I. Introduction and Context

Country Context

Benin is a coastal country with a population of 9 million people and a per capita annual income of US$750 (Atlas method, 2009). The agricultural sector accounts for 32% of the GDP and provides employment to about 70% of the workforce. Annual GDP growth averaged 4.3% between 1996 and 2006, peaked at about 5% in 2008 but retracted to 2.3% in 2009 due to the global recession. Poverty is high with one third of Beninese living below the poverty line. Benin ranks 161 out of 182 countries according to the 2009 UNDP Human Development Report. Compared to other African countries of similar size and development, Benin’s urbanization rate is rapidly increasing with nearly 45% of the population living in urban areas and half of the urban population residing in the three major cities of Cotonou, Porto Novo, and Parakou. The Environment Performance Index (EPI) benchmarks environmental sustainability performance of a country relative to other countries and ranks Benin 154 among 163 countries (Yale University, 2010) reflecting the country’s weak capacity to preserve the quality of its natural resources and ensure the well being of the population.

Benin population is growing at the rate of about 3.5% per annum. An urban transition process is well underway with people moving from the rural areas in response to difficult living conditions, search for jobs and need for basic services, to urban centers. Majority of the rural-urban migrants
are ending up in the already crowded and poorly serviced parts of urban centers, further straining the already poor services in these areas. This rapid growth is being accompanied by significant problems with respect to the disposal of solid waste; degradation of water quality; urban air pollution; building in ecologically sensitive areas that are prone to seasonal flooding and an overall degradation of environmental quality. The urbanization rate stands at 41 percent but is rapidly increasing, with an annual urban population growth rate of 5 percent. Limited infrastructure and poor access to basic services affect living conditions in many neighborhoods and constrain the ability of Benin's cities to reap the benefits of economies of scale normally linked with increased urbanization.

Benin has made important economic and political gains over the last two decades. A radical shift from a centrally-planned to a market-based economy took place in 1990 following a National Conference which marked the beginning of a new era of openness, multiparty democracy and a new constitution. The shift in focus of economic and political management of the country saw an immediate change to real GDP growing by an annual average rate of 4.4 percent during the decade of the 1990s and thereafter by 4.3 percent between 2001-2008, compared with 0.3 percent between 1986 and 1989. For an economy that is so dependent on cotton and re-export of goods cleared at its main harbor in Cotonou, the global economic & financial crisis of 2008 and thereafter led to a deceleration in growth—from 5% in 2008 to 2.7% in 2009 and an estimated 2.5% in 2010. Heavy rain falls resulting in flooding in 2010 affecting core infrastructure and services also contributed to the slowdown in the economic development of the country.

Democratic processes have been fairly well entrenched in Benin since the 1990s as regular elections both at central and local levels have been held and mostly declared “free and fair” by many observers. The latest presidential election held on March 13, 2011 was uneventful and the incumbent won a second and final mandate with 53 percent of the vote. Legislative elections were held on April 30, 2011. These elections represent the fifth presidential and sixth legislative elections since the new Constitution in 1990. The country also began holding local elections in 2002, building the foundations for decentralization. The next local elections are scheduled to be held in 2013.

Sectoral and Institutional Context
A clear shift in the 1990 Constitution was the recognition of the freedom of “territorial collectives” to administer themselves under specific conditions supervised by the central government. The role of the State was specified as ensuring “the harmonious development of territorial collectives on the basis of national solidarity, regional potentialities and interregional balance.” (Article 153 of the Constitution). While this was clear on paper and in the constitution, the operationalization of the assigned roles for the collectivities did not move forward till 1999 when a new set of laws was adopted to define the legal and institutional framework within which the decentralization process was to be organized. In all, 77 communes and 12 Administrative Regions were created.

The process of decentralization has been slow, as in many African countries. As has happened in other countries, the speed of transfer of political power to the Municipalities has been faster than transfer of fiscal power. Subsequently, two communal elections have been held (2003 and 2008) during which Councilors and Mayors have been elected through universal suffrage. However, efforts to further strengthen fiscal decentralization including development of intergovernmental fiscal transfer mechanisms have been limited. The Municipalities are politically firmly in place and running, albeit at different speeds, some (i.e. those with special status considered by the State as
engines of growth and therefore given preferential allocation of State resources and a few of the urban ones) able to discharge, with varying levels of performance, their responsibilities, others (mostly the rural and isolated ones) struggling to do so.

