.40 million

E. Support to the privatization of SONAPRA's ginning operations.

Under this component, support would be provided to the government of Benin to carry out a transparent strategy to privatize the company's ginning plants, in line with the long term objectives of a competitive cotton sector. A financial advisor would be engaged to advise the government on the implementation of the privatization of the ginning plants.

In general, the process of privatizing the ginning plants would involve first the identification of the assets that are to be transferred from public to private ownership. To this end, a complete inventory, itemization, and description of all fixed assets would be completed. During appraisal, the Borrower was in the process of finalizing the recruitment of the firm that would carry out this inventory.

The following are among the design parameters to be considered when carrying out the privatization transaction:

- (i) *the assets ownership, control, and transfer:* that is the form in which the assets would be conveyed and the way in which assets would be combined to define the discrete entities to be privatized. This step is critical as it would determine much about the future cotton industry's structure;
- (ii) *the terms of the transaction:* that is the conditions to be imposed on private operators, including most importantly terms affecting investment, retention of employees, and acceptance of the conditions of the cotton sector reform. A key transaction design feature would involve any contractual linkages that are linked to the reform process and that would be conveyed with the privatized assets;
- (iii) *the pre-qualification of private bidders:* this would give the Government of Benin the great advantage of determining what kinds of private firms are most likely to invest in the cotton sector. The "pre-qualification" decision is critical. Cotton is a global and competitive industry. The Government

would have to ensure that it attracts investors that have the incentives to commit resources to the sector in the long run as well as the capacities to survive in the global cotton economy;

(iv) *the transaction method:* that is the nature of the process of conveying the assets. Transaction methods that are open, contestable, and transparent are likely to attract good investors and result in a better deal for the Government.

Under the current component, advisory services would be provided through a financial advisor to (i) assess alternative transaction designs and alternative ensembles of assets to be transferred, and (ii) advise the Government on how best to design the transaction in order to support overall sector reform goals. In addition, the financial advisor would (iii) prepare the transaction for completion (e.g. documentation, due diligence, offering memo preparation, etc.), (iv) market it to targeted offerors, and (v) assure that it is carried out in full compliance with the law and through the most transparent methods. Furthermore, given the instrumental role of the Cellule des Opérations de Dénationalisation (COD) in the process, one of the first steps would necessarily be to strengthen the capacity of this organization. Equipment, office furniture and material would be provided, skilled staff recruited and trained and advisory services provided for the elaboration of basic transaction processing guidelines.

Most likely, some employment would be suppressed with the reforms of the filière. In particular, most of SONAPRA's personnel that was in charge of primary marketing would lose their jobs. The CSPR, which is taking over the organization of primary marketing, and too a lesser extent, AIC, would be encouraged to give priority to qualified candidates among them in their recruitment efforts. CSPR has utilized the same personnel, about 70 staff, during the last marketing campaign under an agreement with SONAPRA. For those who would not find employment with CSPR or AIC, financial support would be provided for their conversion on the basis of a program to be worked out between Government and SONAPRA's management, in consultation with IDA, and to be adopted by June 2002. The cost of the conversion program is expected to be modest and could be funded under the Borrower's budget which would be supported under the Bank's budget support program.

Annex 3: Estimated Project Costs
BENIN: Cotton Sector Reform Project

	Local	Foreign	Total
Project Cost By Component	US \$million	US \$million	US \$million
1. Support to AIC*	3.55	0.60	4.15
2. Support to CSPR	2.00	1.05	3.05
3. Support to FUPRO	4.05	1.30	5.35
4. Support to STSP	6.70	0.30	7.00
5. Privatization of SONAPRA's ginning operations	0.40	1.10	1.50
Total Baseline Cost			21.05
Physical Contingencies			1.05
Price Contingencies			2.10
Total Project Costs			24.20
Total Financing Required			24.20

*) Including project coordination and PPF

	Local	Foreign	Total
Project Cost By Category	US \$million	US \$million	US \$million
Goods Equipment & Vehicles	2.40	1.30	3.70
Consultants	10.42	2.98	13.40
Operational Costs	3.40	0.00	3.40
Project Preparation Facility (PPF)	0.33	0.22	0.55
Unallocated	2.64	0.51	3.15
Total Project Costs			24.20
Total Financing Required			

Annex 4: Cost Benefit Analysis Summary

BENIN: Cotton Sector Reform Project

Summary of Benefits and Costs:

The economic analysis of the project has focused on the component related to the improvement of the provision of commercial and technical services to producer organizations at the level of the Unions Départementales de Producteurs (UDP). The other components (support to CSPR and AIC) deal with activities that have more the character of public goods and whose benefits are not easy to measure. The approach that is chosen focuses the analysis on (i) evaluating the key weaknesses in the area of services deliveries in the context of a withdrawal of SONAPRA and (ii) identifying institutional and organizational responses at the level of local organizations. By strengthening their commercial technical capacities, the project would allow local producer organizations to become more viable business partners from the point of view of commercial banks, ginning companies, and input distributors. Consequently, they are expected to be able to continue to support their members to access and manage the necessary credit resources that are needed to support production and hence avoid a collapse of the financing system. The support would also allow the organizations to successfully take over the output marketing and input distribution functions formally controlled by SONAPRA. On the other hand, the analysis assumes, without the project, a gradual degradation in the conditions output marketing and input distribution, as well a reduction of access to credit by cotton farmers. Although conventional economic and financial analyses have not been carried out (these activities account only for a small share of overall project costs), the growth experience in the cotton sector in Benin and elsewhere in West and Central African indicates that the project activities would yield significant benefits.

The project would strengthen the capacities of local farmer organizations through technical assistance to improve the management of cotton cropping, input distribution, and output marketing activities, as well as training, other institutional support services and the acquisition of vehicles, equipment, furniture, and materials. In the absence of the project, the elimination of SONAPRA's monopoly and hence the dismantling of the system of financing technical support services to cotton growers would lead to serious weaknesses in the following critical areas, which all would have negative effects on profitability and growth of cotton production, and hence on poverty among beneficiary farmers:

Extension services

- sharp reduction in extension personnel
- non-respect of the technical norms for the utilization of pesticides and other modern inputs
- non-respect of cotton harvesting norms

Access to credit

- deterioration of the credit monitoring and management system among village level organizations
- increase in the level of indebtedness
- reduced access to credit.

Seedcotton marketing

- disruption of the organization of assembly markets

- risk of higher crop losses due to poor storage and marketing logistics
- less transparency in the management of seed cotton marketing, including the planning, implementation, and supervision of seed-cotton deliveries to ginning companies
- longer delay in seed-cotton payment

Accountability and transparency in the management of local farmer organization (OPs)

- less transparency in the management of OP resources
- increased interference by local political elites

Main Assumptions:

N/A

Sensitivity analysis / Switching values of critical items:

N/A

Annex 5: Financial Summary
BENIN: Cotton Sector Reform Project

Annex 5-A : Financial Summary by Donor

(in US \$ million including Contingencies)

	Foreign	Local	Total	% of Total
IDA	4.62	13.38	18.00	74.38
GOVERNMENT		0.30	0.30	1.24
Beneficiaries	0.40	5.50	5.90	24.38
TOTAL	5.02	19.18	24.20	100

Annex 5-B : Financial Summary

Financing Plan during the Implementation Period

(in US \$ million including contingencies)

Years ending

Donors	2002	2003	2004	2005	Total
IDA	0.50	5.50	6.00	6.00	18.00
GOVERNMENT	0.20	0.10	0.00	0.00	0.30
Beneficiaries	2.00	1.20	1.20	1.50	5.90
TOTAL	2.70	6.80	7.20	7.50	24.20

Annex 6: Procurement and Disbursement Arrangements

BENIN: Cotton Sector Reform Project

Procurement

National Procedures. A Country Procurement Assessment Review (CPAR) for Benin was carried out in April 1999. The main recommendations for the country that are contained in the report are the following: (a) improve the legal and institutional framework for procurement by government agencies; and (b) clarify and strengthen the role and importance of procurement within the state apparatus. To this end, the report suggested both short and long term measures, including (i) adoption of an official procurement manual; (ii) establishment of the technical secretariat of the government's procurement office; (iii) updating of the procurement law; (iv) promotion of national expertise in the area of procurement. For Bank projects, the report has the following recommendations: (a) emphasize the importance of procurement planning and the regular updating of procurement plans, as well as their relationship to budget planning; (b) pay increased attention to procurement aspects during supervision missions, which are to be undertaken at least every 3 months; (c) prepare regular procurement reports reviewing individual projects' main procurement activities and problems in this area; and (d) organize training for project staff and relevant ministries. An assessment of the procurement capacities of the main implementing agencies would be carried out by appraisal. Its recommendations, together with the ones outlined above, would be reflected in the project's implementation arrangements and specified in the implementation manual. No special exceptions need to be specified in the Credit Agreement, as in any case, IDA's guidelines take precedence over local regulations.

