Financing Agreement

(Second Fiscal Reform and Growth Development Policy Financing)

between

THE REPUBLIC OF BENIN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between THE REPUBLIC OF BENIN ("Recipient") and THE INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, inter alia, of: (i) the actions which the Recipient has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (ii) the Recipient’s maintenance of an adequate macroeconomic policy framework. The Recipient and the Association therefore hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient a credit, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount equivalent to twelve million nine hundred thousand Euros (Euros 12,900,000) (variously, "Credit" and "Financing").

2.02. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.

2.03. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to the greater of: (a) the sum of three-fourths of one percent (3/4 of 1%) per annum plus the Basis Adjustment to the Service Charge; and (b) three-fourths of one percent (3/4 of 1%) per annum.

2.04. The Payment Dates are February 1 and August 1 in each year.

2.05. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 2 to this Agreement.

2.06. The Payment Currency is Euro.
2.07. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Recipient shall promptly furnish to the Association such information relating to the provisions of this Article II as the Association may, from time to time, reasonably request.

ARTICLE III — PROGRAM

3.01. The Recipient declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:

(a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient’s macroeconomic policy framework and the progress achieved in carrying out the Program;

(b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and

(c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

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

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following, namely that the Association is satisfied with the progress achieved by the Recipient in carrying out the Program and with the adequacy of the Recipient’s macroeconomic policy framework.

5.02. The Effectiveness Deadline is the date one hundred twenty days (120) days after the Signature Date.

5.03. For purposes of Section 10.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the Signature Date.
ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is its Minister of Economy and Finance.

6.02. For purposes of Section 11.01 of the General Conditions:

(a) the Recipient's address is:

Ministry of Economy and Finance
Route de l’aéroport B.P. 302
Cotonou
Republic of Benin; and

(b) the Recipient’s Electronic Address is:

Facsimile:

+229 21 30 18 51

6.03. For purposes of Section 11.01 of the General Conditions:

(a) the Association’s address is:

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

(b) the Association’s Electronic Address is:

Telex: Facsimile:

248423 (MCI) 1-202-477-6391
AGREED as of the Signature Date.

THE REPUBLIC OF BENIN

By

[Signature]

Authorized Representative

Romuald WADAGNI

Name: 

Title: Le Ministre de l'Économie et des Finances

Date: 17 OCT 2018

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

KATRINA SHARKEY

Name: KATRINA SHARKEY

Title: COUNTRY MANAGER

Date: 10/11/18
SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. **Actions under the Program**

1. In order to reduce tax expenditure, the Recipient's Ministry of Economy and Finance ("MEF") has notified Cellphone Companies that the tax exemptions granted previously to said companies will not be renewed.

2. In order to simplify tax collection, MEF has launched a new system for the electronic reporting of corporate taxes and has required all large firms to use said system.

3. In order to enhance the accuracy of the Recipient's public payroll, the Recipient's Ministry of Labor and Public Function ("MTFPAS") and the MEF have unified the wage management system by harmonizing and linking the MTFPAS database of civil servants with the MEF database used to pay civil servants' salaries, benefits and other monetary compensation.

4. In order to promote agricultural research, the Recipient's Council of Ministers has adopted the national program for agricultural research and the national institute for agriculture research has launched agro-ecological zone-specific research activities.

5. In order to promote larger scale adoption of improved technology in the agriculture sector, the Recipient's Council of Ministers has adopted the national agricultural extension strategy that promotes the delivery of extension services by private operators.

6. In order to increase and monitor the quality of agricultural products, the Recipient has adopted a national policy for quality and started to implement its action plan for food quality and safety in the agriculture sector by defining quality standards for pineapple.

7. In order to support the financial viability of the power sector, the Inter-State High Council for CEB has adopted a wheeling charge of FCFA 10 per kWh to compensate CEB on the use of the transmission networks to transit energy to SBEE.

8. In order to improve the revenue collection of SBEE, SBEE's board of directors has approved the roll out of Smart Energy Meters for large consumers under the Revenue Protection Program to reduce commercial losses.

