January 27, 2014

H.E. Jonas Gbian
Minister of Economy and Finance
Ministry of Economy and Finance Cotonou
Republic of Benin

Re: Republic of Benin: Competitiveness and Integrated Growth Opportunity Project
(Credit No. 4424-BJ)

Amendment to the Financing Agreement

Excellency:

We refer to the Financing Agreement (the “Agreement”) dated September 12, 2008 for the above-referenced project (the “Project”), as amended, between the Republic of Benin (the “Recipient”) and the International Development Association (the “Association”), and to your request dated March 20, 2013, to realign Project activities with your strategic vision and priorities; strengthen governance arrangements and accelerate implementation and disbursement.

We are pleased to inform you that the Association hereby agrees to your request and proposes to amend the Agreement as follows:

1. Schedule 1 to the Agreement is replaced with Annex 1 to this letter.

2. Section I.A. 2 (a) of Schedule 2 to the Agreement is amended to read as follows:

“The Recipient shall create and maintain for the duration of Project implementation, a Steering Committee with the Minister of State in Charge of Prospective, Development and Evaluation of the Public Action, the Minister of Economy and Finance, the Minister of Trade and Industry and the Ministry of Justice. The Steering Committee will meet at least twice a year and shall: (i) provide strategic guidance to TMC; (ii) periodically review progress; (iii) make final decisions on strategic orientations and choices as needed; and (iv) approve the annual work programs and budgets prepared by the PCU before submission to the Association and other stakeholders.”

3. Section I.A 2 (b) of Schedule 2 to the Agreement is amended to read as follows:

“The Recipient shall create and maintain for the duration of Project implementation, the TMC with representatives of line ministries technical departments and private sector responsible for Project implementation and/or benefiting from the Project, as well as qualified private sector representatives in numbers and terms of reference, satisfactory to the Association. Such Committee shall: (i) monitor progress in project implementation;
(ii) bring technical operational support to the Project; (iii) verify conformity of the annual work programs, and budgets prepared by the PCU with the orientations determined by the Steering Committee, and submission of such programs and budgets to the Steering Committee; (iv) approve interim unaudited financial reports prepared by the PCU before submission to the Association and other stakeholders; (v) appraise and resolve strategic and technical issues that may arise in the course of Project implementation; and (vi) support the PCU dissemination efforts.”

4. A new paragraph (d) is added to Section I.A.2 of Schedule 2 to the Agreement and it reads as follows:

“d. The Recipient shall create and maintain for the duration of Project implementation a Private Sector-led Steering Committee (PSSC) with representatives of relevant ministries (Industry and Private Sector Development, SMEs promotion, and Economy and Finance) as well as private sector institutions and professional associations, large private sector companies for market linkage and SME business development opportunities and local government authorities. Such Committee shall be responsible for supervising the private sector firm entrusted with the implementation of the Business Plan Competition.”

5. A new sub-paragraph (v) is added to Section I.A 2 (c) of Schedule 2 to the Agreement and the word “and” preceding sub-paragraph (iv) is deleted: “and (v) prepare for the Association and the Steering Committee quarterly report on the progress of project execution.”

6. Section I of Schedule 2 to the Agreement is amended to include a new paragraph D which reads as follows:

“D. Sub-projects

1. The Recipient shall make Sub-grants under Part 2 (B) of the Project in accordance with eligibility criteria and procedures and on terms and conditions acceptable to the Association, which, except as the Association may otherwise agree in writing, shall include the following:

(a) No proposed Sub-project shall be eligible for financing under Part 2 (B) of the Project unless:

(i) the proposed Sub-project satisfies the eligibility criteria specified below in paragraph (ii) and such additional criteria as may be specified by the Recipient;

(ii) each Sub-project shall be required to satisfy the following criteria: (A) the proposed Beneficiary is a legal entity with the necessary managerial, financial, and technical qualifications to carry out the Sub-project; (B) the proposed Sub-project shall have a growth potential that shall result in job creation and sales revenue; (C) the proposed Sub-project is economically, financially and technically feasible, and environmentally sound; (D) if, on the basis of the environmental assessment conducted for the Sub-project, an environmental management plan tailored to the Sub-project is required, such plan shall be reviewed
and approved by the Association; and (E) the total estimated cost of the Sub-project does not exceed an amount equivalent to $100,000 in seed capital plus business development support.