Guidelines. Procurement of goods and works, financed by the IDA Credit, will be carried out in accordance with the World Bank Guidelines for Procurement under IBRD Loans and IDA Credit (January 1995, revised in January and August 1996, September 1997 and January 1999). The project would use the Bank's standard bidding documents and evaluation report for all procurement under ICB. National Competitive Bidding (NCB) advertised locally, would be carried out in accordance with Benin's procurement laws and regulations acceptable to IDA, provided that : (a) all bidders are given sufficient time to submit bids (four weeks); (b) bid evaluation and bidder qualifications are explicitly specified in the bidding documents; (c) bids are opened in public; (d) no bid is rejected during the bid opening ceremony; (e) no margin of preference is granted to domestic contractors and manufacturers; (f) award is made to the lowest evaluated bidder who meets the appropriate standards of capability and resources and (g) eligible bidders, including foreign bidders, are not excluded from bidding. The above conditions regarding National Competitive Bidding would be specified in the Project Implementation Manual.

Consultant services, financed by the IDA Credit, will be procured in accordance with the Bank's guidelines for the Selection of Consultants by World Bank Borrowers (January 1997 revised in September 1997 and January 1999). The Standard Request for Proposal, as developed by the Bank, will be used for the solicitation of consultants. Simplified contracts will be used for short-tem assignments, those not exceeding six months, carried out by firms or individual consultants.

Advertising Procedures. A General Procurement Notice (GPN) would be published in the UN Development Business and in a National paper of wide circulation as provided for in the Guidelines. The borrower shall maintain a list of responses to the Notice. The GPN would be updated annually as long as there are outstanding procurement that has to be carried out using ICB procedures. Specific Procurement Notices (SPN) would be required for goods procured by ICB and NCB, and for "Expression of Interest" for consultant services contracts exceeding US\$100,000 equivalent. SPNs would be published in at least one newspaper of national circulation and transmitted to those who have expressed interest in bidding in response to the General Procurement Notice. Publication in the UNDP and transmittal to embassies and trade representatives of countries of likely suppliers, contractors and consultants are also encouraged.

As a promotional measure and to create awareness in the private sector (suppliers of equipment and spare parts, and local consultants), ST-AIC would prepare and publish annually, in local newspapers of wide circulation, a Promotional Procurement Notice (PPN) of business opportunities, using a format to be prepared and included in the PIM. The PPN would contain information on estimated demand and contract opportunities.

Procurement Implementation.

A procurement capacity assessment of ST-AIC has been carried out during appraisal. The procurement assessment has led to an action plan to strengthen the institution's procurement capacity, including the following measures: (i) hiring of a qualified procurement specialist; (ii) presentation of a satisfactory annual consolidated procurement plan for the project's first year, including procurement on behalf of CSPR, FUPRO, and COD, before negotiations; (iii) adoption of a project implementation manual satisfactory to IDA and specifying the procurement procedures, before project effectiveness; and (iv) quarterly procurement supervision missions during the first two years of the project.

ST-AIC would be responsible for all procurement activities, including on behalf of CSPR, FUPRO, and COD. Through its procurement specialist, it would oversee the procurement of equipment, materials, and supplies, as well as the contracting of consultants for training, studies, evaluations, and external audits. It would prepare and update the procurement plan, prepare bidding documents, participate in the bid evaluations, and monitor and manage the execution of contracts. UDPs would be responsible for procurement for activities that are carried out at the local levels by farmer organizations and involving contracts in amounts not exceeding the equivalent of US\$7,500. Such activities are primarily limited to small equipment and the hiring of local consultants to carry out simple studies. Procurement for contracts exceeding this amount would be consolidated at the level of FUPRO and carried out through ST-AIC. ST-AIC's procurement specialist would review the procurement plans, bidding documents, participate in bid evaluations or evaluate the bids (depending on the value of the bids), and monitor the execution of contracts. It would document the experience for analysis by Bank procurement missions and carry out any required measures to improve on the procurement methods where necessary.

Procurement methods (Table A)

Table A: Project Costs by Procurement Arrangements
(US\$ million equivalent)

Expenditure Category	ICB	Procurement NCB	Method¹ Other²	N.B.F.	Total Cost
1 Goods vehicles equipments	1.30 (0.90)	2.30 (2.30)	0.10 (0.10)		3.70 (3.30)
2 Consultant Services; audits		1.00 (1.00)	8.45 (8.45)	3.95	13.40 (9.45)
3 Incremental operating cost			2.40 (2.40)	1.00	3.40 (2.40)
4 Project preparation facility (PPF)			0.55 (0.55)		0.55 (0.55)
5 Unallocated			2.30 (2.30)	0.85	3.15 (2.30)
Total	1.30 (0.90)	3.30 (3.30)	14.70 (13.80)	5.90	24.20 (18.00)

¹⁾ Figures in parenthesis are the amounts to be financed by the IDA Credit. All costs include contingencies

²⁾ Includes goods to be procured through national shopping, consulting services, services of contracted staff of the project management office, training, technical assistance services, and incremental operating costs related to managing the project.

Goods. ICB procedures would apply for the procurement of furniture, equipment, vehicles and computers, totaling US\$1.3 million. Contracts for the above goods are estimated to cost US\$200,000 and above each. Goods estimated to cost between less than US\$200,000 and US\$10,000 equivalent per contract up to an aggregate amount of US\$2.30 million would be awarded based on NCB procedures as described in the PIM. Goods procured by local farmer groups (UDPs) and small items for office equipment, supplies as well as small equipment and furniture that are locally available and cost less than US\$10,000 per contract and up to an aggregated amount of US\$0.10 million would be procured on the basis of the comparison of at least three quotations from reputable suppliers. The request for quotations would be in writing which would include an invitation to submit written quotations setting the deadline for the submission of quotations and opening them at the same time, technical specifications, the payment conditions and the delivery date. Aggregate values for the different procurement methods have a limited nature and would not be exceeded without prior IDA approval. For this purpose, ST-AIC would maintain a procurement tracking system to notify IDA on time when these limits are approached. For procurement by the local farmer groups (UDPs), which is limited to contract amounts below the equivalent of US\$7,500, simplified documents acceptable to the Bank would be used. These simplified documents would be included in the Project Implementation Manual (PIM).

Consultants and other services financed by IDA would be for: (i) advisory services under the Sector-wide Technical Services Programs (STSP); (ii) studies, data collection, impact analysis; (iii) financial and technical audits; and (iv) training -- skills gap analysis, skills development- and training of staff from the various agencies and institutions, including farmer organizations, that are involved in project implementation activities. The selection procedures would consist of: (a) Quality-and Cost-Based selection (QCBS) for firms, including for the preparation of the privatization of SONAPRA; (b) Least Cost selection (LCS) for technical and financial audits for contracts costing less than US\$100,000; (c) Consultants' Qualifications (CQ) for individual consultants, and (d) simplified procedures as described in the PIM for contracts under US\$7,500 by FUPRO member organizations. Contracts for the training of local farmer groups may be awarded on the basis of Selection under a Fixed-budget (SFB).

Prior review thresholds (Table B)

Bank prior review (Table B)

Table B: Thresholds for Procurement Methods and Prior Review

Expenditure Category	Contract Value Threshold (US\$ thousands)	Procurement Method	Contracts Subject to Prior Review (US\$ millions)
1 Goods*	More than US\$200,000 equivalent	ICB	All
	More than US\$10,000 and less than US\$200,000 equivalent	NCB	Equal to or more than US\$50,000 and the first five contracts regardless of cost
	Less than US\$10,000 equivalent	NS or LS	Equal to or more than US\$50,000 and the first five contracts regardless of cost
2. Services A. Firms*		QCBS	Equal to or more than US\$50,000 equivalent; first five contracts and all TORs regardless of cost
	Less than US\$100,000 equivalent	LCS	Equal to or more than US\$50,000 equivalent
		CQ	Equal to or more than US\$25,000 equivalent and all TORs regardless their cost.

OVERALL PROCUREMENT RISK ASSESSMENT

Average

Frequency of procurement supervision missions proposed: Once every 3 month(s) for the first two years and every 6 month(s) thereafter (includes special procurement supervisions for post-review/audits)

Procurement Plan. A draft overall procurement and an annual plan for the first year of the project have been prepared during appraisal. The overall procurement plan would cover the entire project period, and the specific procurement plan for the first year of the project, would show contract packages, estimated

cost and procurement method, and processing times per package until completion (including bidding documents for items to be procured under ICB in the first year of the project). Procurement for activities implemented by UDPs would be determined during project implementation. ST-AIC, through its procurement specialist, would review UDP procurement activities in order to ensure that they are being carried out in conformity with the adopted procedures. Every year, ST-AIC would prepare and submit to IDA, for review and comments, a specific procurement plan for the particular year as part of its annual work program.

Goods. The first five contract regardless of cost and contracts for amount exceeding the equivalent of US\$50,000 would be subject to prior review by IDA. Selective post-reviews of contracts awarded below the threshold level would be subject to post review by IDA during supervision missions. The prior review threshold would be reviewed if deemed necessary at the midterm review based on the procurement record of the Secretariat

Consultant services. All terms of reference excluding those with standard terms of reference provided in the Project Implementation Manual, and all single source selection, regardless of contract cost, would be subject to prior review. Contracts estimated to cost more than US\$25,000 for individuals and more than US\$50,000 for firms would be subject to prior review procedures. For consultants contracts estimated to cost above US\$50,000, opening of the financial envelopes will not take place prior to receiving the Bank's no-objection to the technical evaluation. Documents related to all other contracts subject to post review will be maintained by the project for ex-post reviews by auditors and IDA during supervision missions.