While Law 97-029 provides broad framework for the transfer of operational responsibilities in three areas (water management, health care and primary education) to Municipalities/Municipalities, the full spectrum of specific responsibilities envisaged to be transferred under the provisions of this Law include the following activities (some of which the Municipalities share with the national Government):

a. Planning;

b. Infrastructure development (building/maintenance of roads, street lighting);

c. Environmental management;

d. Hygiene and sanitation provision (drinking water and waste management);

e. Literacy, early childhood and primary education (building, equipment and maintenance of schools);

f. Health and social education provision (building, equipment and maintenance of public health centers); and

g. Economic services and investments management (building, equipment and maintenance of markets and abattoirs).

It must be noted that in practice, Government has sought to transfer these responsibilities step-wise, based on improvement of in the capacity of the municipalities to attract and maintain expertise to manage various aspects of the intended responsibilities (thus, the Government has granted Cotonou, Porto Novo and Parakou special status which have provided them with more functions and revenue collection responsibilities). However, this step wise approach has not been clearly regulated or clarified in specific policies, and there is a need to further specify the provisions for this transition.

In 1999, Benin adopted a National Housing and Urbanization Policy which aims to support the cities as socio-economic growth poles, and improve levels of services and infrastructure. Specific actions to support the successful implementation of this policy have been identified, including: (i) improvement of the local taxation system, (ii) delegated management of economic facilities and increased private sector involvement, (iii) labor intensive work programs emphasizing the use of local materials, (iv) delegated contract management and delivery of communal services, and (v) increased expenditures for investment and maintenance. So far the results of the implementation of these policies have not been as successful as Government would have hoped as a result of the regulatory framework implementation as well as resources availability and has therefore requested support to strengthen its improvement and implementation. Most municipalities have yet to fully apply the policy’s drive towards the use of private sector agents for carrying out some functions, for example, maintenance of infrastructure that the State had carried out for the last several years on behalf of the Municipalities.

As this stage in its decentralization efforts, GoB thus faces three interlinked challenges:

(i) Strengthening and clarifying the regulatory and implementation framework for fiscal decentralization and the functions and responsibilities of Municipalities;

(ii) Managing rapid urbanization through financing and management of urban services and infrastructure at national and municipal levels; and

(iii) Mastering the processes needed to fully involve communities in the planning, management and monitoring of Municipal services delivery systems.
(iv) Strengthen the implementation of the decentralization policy to enable the Municipalities bring governance closer to the population and improve local expenditures for service delivery.

The setting up of the Fonds d’Appui au Développement des Municipalités (FADeC), the Commission Nationale des Finances Locales (CONAFIL) and the finalization of the Politique Nationale de Décentralisation et de Déconcentration (PONADEC) were major decentralization-related developments that took place between 2008 and 2009. The policy goals of enhancing the capabilities of the municipalities to better provide services to local populations were entrenched to lend credence to the decentralization agenda of Government. So far, administrative bottlenecks, and lack of clarity for fiscal transfer mechanisms and resources have thwarted the realization of this goal.

The main system of intergovernmental fiscal transfer and transfer mechanism is detailed in Annex 3 of the Project Concept Note. Benin municipalities/communes receive and manage very low level of the national resources (only about 4.5% of country tax revenues or equivalently 0.7% of GDP). Moreover, important inequalities appear between communes, the resources of the ten poorest communes represent 5 per cent of the resources of the richest ones. In the light of the broader sectoral issues above, the project proposes to support Government to restructure and strengthen the institutional capacity of CONAFIL and roll it out as a national resources sharing and fiscal transfer mechanism to ensure that Municipalities and local governments become the main agents of services delivery to the populations under their jurisdiction.

Distribution of Total Municipal Local Revenue – 2008
Cotonou: 31%
Porto-Novo: 6%
Parakou: 5%
Abomey-Calavi: 2%
Ouidah: 2%
Lokossa: 2%
Bohicon: 2%

Source: WB PER October 2010; please note that “others” in the chart refers to secondary towns and rural local governments.