(b) For each Sub-project which has been determined to be eligible for financing under Part 2 (B) of the Project, the Recipient shall enter into a Sub-grant Agreement, under terms and conditions satisfactory to the Association, which shall include the following:

(i) a description of the Sub-project, its budget, and applicable performance indicators;

(ii) the provision of the Sub-project on a grant basis;

(iii) the obligation of the Beneficiary to: (A) carry out the Sub-project with due diligence and efficiency and in accordance with sound medical, technical, environmental, financial, and administrative practices; (B) ensure that the resources required for the Sub-project are provided promptly as needed; (C) maintain adequate records to reflect, in accordance with sound accounting practices, the resources, operations, and expenditures relating to the Sub-project; and (D) at the request of the Association or the Recipient, have such records audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the records as so audited to the Recipient and the Association;

(iv) the obligation of the Beneficiary to carry out the Sub-project in accordance with the provisions of the Anti-Corruption Guidelines;

(v) the requirement that the goods and consultants’ services to be financed from the proceeds of the Sub-grant be procured in accordance with procedures ensuring efficiency and economy and in accordance with the provisions of Section 2.07 of this Schedule, and shall be used exclusively in the carrying out of the Sub-project; and

(vi) the right of the Recipient and the Association to inspect the Sub-project, its operation and any relevant records and documents; obtain all information as it, or the Association, shall reasonably request regarding the administration, operation, and financial condition of the Sub-project and the Beneficiary; and suspend or terminate the right of any Beneficiary to use the proceeds of the Sub-grant upon failure by the Beneficiary to perform any of its obligations under the Sub-grant Agreement.

(c) The Recipient shall exercise its rights under the Sub-grant Agreement in such manner as to protect the interests of the Association and to accomplish the purposes of the Sub-grant, and, except as the association shall otherwise agree, the Recipient shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, any Sub-grant Agreement or any of its provisions."

7. Paragraph 1(a) of Section I.A of Schedule 2 to the Agreement is amended to read as follows:
“a. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than 45 days after the end of the period covered by such report;”

8. Paragraph 1(b) of Section II.A. of Schedule 2 to the Agreement is deleted in its entirety.

9. The table set forth under Section IV.A (2) of Schedule 2 to the Agreement is deleted in its entirety and replaced with the table as shown in Attachment 2 to this Amendment Letter.

10. Section IV.B.1 of Schedule 2 to the Agreement (Withdrawal Conditions, Withdrawal Period) is deleted in its entirety and replaced with the following:

“Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

(a) for payments made prior to the date of this Agreement;

(b) under Category 7 above, unless the following conditions of disbursement have been satisfied namely: (i) a private sector firm has been hired to implement the Business Plan Competition under Part 2.B of the Project; and (ii) the Private Sector-led Steering Committee has been established in a manner satisfactory to the Association.

11. Section IV.B.2 of Schedule 2 to the Agreement is amended to read as follows:

“The Closing Date is March 1, 2017.”

12. A new paragraph 6 is added to Section I of the Appendix to the Agreement to read as follows:

“5. “Beneficiary” means an entrepreneur or individual, whose business proposal has been selected to receive a Sub-grant for the carrying out of a Sub-project.”

13. The following paragraphs 6.....7 of Section I of the Appendix to the Agreement are renumbered “7.....8”.

14. A new paragraph 9 is added to Section I of the Appendix to the Agreement to read as follows:

“9. “Business Plan Competition” means a program of training, mentoring and technical assistance to assist entrepreneurs.”