Procurement supervision and technical audit

Once every three months, a supervision mission would be carried out during the first two years of the project and thereafter once every six months, provided satisfactory project performance. During these missions, a selective post review of contracts awarded below the threshold levels would be carried out and would cover at least one of every five contracts. The project's procurement activities would be subject to annual technical audits carried out separately during financial audits.

2. Disbursement

Basic Principles

ST-AIC's Director of Administration and Finance (DAF) would be entrusted with the Project's overall financial management and reporting and would serve as the principal contact for Bank disbursement purposes. All eligible expenses of an amount not exceeding 20 percent of the authorized special account allocation would be financed by ST-AIC through the special account. Expenses above that level would be financed through direct payment from the Credit Account. No advance payment would be made to participating implementing agencies (CSPR, FUPRO, COD). ST-AIC would pay from the special account all eligible expenses in amounts exceeding the equivalent of US\$15,000 directly on behalf of these agencies. Eligible expenses under these respective thresholds would be pre-financed and the necessary documentation submitted to ST-AIC for reimbursement. CSPR, FUPRO, and COD would regularly submit to AIC detailed budget programs for the project activities that they implement. These budgets would be reviewed and approved by the Project Steering Committee. Programs of activities and budgets, as well as expenses at the level of individual UDPs would be channeled through FUPRO.

Use of Statements of Expenses (SOEs)

Use of SOEs would be contingent upon a satisfactory assessment of the ST-AIC's financial management capacity, including the maintenance of proper accounts, the preparation of project progress reports, the ability to process and maintain SOE documentation, and satisfactory annual auditing arrangements. Provided these conditions are met, all expenses related to contracts costing up to US\$50,000 for goods, US\$25,000 for Individual Consultants, and US\$50,000 for Firms would be claimed on the basis of SOEs. The supporting documentation underlying all SOEs would be made available for review by Bank supervision missions, which would include a financial management specialist and a procurement specialist. Supporting documentation would be retained by ST-AIC, with the exception of documentation at UDP levels, which would be retained in the field. The primary responsibility of maintaining the records rests on the DAF.

Counterpart Fund Accounts

The Borrower would open at a commercial bank, and on terms and conditions acceptable to IDA, a Project Account A to receive the counterpart funds that are needed to cover the Borrower's share of investment costs under the privatization component that are not financed by IDA. AIC would open at a commercial bank, and on terms and conditions acceptable to IDA, a second Project Account B to receive beneficiaries' counterpart funds that are needed to cover the share of investment costs under the remaining components of the project that are not financed by IDA. Before project effectiveness, Government would deposit into Project Account A an initial contribution of CFAF 50,000,000 and thereafter replenish said account up to the initial amount of CFAF 50,000,000 at the end of each project quarter until the completion of the privatization component of the Project, or whenever its balance would fall below CFAF 25,000,000. Government would ensure that amounts deposited into Project Account A would be used exclusively to make payments to meet expenditures for goods and services under the privatization component of the Project.

Similarly, AIC would deposit into the Project Account B an initial contribution of CFAF 300,000,000 and thereafter replenish said account up to the initial amount of CFAF 300,000,000 at the end of each project quarter until the completion of the Project, or whenever its balance would fall under CFAF 150,000,000. AIC would ensure that (i) amounts deposited into the Project Account A would be used exclusively to make payments to meet expenditures for goods and services under the privatization component and (i) amounts deposited into the Project Account B for payments to meet expenditures for goods and services under the remaining components of the Project.

Disbursement

Allocation of credit proceeds (Table C)

Table C: Allocation of Proceeds of the Credit

Expenditure Category	Amount in US\$ million	Financing Percentage
1.a. Equipment, vehicles, furniture, and materials under Components A, B, C, and E	2.3	100% Foreign 85% local
1.b. Equipment, vehicles, furniture, and materials under Component D	1.0	80% until December 2003 and 60% thereafter
2.a. Consultant services, training, and audit under Components A, B, C, and E	6.45	70%
2.b. Consultant services, training, and audit under Component D	3.00	80% until December 2003 and 60% thereafter
3. Operating Costs	2.4	80% until December 2003 and 60% thereafter
4. Refunding of Project Preparation Advance	0.55	
5. Unallocated	2.30	
Total	18.00	

Assumptions: 15% of the total amount of the credit is considered unallocated
\$US 550,000 is the equivalent amount of the PPF

3. Financial Management

Basic Principles

The management of the project's financial resources would be entirely the responsibility of AIC's Technical Secretariat, and would be carried out by the Director of Administration and Finance (DAF), and under the supervision of its Permanent Secretary. For the proper management of financial resources, AIC would ensure the establishment of an adequate accounting system, internal control procedures, preparation and submission of periodic financial statements. It would also ensure that the project's annual financial statements, as well as the accounts of the participating implementing agencies (CSPR and FUPRO) are audited regularly, in a timely manner, and in conformity with IDA requirements. The DAF would monitor all project disbursements. He would ensure that all expenditures made under the project are eligible and incurred for the purposes intended. For this purpose, the establishment of an adequate financial management system that is satisfactory to IDA, including the adoption of a satisfactory manual of procedures conform to OP/BP 10.02, would be a condition of project effectiveness. Furthermore, the recruitment of staff having qualifications and experience satisfactory to IDA, including the Director of Administration and Finance, would be a condition of board presentation. Finally, before project

effectiveness, the borrower would open a special account (SA) at a commercial bank, on terms and conditions acceptable to IDA, where the Credit resources would be deposited to finance the project activities.

Flow of funds

The special account would be managed by AIC's Technical Secretariat, through its Director of Administration and Finance, and under the supervision of the Permanent Secretary. AIC would submit withdrawal applications through the Caisse Autonome d'Amortissement (CAA), as required by external finance procedures prevailing in Benin. All withdrawal applications would have to be signed by authorized CAA representatives, as designated by the Minister of Finance. AIC would pay for all eligible project expenses, including on behalf of the three participating implementing agencies, CSPR, FUPRO, and COD. Eligible expenses not greater than the equivalent of US\$15,000, may be pre-financed by the participating agencies and reimbursed upon presentation of proper documentation to the Technical Secretariat. No advance payments would be made.

Auditing arrangements

The financial statements of the project would be audited by an independent firm of professional auditors. The auditing firm would be selected in accordance with the provisions of Section II of the Bank's Consultant Guidelines applicable to quality-and cost-based selection of consultants and under terms and conditions acceptable to IDA. On the borrower's request, the audit costs would be financed by the project under consultant services. The auditing firm would be recruited at the latest by December 31, 2001, and a corresponding dated covenant would be included in the Development Credit Agreement. On the borrower's request, the audit costs would be financed by the project under consultant services. The applicable terms of reference, which would be acceptable to IDA, would ensure that the Special Account is audited in accordance with OP/BP 10.02 and the provisions of the Development Credit Agreement. In addition to the opinion on project financial statements, the auditors would be required to provide separate opinions on the SOEs and the management and utilization of the Special Account as well of the two Project Accounts A and B. In line with general audit practice, the auditors would also issue a management report with practical recommendations for improvement in the project's accounting and internal control system where necessary. The audit report would be submitted no later than 6 months after the end of each year. Between individual audits, CAA's Project Control Unit (Cellule de Suivi des Projets – CSP) would monitor the quality of the financial management of the project. It would regularly examine the accounts and records of AIC and review disbursement activities as well as actions taken by the Secretariat to follow up on audit recommendations.

Also, each fiscal year, the records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) of the main two participating implementing agencies, CSPR and FUPRO, would be audited by independent auditors, acceptable to IDA, and in accordance with auditing standards acceptable to IDA. CSPR and FUPRO would furnish to IDA as soon as available, but in any case not later than six months after the end of each year an audit report, including certified copies of the audited financial statements and an opinion on such statements. The report would be satisfactory to IDA in terms of scope and detail. The two agencies would also furnish to IDA any additional information concerning the above records, accounts, financial statements, the audit, and the auditors, as IDA may from time to time reasonably request.

Financial reporting

The project would be required to submit quarterly Project Monitoring Reports (PMRs) as indicated in the Bank's Project Financial Management Manual of February 1999. However, it is to be expected that ST-AIC's financial management staff and the Director of Administration and Finance, in particular, would need some time and very close guidance in order to correctly carry out this task. It is therefore unlikely that the project would be able to produce immediately all the 12 reports required under the new FINMI (ex-LACI) procedures. It is expected, however, that the project should be able to generate the complete PMRs within 18 months after project effectiveness.