Municipalities in Benin access funds for their development through 3 types of transfers: (i) transfers from the state, (ii) own source revenues, and (iii) transfers from donor partners. Transfer from the State (which makes up over 65% of all funds available to most Municipalities) is irregular, amounts are not fully known in advance which negatively impacts the planning for development of the municipalities, and sometimes earmarked funds are not received at all till the year runs out. Own revenue collection (about 15% of all funds available to most municipalities) is not as functional as one would expect while there are huge grey areas with regard to what exactly the Municipalities can collect as taxes and what State Government should collect. Under the pretext of feeble capacity of the Municipalities, the State dominates the collection of taxes and sometimes fails to transfer these funds to the specific Municipalities. Donor partners’ transferred funds (about 20% of all funds to some Municipalities) started at a low level and have grown in the last decade. Municipality resources do not match their delegated responsibilities. Big portions of Municipalities’ budget (up to 60% for some Municipalities per annum) depend on scarce local resources and/or external donor funding. The local tax system does not allow Municipalities to mobilize sufficient financial resources to support their development needs. Intergovernmental transfer mechanisms to
Municipalities as prescribed in the National Funds for Communal/Municipal Investments (FADeC) Law (according to which municipalities are supposed to receive 15 percent of the national budget), are not fully functioning. FADeC has been so far only operated as counterpart funding requirements for weaker Municipalities with particularly large infrastructure gaps who have failed to raise their contribution towards the development projects supported by external donors.

According to a World Bank Public Expenditure Review PER (2010) significant progress has been made in financial devolution and management of municipal works in the water sector but they are lower in the areas of basic sanitation and health.

The PER states that the municipalities expend a small portion of public expenditures in Benin. Even if the resources of municipalities have steadily increased in recent years, from CFA25.3 billion francs in 2004 to CFA43.4 billion in 2009 (an average increase of 11.4 percent), it hasn’t exceeded 7.5 percent of total state revenue over that period. Although this proportion is slightly higher than other countries of the sub-region, it is well below average in English-speaking Africa, where decentralization reforms are generally more advanced. The ratio of local government revenue / total government revenue is about 4.3 percent in Mali, Burkina 5.3 percent or 4 percent in Madagascar and 6 percent in Senegal but it is 7.5 percent for Ghana, and even reaches about 20 percent in Tanzania and up to 30 percent in Uganda.

Local governments in Benin have average annual collected own-revenues of less than US$3 million (mostly from property, hotel, entertainment and some land transaction taxes). The Municipality of Cotonou’s resources account for US$2million representing about US$4 per capita. Parakou and Porto Novo, the two other larger cities, have average annual revenues of US$276,000 and US $160,000 (2010) respectively, representing less than US$2 per capita. This level of resources mobilization can be explained by several factors: (i) the taxable base is not fully understood nor do the Municipalities have appropriate record of properties, persons and businesses that ought to pay taxes (indeed, many people, businesses and property owners do not pay property taxes to the Municipalities); (ii) the lack of a detailed land and property inventory; (iii) the management of tax collection is hampered by manual, heavy, and outdated procedures and filing systems; (iv) the level of communal tax has not been revised since 1997; and (v) the absence of well resourced, predictable and structured intergovernmental transfer system. Municipalities have very low self-financing capacity. On average, close to 80 percent of the budget is spent on operating costs (almost at the ceiling imposed by the Government on the Municipalities) which leaves limited resources for investment.

The technical and financial management capacity of most Municipalities in Benin is weak. An earlier World Bank project, Second Decentralized Urban Development Project (PGUD-II) which is the precursor project to the proposed project under preparation, implemented a financial management capacity building sub-component that enabled the cities of Cotonou, Porto Novo and Parakou to strengthen their financial management capability and ensured that management systems were put in place to enable them to better deliver improved services to their populations. The other cities that benefited from this process include Abomey-Calavi, Kandi and Lokossa whose service delivery capabilities have been enhanced but still need more support. Apart from the human and technical constraints, there is the need to entrench the proper upgrading and usage of municipal procedures manual as well as formal local charts of account. With the support of PGUD-II, the local governments of Cotonou, Parakou and Porto Novo have now streamlined their usage of manuals of procedures for accounting that is based on the national accounting nomenclature. Apart from the Local Development Plan, Municipalities lack adequate programming tools that would help to prioritize their investments and maintenance programs at the city-level and plan corresponding
needs assessment and programs to sustain them in a specific period of time.