15. The following paragraphs 10.....31 of Section I of the Appendix to the Agreement are renumbered “11.....32”

16. The following new paragraphs “33”, “34”, and “35” are added to the Section I of the Appendix to the Agreement to read as follows:

“33. “Sub-grant” a grant made or proposed to be made to finance a Sub-project.

34. “Sub-grant Agreement” means an agreement between the Recipient and a Beneficiary, setting forth the terms and conditions under which proceeds of the Grant shall be made available to the Beneficiary for the purpose of financing a Subproject.”
35. Sub-project" means a specific activity carried out by a Beneficiary under Part 2 (B) of the Project, financed or proposed to be financed through a Subgrant."

17. Paragraph 30 of Section I of the Appendix to the Agreement is being renumbered "36".

All other provisions of the Agreement, except as amended, shall remain in force and effect.

Please indicate your agreement with the foregoing amendment by countersigning, dating and returning to us the enclosed copy of this letter, while keeping one original for your records. The amendment will become effective as of the date of the countersignature.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

Ousmane Diagana  
Country Director for Benin  
Africa Region

CONFIRMED AND AGREED

REPUBLIC OF BENIN

By:  
Authorized Representative

Name:  
JONAS A. GBIAN

Title:  
Ministe de l'économie et des finances

Date:  
117 FEV 2014
SCHEDULE 1

Project Description

The objective of the Project is to foster entrepreneurship and investment in high-potential value chains and public-private partnerships.

The Project consists of the following parts:

Part 1: Business Environment Modernization

A. Enabling institutions for private sector investment

(i) Operationalization of the investment promotion agency

Supporting APIEX for its role in the implementation of the Recipient’s growth agenda, through: (a) the provision of the services of a recruiting firm; (b) provision of goods and technical advisory services; and (c) implementation of APIEX’s business plan.

(ii) Establishment of an institutional framework for the development of PPPs

Supporting the Recipient in establishing a unit to prepare and implement PPP projects through: a) the provision of consultant services, b) provision of goods, technical advisory services and Training to support the unit staff, and c) capacity building for all ministries and agencies involved in the implementation of the government PPP agenda.

(iii) Public-private dialogue (PPD)

Strengthening PPD through: (i) the establishment of the PPD platform, ii) the provision of technical advisory services to carry out analysis to build consensus on proposed priority reforms and improve the business environment, (iii) capacity building for the different stakeholders of the PPD, and (iv) provision of technical advisory services to strengthen the capacity of a Secretariat Permanent of the CPI.

B. Investment Climate reform

(i) Implementation of the “Statut de l’Entrepreneur”

Formalizing the informal enterprises under the new OHADA regime for small businesses through the: (i) provision of good and technical advisory services to support the CGA in providing business development services (BDS) to eligible firms; (ii) provision of technical advisory services to the tax administration to support it in bringing informal firms under the new OHADA regime; and (iii) provision of technical advisory services and goods for a “one-stop-shop” registration system for the OHADA regime.
<table>
<thead>
<tr>
<th>&quot;Category&quot;</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (including Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods</td>
<td>513,437</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants Services</td>
<td>1,250,221</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Training and Workshop</td>
<td>211,233</td>
<td>100%</td>
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<tr>
<td>(4) Goods and services from the PDF Fund</td>
<td>452,656</td>
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<tr>
<td>(5) Operating Costs</td>
<td>1,312,401</td>
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<td>(6) Goods and consultants services for project including Training, audits and operating costs out of BPC</td>
<td>8,000,052</td>
<td>100%</td>
</tr>
<tr>
<td>(7) (a) Consultants Services under Part 2 (B) of the Project</td>
<td>2,640,000</td>
<td>100%</td>
</tr>
<tr>
<td>(b) Sub-grants</td>
<td>1,320,000</td>
<td>100% of amount disbursed</td>
</tr>
<tr>
<td>TOTAL</td>
<td>15,700,000</td>
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