Financial management capacity assessment

An assessment of the capacities of the Technical Secretariat of AIC has been carried out in March 2001. The Secretariat has been set up early this year and did not have yet the necessary financial management staff, which then consisted only of an assistant accountant. Although the Director of Administration and Finance, with strong experience in Bank financed projects, has been recruited recently, the financial management system does not meet the requirements of the proposed project at this stage. AIC is in the last stages of finalizing the recruitment of a firm to work together with the Director of Administration and Finance and finalize the elaboration of the accounting and reporting systems, internal control system, and financial reporting format. The work is in progress and a draft manual of procedures would be available for review and discussion during negotiations. Although substantial at this stage, the financial management risks would be dealt with adequately before project implementation, the establishment of a satisfactory financial management system, both in terms of its personnel and management procedures, being a condition of effectiveness. As part of the assessment, an action plan to strengthen the Secretariat's capacities in order to meet the requirements of a satisfactory financial management system has been prepared and agreed on with AIC during appraisal. The detailed plan is presented in Annex 12.

Special account:

The Government would open a Special Account (SA) in CFA Francs in the name of the Technical Secretariat of AIC (ST-AIC) at a commercial Bank of its choice and which is acceptable to IDA, to which project funds would be deposited. The purpose of the special account is to ensure that most if not all credit funds are disbursed through this procedure, with ST-AIC relying as little as possible on direct payments from Washington. Only amounts exceeding 20 percent of the amount advanced to the special accounts could be claimed through the direct payment procedure. The authorized allocation of the Special Account would amount to CFAF 500 million. ST-AIC would receive an initial deposit CFAF 250 million to commence operations. The advance would be increased to CFAF 500 million once full execution begins and cumulated disbursements reach SDR 3.0 million. For subsequent disbursements, ST-AIC would submit appropriate justification on the use of amounts disbursed earlier (bank reconciliation statements and other reasonable documentation) to IDA. The Special Account would be audited annually by external auditors acceptable to IDA. At the time when replenishment of the SA is requested, ST-AIC would indicate on the reconciliation statements the location and amounts outstanding in each decentralized advance account.

**Annex 7: Project Processing Schedule
BENIN: Cotton Sector Reform Project**

Project Schedule	Planned	Actual
Time taken to prepare the project (months)	10	13
First Bank mission (identification)	10/02/2000	12/30/2000
Appraisal mission departure	07/17/2001	06/19/2001
Negotiations	09/10/2001	09/20/2001
Planned Date of Effectiveness	10/30/2001	04/30/2002

Prepared by:

Ministry of Agriculture, Livestock, and Fisheries (MAEP)

Preparation assistance:

FAO/CP; Agence Française de Coopération (AFD); Coopération Suisse.

Bank staff who worked on the project included:

Name	Speciality
Ousmane Badiane	Sr. Agr. Economist
Mamou Ehui	Agr. Economist
Nicolas Ahouissoussi	Sr. Agr. Economist
Hugues Agossou	Financial Management Specialist
Eric Boucheny	Sr. Private Sector Development
Wilda Sajous	Program Assistant
Yvette Abaglo	Procurement Officer
Desire Coquillat	Financial Management Specialist;
Lydie Ahodehou	Team Assistant
Jiro Tominaga	Young Professional
Jean-Charles de Daruvar	Sr. Counsel
Agnes Albert-Loth	Sr. Financial Management Specialist
Remi Kini	Environmental Economist

Quality Assurance Team members: Joseph Baah-Dwomoh, Sector Manager (AFTR2): Managing quality assurance process; Willem Zijp, Lead Operations Specialist (AFTQK): Overall operational quality; H. P. Van der Wulp, Integrated Pest Management (RDV); Christian Pieri, Integrated Nutrient Management (RDV); Naima Hasci, Sr. Social Scientist (AFTI1); B. de Chazal, Sr. Financial Management (AFTQK); Asha Ayoung, Sr. Procurement Specialist (AFTQK).

Annex 8: Documents in the Project File*
BENIN: Cotton Sector Reform Project

A. Project Implementation Plan

Draft Project Implementation Manual (PIM)

B. Bank Staff Assessments

Hugues Agossou, Financial Management Specialist (AFMBJ)

Yvette Abaglo, Procurement Officer (AFMTG)

Remi Kini, Environmental Economist (AFTE1)

Naima Hasci, Sr. Social Scientist (AFTI1)

Agnes Albert-Loth (Sr. Financial Management Specialist, LOAG1)

C. Other

Agro-Industrie et Développement. *Support Institutionnel d'un dispositif de gestion interprofessionnelle de la filière coton.* 1999

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Kanho, M. Z. *Rapport d'audit environnemental des usines d'égrenage de la SONAPRA – Benin* . 2001.

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Republic of Benin. *Atelier Bilan sur le transfert des activités et des compétences aux organisations paysannes.* Lokassa, April 7-9, 1999. MDR

Republic of Benin. *Schema directeur du développement Rural du Bénin.* 2000. MDR

Republic of Benin. *Etude des filières des intrants agricoles au Bénin. Tomes 1, 2, 3.* 2000 MDR

Republic of Benin. *Rapport general de séminaire national sur la libéralisation de la filière coton au Bénin.* 2000.

*Including electronic files

Annex 9: Statement of Loans and Credits

BENIN: Cotton Sector Reform Project

07-Dec-2001

Project ID	FY	Purpose	Original Amount in US\$ Millions				Difference between expected and actual disbursements*		
			IBRD	IDA	GEF	Cancel.	Undisb.	Orig	Frm Rev'd
P037580	2000	NAT PARKS CONS. & MGT	0.00	0.00	6.00	0.00	5.47	-0.87	0.00
P039882	2000	PRIVATE SECTOR	0.00	30.40	0.00	0.00	16.59	-10.99	0.00
P067329	2000	Distance Learning Project - LIL	0.00	1.83	0.00	0.00	0.75	14.05	0.79
P070204	2000	Labor Force Development Project	0.00	5.00	0.00	0.00	4.72	1.15	0.00
P035648	1999	1ST DEGEN.CITY MGMT.	0.00	25.50	0.00	0.00	16.90	12.91	0.00
P057345	1998	BORGOU PILOT RSP	0.00	4.00	0.00	0.00	0.74	0.76	0.00
P035645	1998	SOCIAL FUND	0.00	16.70	0.00	0.00	6.12	-0.63	-3.62
P000117	1997	TRANSPORT SECTOR	0.00	40.00	0.00	0.00	8.62	12.35	0.00
P000118	1995	POPULATION AND HEALT	0.00	27.80	0.00	0.00	5.97	10.38	10.38
P000112	1995	ENV. MANAGEMENT PROJ	0.00	8.00	0.00	0.00	1.98	2.66	2.52
P000103	1994	EDUCATION DEVELOPMENT PROJECT	0.00	18.10	0.00	0.00	4.80	5.17	5.10
Total:			0.00	177.33	6.00	0.00	72.46	46.94	15.17

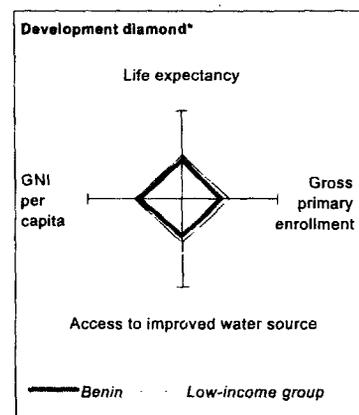
BENIN
STATEMENT OF IFC's
Held and Disbursed Portfolio
MAY-2001
 In Millions US Dollars

FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
1994	Equipbail-Benin	0.00	0.10	0.00	0.00	0.00	0.10	0.00	0.00
2000	FINADEV	0.00	0.33	0.00	0.00	0.00	0.00	0.00	0.00
1991/93/95	AEF BOAB	0.00	0.02	0.00	0.00	0.00	0.02	0.00	0.00
1995	AEF Union Benin	0.00	0.08	0.00	0.00	0.00	0.08	0.00	0.00
Total Portfolio:		0.00	0.53	0.00	0.00	0.00	0.20	0.00	0.00
		Approvals Pending Commitment							
FY Approval	Company	Loan	Equity	Quasi	Partic				
1999	SOBAC	0.00	0.00	0.08	0.00				
2000	FINADEV	1.41	0.00	0.00	0.00				
Total Pending Commitment:		1.41	0.00	0.08	0.00				

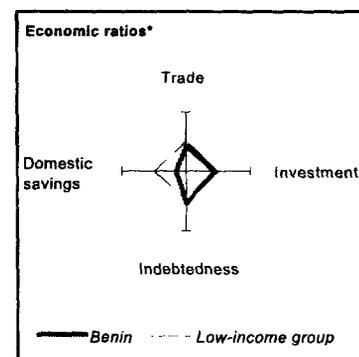
Annex 10: Country at a Glance

BENIN: Cotton Sector Reform Project

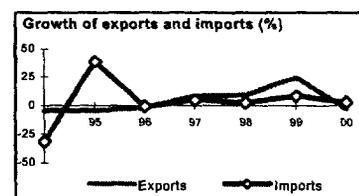
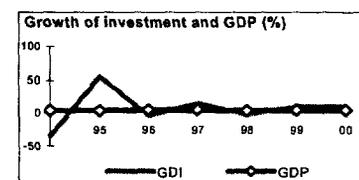
POVERTY and SOCIAL	Benin	Sub-Saharan	Low-
		Africa	Income
2000			
Population, mid-year (millions)	6.3	659	2,459
GNI per capita (Atlas method, US\$)	380	480	420
GNI (Atlas method, US\$ billions)	2.4	313	1,030
Average annual growth, 1994-00			
Population (%)	2.8	2.6	1.9
Labor force (%)	2.9	2.6	2.4
Most recent estimate (latest year available, 1994-00)			
Poverty (% of population below national poverty line)	33	..	..
Urban population (% of total population)	42	34	32
Life expectancy at birth (years)	53	47	59
Infant mortality (per 1,000 live births)	87	92	77
Child malnutrition (% of children under 5)	29	..	..
Access to an improved water source (% of population)	63	55	76
Illiteracy (% of population age 15+)	60	38	38
Gross primary enrollment (% of school-age population)	78	78	96
Male	98	85	102
Female	57	71	86