9. In order to improve equitable access to education, the Recipient's ministry in charge of pre-school and primary education required that all newly recruited
primary teachers are deployed to communes where the pupils/teacher ratio is higher than the current national average by virtue of Arreté 2018/070.

10. In order to improve equitable access to health services, the Recipient’s ministry in charge of health required at least 80% of newly recruited key health care professionals are deployed to the identified Priority Health Care Precincts based on the ratio of health personnel to inhabitants by virtue of Arreté 2018/041.

Section II. Availability of Financing Proceeds

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

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

<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of the Financing Allocated (expressed in EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Withdrawal Tranche</td>
<td>12,900,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>12,900,000</td>
</tr>
</tbody>
</table>

C. Withdrawal Tranche Release Conditions.

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

D. Deposit of Financing Amounts.

1. Notwithstanding the provisions of Section 2.03 of the General Conditions:

   (a) the Recipient shall open, prior to furnishing to the Association the first request for withdrawal from the Financing Account, and thereafter maintain the following two dedicated accounts on terms and conditions satisfactory to the Association: (i) a dedicated account in Euro ("Foreign Currency Dedicated Account"); (ii) a dedicated account in CFA ("Local Currency Dedicated Account"); and

   (b) all withdrawals from the Financing Account shall be deposited by the Association into the Foreign Currency Dedicated Account. Upon each
deposit of an amount of the Financing into the Foreign Currency Dedicated Account, the Recipient shall deposit an equivalent amount into the Local Currency Dedicated Account.

2. The Recipient, within thirty (30) days after the withdrawal of the Financing from the Financing Account, shall report to the Association: (a) the exact sum received into the Foreign Currency Dedicated Account; (b) the details of the account to which the CFA equivalent of the Financing proceeds will be credited; (c) the record that an equivalent amount has been accounted for in the Recipient’s budget management systems; and (d) the statement of receipts and disbursement of Foreign Currency Dedicated Account.

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

1. have the Dedicated Accounts audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;

2. furnish to the Association as soon as available, but in any case, not later than four months after the date of the Association’s request for such audit the end of the Association’s fiscal year, a certified copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request, and make such report publicly available in a timely fashion and in a manner acceptable to the Association and

3. furnish to the Association such other information concerning the Dedicated Accounts and their audit as the Association shall reasonably request.

F. Closing Date. The Closing Date is June 30, 2019.
SCHEDULE 2

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each February 1 and August 1, commencing February 1, 2025 to and including August 1, 2056.</td>
<td>1.5625%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.05 (b) of the General Conditions.
APPENDIX

Section I. Definitions

1. "Basis Adjustment to the Service Charge" means the Association's standard basis adjustment to the Interest Charge for credits in the currency of denomination of the Credit, in effect at 12:01 a.m. Washington, D.C. time, on the date on which the Credit is approved by the Executive Directors of the Association, and expressed either as a positive or negative percentage per annum.


3. "Cellphone Companies" means the Etisalat Cellphone Company in Benin or SPACETEL Cellphone Company in Benin and any of their subsidiaries.


5. "Inter-State High Council for CEB" means the bi-national council governing CEB and comprised by the ministers in charge of energy for the Republic of Benin and the Republic of Togo.

6. "Priority Health Care Precincts" means the health care precincts identified as priority areas by the Recipient's ministry of health by virtue of the annex of Arrete 2018/041.

7. "Program" means: the program of objectives, policies, and actions set forth or referred to in the letter dated July 16, 2018, from the Recipient to the Association declaring the Recipient's commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program's objectives.

8. "MEF" means the Recipient Ministry of Economy and Finance or any successor thereto.


10. "Revenue Protection Program" means the Recipient's program to protect the Government's revenues.

12. “Smart Energy Meters” means an electronic device that records consumption of electric energy and communicates the information to the electricity supplier for monitoring and billing.

13. “Signature Date” means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to “the date of the Financing Agreement” in the General Conditions.

14. “Single Withdrawal Tranche” means the amount of the Financing allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.