KEY ECONOMIC RATIOS and LONG-TERM TRENDS					
	1980	1990	1999	2000	
GDP (US\$ billions)	1.4	1.8	2.4	2.3	
Gross domestic investment/GDP	15.2	14.2	17.6	19.0	
Exports of goods and services/GDP	15.8	14.3	16.7	15.6	
Gross domestic savings/GDP	-6.3	2.2	6.4	6.3	
Gross national savings/GDP	1.1	5.8	11.7	11.6	
Current account balance/GDP	-14.0	-5.1	-5.9	-7.6	
Interest payments/GDP	0.2	0.8	0.8	0.6	
Total debt/GDP	30.2	70.0	71.2	70.7	
Total debt service/exports	4.9	8.0	14.6	17.2	
Present value of debt/GDP	..	..	40.1	..	
Present value of debt/exports	..	..	198.1	..	
	1980-90	1990-00	1999	2000	2000-04
(average annual growth)					
GDP	2.5	4.7	5.0	5.0	6.0
GDP per capita	-0.7	1.8	2.1	2.2	3.2
Exports of goods and services	-4.3	4.3	24.7	-2.4	24.5



STRUCTURE of the ECONOMY					
	1980	1990	1999	2000	
(% of GDP)					
Agriculture	35.4	36.1	37.9	37.1	
Industry	12.3	13.2	13.8	13.8	
Manufacturing	8.0	7.8	8.3	8.3	
Services	52.3	50.7	48.3	49.1	
Private consumption	97.7	86.8	83.5	82.3	
General government consumption	8.6	11.0	10.1	11.3	
Imports of goods and services	37.3	26.3	28.0	28.2	
	1980-90	1990-00	1999	2000	
(average annual growth)					
Agriculture	5.1	6.3	4.7	5.0	
Industry	3.4	3.9	3.2	7.4	
Manufacturing	5.1	5.6	6.5	7.0	
Services	0.7	4.5	5.8	4.3	
Private consumption	1.9	4.0	0.8	3.2	
General government consumption	0.5	4.2	11.6	19.8	
Gross domestic investment	-8.3	5.3	11.1	9.7	
Imports of goods and services	-6.2	2.5	8.3	3.0	



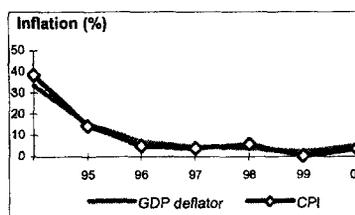
Note: 2000 data are preliminary estimates.

This table was produced from the Development Economics central database.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will

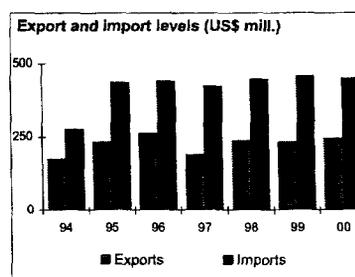
PRICES and GOVERNMENT FINANCE

	1980	1990	1999	2000
Domestic prices				
(% change)				
Consumer prices	..	1.1	0.3	3.5
Implicit GDP deflator	10.2	1.6	2.1	5.1
Government finance				
(% of GDP, includes current grants)				
Current revenue	..	9.2	16.1	15.9
Current budget balance	..	-5.4	5.1	3.6
Overall surplus/deficit	..	-10.8	-1.2	-3.5



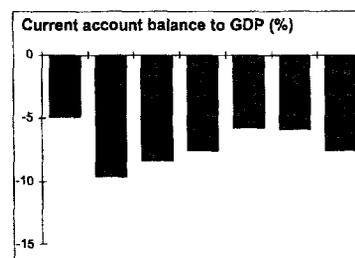
TRADE

	1980	1990	1999	2000
(US\$ millions)				
Total exports (fob)	..	118	236	246
Ginned Cotton	..	80	194	208
Crude Oil	..	26	..	..
Manufactures
Total imports (cif)	..	298	461	453
Food	..	78	141	139
Fuel and energy	..	31	59	80
Capital goods	..	157	258	254
Export price index (1995=100)
Import price index (1995=100)
Terms of trade (1995=100)



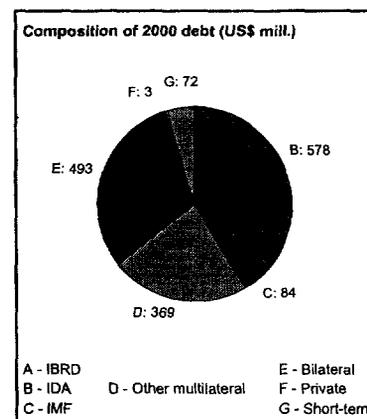
BALANCE of PAYMENTS

	1980	1990	1999	2000
(US\$ millions)				
Exports of goods and services	306	402	397	360
Imports of goods and services	608	563	665	651
Resource balance	-302	-161	-267	-290
Net income	-3	-39	-18	-17
Net current transfers	107	105	145	136
Current account balance	-197	-95	-141	-172
Financing items (net)	178	205	148	164
Changes in net reserves	19	-110	-7	7
Memo:				
Reserves including gold (US\$ millions)	..	..	..	..
Conversion rate (DEC, localUS\$)	211.3	272.3	615.7	712.0



EXTERNAL DEBT and RESOURCE FLOWS

	1980	1990	1999	2000
(US\$ millions)				
Total debt outstanding and disbursed	424	1,292	1,686	1,599
IBRD	0	0	0	0
IDA	52	326	574	578
Total debt service	20	38	70	77
IBRD	0	0	0	0
IDA	0	3	10	10
Composition of net resource flows				
Official grants	41	110	98	..
Official creditors	56	102	35	17
Private creditors	0	0	0	0
Foreign direct investment	4	1	31	..
Portfolio equity	0	0	0	..
World Bank program				
Commitments	10	3	56	7
Disbursements	12	56	49	37
Principal repayments	0	1	6	6
Net flows	12	55	43	30
Interest payments	0	2	4	4
Net transfers	12	53	39	26



Note: This table was produced from the Development Economics central database.

11/1/01

**Additional
Annex 11**

Environmental Assessment

Introduction

The development objective of Cotton Sector Reform Project (CSRP) is to effect a successful transition from the current monopolistic and centrally administered system to a more competitive cotton sector that would result in higher efficiency and productivity. Among other things, the key project performance indicators include: (i) the increase in seed-cotton yields; (ii) the increase in overall sector incomes; (iii) the change in the share of income going to producers; (iv) the success of the private sector in meeting the demand for modern inputs, both in terms of quantity and quality; (v) the satisfaction of farmers with respect to the quality of the leadership of local and apex producer organizations; and (vi) the satisfaction of producers, ginners, and input distributors with respect to the quality of technical services.

On the basis of the planned activities, a B environmental category has been assigned to the CSRP. The application of the environmental and social safeguards focuses on the safeguard policies that have the strongest bearing on the Project. These include the policy on environmental assessment (OP 4.01), and the policy on pest management (OP 4.09). The environmental assessment study describes (i) how the Project triggers these policies, and (ii) the environmental management plan that would be designed to control the adverse environmental effects associated with the implementation of the Project. The environmental study has two parts dealing respectively with the operation of the cotton gins plants, and pest management. The pest management evaluates current practices in the handling, storage, and use of pesticides, and recommend measures that ensure better protection of the users, the environment, and provide better and more efficient ways of controlling pests. The summary of the studies is provided below.

Environmental Audit of the Cotton Gin Plants

The application of the operational policy on environmental assessment consisted in conducting an environmental audit of the cotton ginning plants. The study was to (i) assess the compliance with environmental regulations, (ii) assess past and current contamination, as well as pollution risks, and (iii) recommend measures required to improve compliance with national regulations, and mitigate past damages, if necessary. The objective is to provide baseline environmental information and requirements that would be included in the bidding documents, in order to integrate the costs of the required environmental restoration/protection measures into the planned investments. The environmental audit is structured around the following issues: (i) scope of the audit, (ii) methods/criteria used, (iii) results, and (iv) proposed measures.

Scope of the audit

The environmental audit covers the ginning plants owned and operated by SONAPRA, the parastatal responsible for managing service delivery and input/output supply and trade in the cotton sub-sector. Out of the eighteen (18) ginning plants in Benin (operating at 60 percent of installed production capacity), ten are currently operated by SONAPRA and would be privatized under the Project. It is these ten plants that are subject to the audit. The audit sought to identify the past, current, and future environmental and social liabilities associated with the activities of the concerned ginning plants. The issues examined include the following:

- Emissions to air;
- Releases to water;
- Waste generation;
- Contamination of land;
- Use of raw materials and natural resources; and
- Occupational and safety hazards.

Methods and Criteria Used

Three major criteria are used in assessing the past, current, and future environmental impacts of the ginning plants. These are: (i) existence of internal procedures and practices pertaining to business environmental systems and compliance with such procedures; (ii) efficiency and safety of production processes; and (iii) overall environmental performance of the plants based on Benin Environmental Act (Loi-cadre, Titre IV, des Sanctions). When necessary international standards, namely ISO 14000 are used to supplement national regulations.

Results of the Audit

Overall, the environmental performance of the ginning plants is low. This unsatisfactory performance is due to (i) nonexistence of clear and written environmental management procedures, (ii) lack of specific and agreed upon environmental management targets, and (iii) lack of capacity to deal effectively with environmental issues related to plant operations. The following areas are those where significant improvement would be needed:

- *Air pollution (indoor and outdoor):* Cotton ginning generates dust both within and beyond the plant. Some practices and dust control-equipment are in place, but do not seem to be effective. Dust concentration inside the plants are not known, but both plant workers and the neighboring populations may be exposed to ambient air characterized by relatively high concentration of dust, especially in the immediate surroundings of the plants. In some locations, the level of cotton dust concentration is so high that it impedes the growth of the trees that have been planted to reduce human and property exposure. In some neighboring communities, eye infections have been mentioned as the consequence of air pollution by the plants. In general, these plants do not comply with existing regulations on air pollution;
- *Wastewater discharge and solid and liquid wastes:* wastewater, grease, and solid wastes are not properly managed on plant sites. As a result, these wastes clogged the drains and get mixed with stormwater. The potential for soil and water pollution is real and could result in severe to moderate adverse impact on the natural resources and human populations located near the plants. When waste is disposed of, this is not done appropriately, that is, sanitary procedures including treatment and site selection are not followed;
- *Emergency preparedness and response capacity:* emergency plans for fire accident exist, but there are no written procedures, and the teams supposed to activate the plans are not trained. The plants rely on power generators for energy supply. The fuel supplied to these generators is stored in underground storage tanks for which there is no emergency plan for accidental spills, and no written requirements or procedures for maintenance;
- *Hazardous materials:* The handling of hazardous waste including pesticides, paint, and medical waste could be improved. Additional precaution is needed particularly with the transportation and storage of products (safety related to location, verification of containers, disposal of empty containers), and the

treatment of medical waste;

- *Occupational hazards:* Cases of bodily injuries including severe harm, amputation, and at least one loss of life have been reported. These accidents occur both during plant operations and routine maintenance of equipment, but record keeping in this area is poor.

Proposed Environmental Management Measures

The audits results have been discussed with the Ministry of Rural Development, SONAPRA, the Ministry of Environment, and the National Environmental Agency (BAE). The measures proposed to address the environmental problems caused by the cotton ginning plants are of several types and include the following:

- Enforcement of national regulations to ensure full compliance of plants with safety and emission standards;
- Formulation and adoption of environmental awareness raising programs within the plants and without to sensitize the surrounding populations on the environmental problems, and the best way to mitigate them;
- Adoption of environmental management plans in order to control air emission, treat and dispose of wastes, and protect workers from exposure to harmful substances, heat, dust, malfunctioning equipment;
- Training of the key people responsible for implementing the environmental management plans of the plants, and improving record keeping;
- Integrating environmental management at plant level with the local or municipal environmental management plans, especially, for waste treatment, handling of hazardous substances (transport, storage, treatment, and disposal), and awareness raising.

The institutional framework for implementing these measures is composed of SONAPRA, local, and governments, and the central government (Ministry of Environment, and the Benin environmental agency). The indicative cost of the environmental management plan is US\$800,000 to be supported by the plants, and complementary investments with a public good character of US\$200,000 to be financed through the STSP.

Pest Management

The Project is expected to support and facilitate access to agricultural services and inputs, namely pesticides and fertilizers, as well as the generation and diffusion of improved cotton production technologies, processing, marketing and exporting.

Consequently, the Project has significant implications for the delivery of agricultural services and input supply. Since application of chemical pesticides to control damaging pest populations is an important input in cotton production in Benin, associated human health and environmental problems of pesticide use and pest management become major issues for promoting sustainable cotton production in Benin. Therefore this project has an obligation to promote integrated pest management approaches that reduce reliance on pesticides to ensure that their use does not pose unmanageable risks to farmer. As part of the Project environmental assessment, a pest management plan (PMP) has been prepared. The main components of this Plan are presented below.

Major Pests of Cotton in Benin and Pest Control

The major pests of cotton are distributed in the four zones of Benin as follows : In the hot dry northern zone, *Helicoverpa*, *Sylepta*, *Dysdercus* and Aphids are the most important pests. Mites are generally absent from this zone. *Helicoverpa*, Mites, *Sylepta* and *Dydercus* are prevalent in the north-central zone while in the south-central zone, the key pests are Mites, *Pectinophora*, *Helicoverpa* and *Cryptophlebia*. The most important cotton pests in the humid southern zone, are *Sylepta*, *Helicoverpa* and *Cryptophlebia*. This pattern of distribution confirms that the cotton bollworm *Helicoverpa* attacks cotton throughout the country and is recognized as the major pest. The main features of the cotton pest control activities involve the following:

Pest Control

Calendar treatment with 3 types of chemical pesticides, is the most widely adopted pest control method currently in use by cotton farmers throughout the country. Chemical pesticides are sprayed on cotton plants, on a 14 days calendar schedule, starting 45 days after planting when the 1st application with one treatment of Callisulfan (endosulfan) ULV is made. A 2nd single application, again with endosulfan is applied 14 days later, that is 59 days after planting. The 3rd and 4th applications are made 73 days and 87 days respectively after planting with one spray each of the acaricide, Dursban or DecisT160EC against mites. The 5th and 6th applications are given 101 and 115 days respectively after planting, with the aphicide Cotalm D315 EC (Lambdacyhalothrine 300+dimethoate) or Decis D312EC (Deltamethrine+Dimethoate). Sometimes, a 7th treatment is applied 122 days after planting with the aphicide to eliminate stickiness in the harvested cotton;

Treatment of Seed cotton

Carbosulfan (dibutylamino thio-methyl carbamate) is widely used in the ginning factories to treat seed cotton for storage before planting. Although cotton farmers are convinced that endosulfan is highly effective in controlling the cotton bollworm and other pests in cotton fields, the use of endosulfan on cotton is associated with serious human health and environmental problems. After one year of use of endosulfan during the 1999/2000 season, serious pesticide poisoning problems emerged especially in the Borgou and Atacora departments in northern Benin where at least 37 deaths and 73 cases of serious illness of pesticide poisoning were reported. Endosulfan was responsible for 60 percent of these cases and young people were most affected, with 80 percent of the victims being less than 40 years old.

The results of a recent December 2000 study of pesticide poisoning commissioned by Aventis and Calliope, two pesticide firms that supply endosulfan to Benin, revealed 131 cases of severe poisoning and 23 deaths all in the major cotton producing areas (Borgou and Alibori departments) of northern Benin. No cases of involuntary pesticide poisoning were recorded in the southern cotton producing zones of Zou, Couffo, Mono, Plateau and Oueme.

Causes of pesticide poisoning

Cases of pesticide misuse that cause poisoning and deaths in Benin are as follows:

- Voluntary suicide - self inflicted;
- Use of endosulfan recommended for cotton to spray food crops in cotton and other fields
- Use of endosulfan for treating grains such as cowpea, maize and millet in storage
- Use of empty pesticide containers to store drinking water, fruit drinks, cooking oil and other consumables

- Use of empty pesticide containers to store petrol and other petroleum products
- Pouring pesticides into streams for fishing
- Washing spraying machines in rivers and thereby polluting the water with residual chemicals
- Storing pesticides within homes, in sleeping rooms, kitchens, wardrobes and home stores.

Changes required in the framework of this project

The current cotton pest control approach seriously compromises not only the health of rural farmers and their families but also destroys the environment and the natural recourse base for agricultural production. Therefore, drastic changes have to be made during the implementation of the Project. Developing an IPM research and development, farmer participatory program on ecologically based integrated pest management, for the cotton research system in Benin should be an important element of this new approach.

This change would also include: (i) adopting sensible use of reduced quantities of and less frequency of application of pesticides, and (ii) harnessing farmer indigenous technical knowledge and skills and introducing new knowledge for cotton production. Experience in other cotton producing countries, such as India and Vietnam, is that the frequency of pesticide application, as a component of the integrated management of cotton pests can be reduced to 2 - 3 sprays. Similar levels of pesticide reduction can be achieved in Benin by adopting IPM approaches to cotton pest management.

Development of alternative pest management

Initiatives may include:

- *Alternative cropping technologies:* This would include expanding research on IPM-based technologies at RCF and promotion of organic cotton production.
- *Pesticide management:* Over 65 percent of pesticide formulations imported into Benin are destined for cotton production and 90 percent of all pesticide consumption is used for cotton pest control. All pesticides imported into Benin are formulated products, no local formulation of pesticides is undertaken. Currently 37 private pesticide distributors are approved and licensed in Benin by the Plant Protection Service. Farmer associations at sous-prefectures and village levels play the lead role in the current arrangement for distribution of cotton pesticides. Benin has accumulated 311 tons of obsolete pesticides mainly in SONAPRA stores. Most of them are over 10 years old. Benin urgently requires international assistance to dispose of the stock of obsolete pesticides.
- *Protective gear:* Cotton farmers do not usually wear protective gear while spraying; they do not purchase protective gear because there is no credit scheme for purchase of protective gear. The mission recommends a credit scheme for farmers to purchase protective gear and linking pesticide procurement with supply of protective gear.
- *Regulatory framework:* There is no national IPM Policy in Benin. National Plant Protection Legislation is been passed by the Government of Benin and procedures for registration and control of pesticides distribution and marketing are established. The Committee National d'Agrément et de Contrôle des Produits Phytopharmaceutiques, CNAC, supervises the registration, quality control of pesticides, as well as licensing of pesticide distributors. A quality control laboratory has been built but is yet to become operational. There are no residue analysis facilities in Benin.

Changes envisaged in the framework of this project

The main changes that would be implemented under the proposed project are the following:

- Formulation and adoption of a National IPM Policy. This would be discussed and prepared during the planned national IPM Strategy workshop.
- Design of a farmer-centered crop protection program that is based on IPM principles. The development of such a program would be one of the major objectives and outputs of the national IPM strategy workshop.
- Support for strengthening field monitoring of pesticide use and cases of farmer intoxication.
- Financial support to purchase the necessary equipment for the quality control laboratory, training of technicians and establishment of an administrative management structure for the laboratory.
- Financial support to assist RCF to set up a residue testing laboratory at the Cana station in Bohicon.
- Support for building technical capacities, through field training, of SPV and extension staff, and farmer trainers, to improve delivery of crop protection extension services and thus promote IPM.
- International assistance to dispose of the stock of obsolete pesticides.

Implementation of the Pest Management Plan

An analysis of the current pest management practices for cotton pests in Benin point to several inadequacies that would continue to constrain sustainable production of cotton. These inadequacies are identified as follows:

- Absence of a Government policy on IPM to provide the framework and environment for promoting the development and implementation of integrated pest management strategies for cotton;
- Domination of the current pest management system by over-reliance on chemical pesticides for control of cotton pests;
- Too much involvement of some pesticide manufacturing firms in field training and use of government agencies to promote their products;
- Limited exploitation of available modern non-chemical pest management techniques, such as locally occurring pathogens, NPV biopesticides, and botanicals for the management of cotton pests;
- Lack of farmer participatory and farmer-centered, ecologically based IPM field research;
- Weak practical knowledge and understanding by farmers, field crop protection agents and extension workers of the local agro-ecology of the cotton production system, integrated plant nutrient management, of pests and their natural enemies and their interactions. And of the role of natural enemies in the natural regulation of pest populations;
- Ineffective preparation for and coordination of field training of farmers on the safe handling, storage and use of chemical pesticides;
- Inappropriate arrangements for the delivery of training to farmers in the proper methods of

spraying cotton fields with chemical pesticides and in the maintenance of application equipment;

- Inefficient arrangements for the supply and distribution of appropriate protective gear to protect farmers from the hazards of pesticides while spraying their cotton fields;
- Lack of appropriate field training and effective dissemination of information on the use of protective gear and absence of a coordinated system of providing technical advice to the cotton farming community on the handling and proper maintenance of protective gear;
- Inadequate field training and information dissemination to the user community of the hazards associated with improper handling, use and storage of chemical pesticides;
- Weak pesticide regulatory mechanisms, such as quality control facilities, residue analysis, and poor facilities to enforce pesticide regulations.

Recommendations for an IPM Strategy for cotton production in Benin

In view of the above, a well defined and coordinated IPM strategy for cotton production is imperative for Benin. An appropriate IPM strategy for Benin should consist of the following elements:

- An IPM policy environment;
- Promoting better understanding of the agro-ecology of the cotton production system in Benin, specifically at the different agro-ecological zones; cotton pests and their natural enemy complex and natural regulatory mechanisms; soils and integrated nutrient management; local cotton cropping systems and environmental management to promote healthy and sustainable plant growth;
- Introducing new pest management approaches, ecologically-based, farmer centered IPM; specifically non-chemical methods such as trap cropping, efficient pest monitoring with pheromone traps for decision making, and use of biopesticides and botanicals against pests;
- Establishing pilot activities to develop, validate and introduce promising on-chemical pest management approaches;
- Building on farmer's indigenous knowledge and skills in crop protection;
- Establishing a well coordinated collaborative research on IPM for cotton;
- Pesticides management; strengthening national capacities of the Plant Protection Service to regulate the quality of imported pesticides;
- Establishing mechanisms for an appropriate credit scheme to farmers so that they can conveniently acquire protective gear; linking pesticides procurement with supply of protective gear;
- Strengthening pesticide management services to farmer associations, including upgrading the pesticide storage facilities to approach the minimum standards specified by FAO;

- Actively encouraging production of Organic cotton in order to increase the prospects of promoting non-chemical production of cotton in Benin;
- Education and training in the adoption of IPM practices and on the hazards of pesticide misuse. Risk management; Use of rural radio programs to disseminate information on pesticide safety precautions, publication of information leaflets, in local languages, on the handling, proper use and storage of pesticides; introduction of topics on proper handling, and misuse of pesticides in adult literacy programs in villages in collaboration with farmer associations;
- Collaborating with the Ministry of Health to establish a program for effective management of farmer intoxication; training staff at rural health centers and hospitals on diagnosis of the symptoms of pesticides poisoning and appropriate management of cases of pesticide poisoning.

Implementation strategy for the Pest Management Plan

- The implementation strategy of the PMP is envisaged in two main phases as follows: Phase I would involve a National IPM Strategy Workshop which would be scheduled soon after project effectiveness in Cotonou, to elaborate the details of pilot project activities that would form phase II of the PMP implementation and as a direct follow up of phase I.
- Phase II: Key areas of concern for implementation of the PMP, and essential and desirable activities identified that require immediate attention within the framework of the project for phase II are : Setting up a collaborative IPM research and development program between IITA or other equally qualified institutions, RCF and SPV; making the quality control laboratory at SPV fully operational; upgrading the RCF pesticide laboratory at Cana to undertake pesticide residue analysis; supporting the development of organic cotton production; establishing a national program for public awareness on misuse of pesticides, farmer training, sensitization and the proper use of pesticides. Phase two would also include collaboration with the AFD supported PADSE project, which is currently implementing pilot IPM activities to reduce and encourage safe use of pesticides. The collaboration would allow for the intensification of these activities in the current PADSE sites and their extension to cover all cotton growing regions.

Coordination and Monitoring and Evaluation of the Implementation of PMP:

In view of its coordinating role in IPM capacity building in West Africa and its linkages to successful IPM cotton projects in eastern Africa and Asia, the Global IPM Facility should be requested to play a key role, in collaboration with the National Plant Protection Service, SPV, to supervise and coordinate the implementation of the proposed pest management plan.

In order to review progress in the implementation of the PMP, and to ensure that project activities achieve the objective of safeguarding the health and safety of farmers and environmental conservation, a well coordinated and regular monitoring and evaluation of key indicators is absolutely necessary. The following activities/issues should be monitored locally (details of these activities would be elaborated during the IPM Strategy Workshop):

Farmer safety

Build up of farmer knowledge of the cotton agro-ecosystem especially the incidence, abundance and role of natural enemies and other naturally occurring pest regulatory mechanisms in cotton fields.

- Action by RCF,SPV, and GV

Adoption of agro-ecological knowledge as the basis of decision making for pest management interventions.

- Action by RCF,SPV and GV

More efficient methods for applying pesticides for controlling cotton pests, only when justified by the prevailing local ecological circumstances.

- Action by SPV and GV

Procurement of cotton pesticides by approved distributors linked with supply of protective gear, and an efficient credit scheme for farmers to purchase, use and for proper maintenance of protective gear.

- Action by SPV, USPP,CAGIA, and GV.

Criteria and system being adopted by farmers to determine the quantities of pesticides actually needed on their farms for the season.

- Action by SPV,RCF, CAGIA,USPP and GV

Transportation, delivery patterns and storage of pesticides in GV stores and supervision of the conditions for storage.

- Action by SPV,CAGIA and GV

Rate of adoption of non-chemical methods of managing cotton pests

- Action by RCF,SPV and GV

Effective follow up after farmer training, to supervise the application of IPM approaches for cotton production.

- Action by SPV,USPP and GV

Management of cases of farmer intoxication in the rural areas whenever they occur

- Action USPP/GV and Ministry of Health

b. For compliance with OP 4.09 guidelines

Activities to ensure compliance with the guidelines stipulated in OP 4.09 are the responsibility of the Service Protection des Végétaux, SPV and the CNAC.

The monitoring of the following activities would be required:

- Ensuring that local quality control facilities for imported pesticides are fully operational;
- Conducting regular residue analysis of cotton soils for pesticide residues. - Action by RCF and USPP;
- A large number of unapproved pesticides are on sale in Benin; field monitoring of pesticides in the Benin market is absolutely essential;
- Strict control of the operations of pesticide distributors, including more efficient supervision of product packaging, labeling, advertisement and marketing of pesticides;
- Ensuring that pesticide distributors comply strictly with the requirements specified in the national pesticide legislation;

- Separating technical advisory functions from pesticide supply functions; minimizing the use of using government establishments by chemical manufacturing and marketing firms for promoting their products.

Recommendations for a Monitoring and Supervision plan

Details of a monitoring and supervision plan would be developed when the specific project activities are outlined during the national IPM Strategy Workshop. But to provide a framework for this plan, we recommend the following issues to constitute the monitoring and supervision plan for the project:

- Identify measurable entities as indicators of performance for each project activity;
- Prepare monitoring and evaluation instruments specific for each activity being monitored; include very clear definitions of terms to be used;
- Design the modalities for and the process of supervision, including details about sample universe and frequency of monitoring activities;
- Prepare supervisory schedules based on the rate of progress of project implementation;
- Define the methods of analysis to be adopted for the monitoring data and establish reporting schedules;
- Establish simple but efficient follow up mechanisms of how to take remedial actions if necessary.

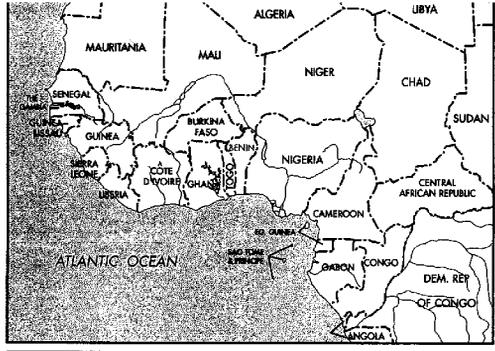
**Additional
Annex 12**

**Financial Management Action Plan
(as of date of negotiations)**

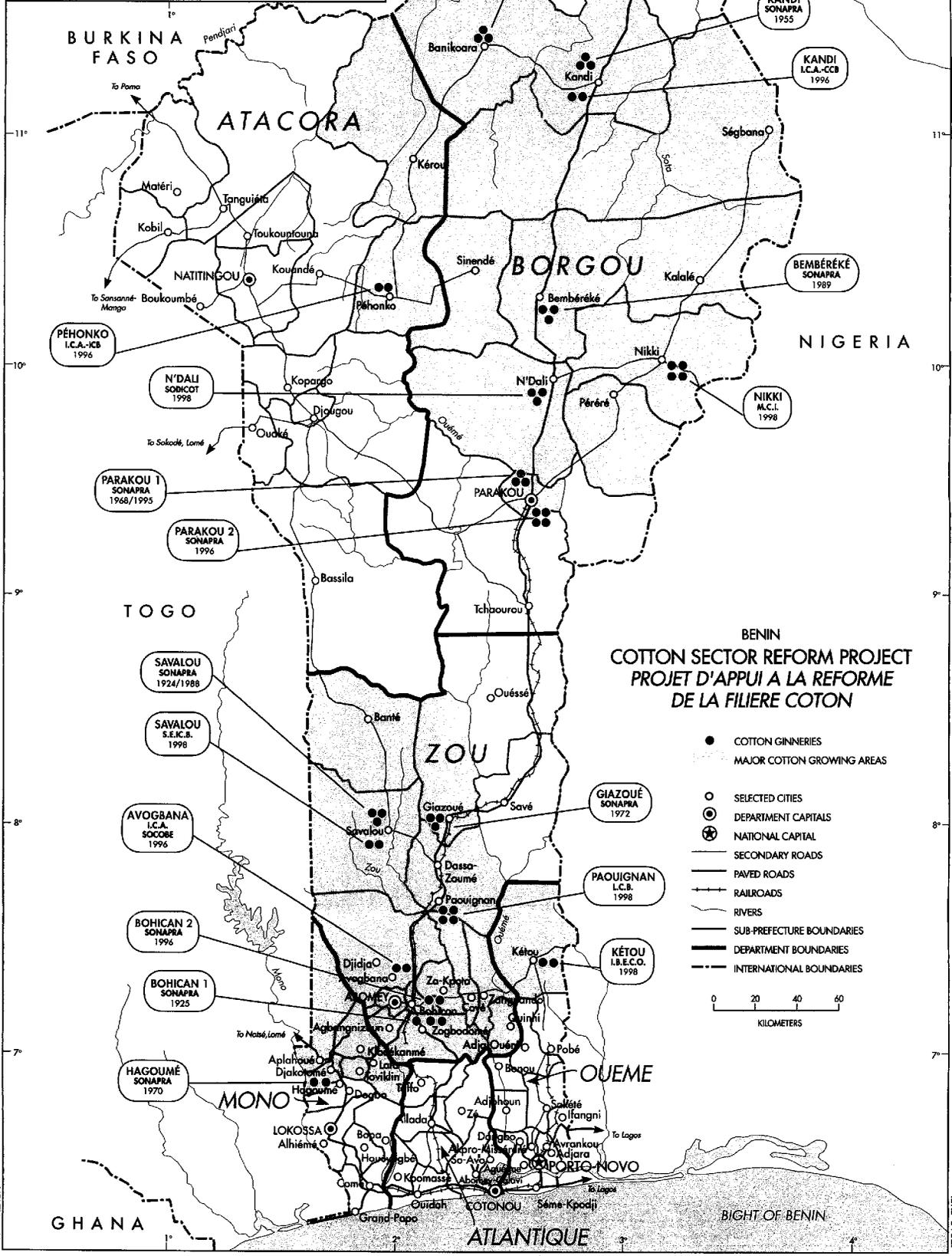
No	ACTIONS	RESPONSIBILITY	COMPLETION STATUS/DATE	EXPECTED OUTCOME	INDICATOR/REMARK
1	Recruit Director of Administration and Finance (DAF)	AIC	Done	Qualified personnel recruited through a transparent and competitive process	IDA has issued non-objection
2	Prepare draft Manual of procedures	AIC/DAF	09/10/2001	Working document for technical discussions available at negotiations	Draft Manual is submitted prior to negotiations
3	Recruit Accountant: - Elaborate and review the TORs - Advertise position - Select a firm to process recruitment - Select a qualified candidate - Elaborate employment conditions - Obtain non-objection	AIC AIC AIC AIC AIC AIC/IDA	09/31/2001 Done Done Done 09/21/2001 09/10/2001 09/17/2001	qualified accountant recruited through a transparent and competitive process	Accountant has joined AIC team IDA non objection is obtained
4	Recruit the Procurement Officer: - Elaborate and review the TORs - Advertise position - Select a firm to process recruitment - Select a qualified candidate - Elaborate employment conditions - Obtain non-objection	AIC AIC AIC AIC AIC AIC/IDA	09/15/2001 Done Done Done 09/15/2001 09/03/2001 09/07/2001	Qualified personnel recruited through a transparent and competitive process	Procurement Officer has joined AIC team IDA non objection is obtained
5	Selection consultant firm to set up financial management system and software : - Elaborate and review the TORs - Select firm based on CQ method - Set up system and train staff - Sign maintenance contract	AIC AIC Consultant AIC/Consultant	09/15/2001 Done Done 11/29/2001 06/30/2002	AIC has adequate financial management system in place to monitor and issue report on project expenditures.	Final consultant report is submitted and found acceptable Selection package, short list, contract to IDA; -System is operational - Contract to IDA

6	Finalize Manual of Financial Management procedures	AIC/DAF	11/15/2001	Project financial management and reporting procedures are in place	Manual is available
7	Train project staff on Bank Disbursement, procurement, and financial management	IDA/Training Center/Consultants	11/29/2001	Project staff is familiarized with Bank procedures	Training completed in Bank Country Office
8	Assess capacities of the financial management system	IDA/AIC	12/31/2001	Determination of adequacy of FMS	Adequate FMS in place
9	Select independent auditor: - Prepare and review TORs - Request proposals - Evaluate proposals - Select firm - Obtain non-objection	AIC AIC/IDA AIC AIC AIC/IDA	31/12/2001 Done Done 09/27/2001 11/08/2001 09/30/2001	Independent auditor is recruited through competitive and transparent process	- Process is ongoing - Evaluation results to IDA - Copy of contract to IDA - IDA non objection is obtained
10	Assess capacities to use PMR	IDA /AIC	12/31/2002	Determination of capability of system to issue PMR	DAF able to prepare report acceptable to IDA
11	Move to PMR-based disbursement	AIC/IDA	At the latest 18 month after effectiveness	Capacity to prepare adequate PMR is available	Acceptable PMR reports are being issued

MAP SECTION



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**BENIN
COTTON SECTOR REFORM PROJECT
PROJET D'APPUI A LA REFORME
DE LA FILIERE COTON**

- COTTON GINNERIES
- MAJOR COTTON GROWING AREAS
- SELECTED CITIES
- ⊙ DEPARTMENT CAPITALS
- ⊛ NATIONAL CAPITAL
- SECONDARY ROADS
- PAVED ROADS
- RAILROADS
- RIVERS
- SUB-PREFECTURE BOUNDARIES
- DEPARTMENT BOUNDARIES
- - - INTERNATIONAL BOUNDARIES