Urban infrastructure and services have been under-funded and infrastructure development has been hampered by incoherent asset management and maintenance. The level of service delivery varies considerably among urban centers. In Cotonou, the most basic services are available to about 55 percent of households within a 15 minute-walking distance. In other cities, this ratio falls to 20 percent. Maintenance of infrastructure assets is most often sporadic and not clearly regulated and managed in commune planning and management. Overall, more than a decade of lack of structured infrastructure assets maintenance has resulted in the destruction or deterioration of existing facilities that, compounded with an absence of regular investments in most Municipalities, has negatively impacted the urban areas. The absence of reliable/regularly-updated data on urban activities (infrastructure, services, municipal finance, and population) seriously handicaps sound planning and programming at the local level as well as at the national level and the project proposes to start off a process of putting an urban services data system in place.

Relationship to CAS

Benin’s new poverty reduction strategy for 2011-2015, the Stratégie de Croissance pour la Réduction de la Pauvreté (SCRP-3), retains the same strategic pillars as SCRP-2, i.e.: (i) accelerating sustainable growth and transforming the economy; (ii) development of infrastructure; (iii) reinforcement of human capital; (iv) improving the quality of governance; and (v) promoting equitable and sustainable national development. In terms of pillar on improving the quality of governance, a key priority action is the rationalization of administrative structures to clarify their roles and responsibilities on the basis of the principle of subsidiarity. In regard to the last pillar, decentralization is seen as a critical means of reducing disparities across regions and reducing poverty. This pillar also includes the development of a solid partnership with civil society organizations to increase transparency and accountability in public affairs and the provision of infrastructure services to the populace of Benin’s Municipalities.

The Country Assistance Strategy (CAS) for Benin for FY09-12 (Report No 46485 – BJ) was discussed by the Board on February 26, 2009. The CAS has three key pillars: (i) strengthening competitiveness and accelerating private sector-led growth; (ii) improving access to basic services; and (iii) promoting better governance and strengthening institutional capacities. The proposed project directly supports the second and third pillars by financing the construction of basic community infrastructure and supporting Government’s decentralization reforms and help local governments to align their development plans with community priorities, strengthen accountability and transparency in local decision making, and eventually seek to harmonize donor support around a common program.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)
The Project’s development objective is to improve urban management to increase access to urban services in targeted cities of Benin.

Key Results (From PCN)
The activities to be proposed for inclusion in the project will result in improved access to municipal infrastructure (roads, markets, drainage, toilet facilities in health centers & schools and water supply) for more than a million inhabitants across the country. As noted above, these activities will provide a steady flow of business that will strengthen the emergent local construction and
consulting industries. The proposed activities will support (a) increasing efficiency in the execution of public works, together with greater development impact of such works; (b) strengthening private sector capacity to manage contracts; and (c) increasing the capacity of municipalities and participating NGOs in planning, monitoring, and management of the facilities to be developed. Performance indicators to measure the usefulness of the proposed project to the citizenry of participating cities would include the following:
- Number of people in urban areas provided with access to all-season roads within a 500 meter range under the project;
- Additional population with access to improved sanitation facilities in educational and health institutions;
- Additional Population with access to improved market and lorry park facilities;
- Number of persons in targeted areas protected from periodic flooding;
- Number of municipalities provided with and/or (i) have mastered the production of strategic plans; and (ii) management models for revenue generating facilities and improvement in revenue collection;
- Intergovernmental Fiscal Transfer IGFT formula in place, appropriately applied by CONAFIL to transfer resources to the Municipalities and the Municipalities reporting no more issues with transfer of funds by end of project—to improve the equitable sharing, predictability and timeliness of funds transfers.

III. Preliminary Description

Concept Description

In view of the context analysis above, this project aims at supporting GoB in (i) strengthening the capacities of Benin’s municipalities in managing and implementing urban services, (ii) addressing the infrastructure gaps in Benin’s cities, (iii) strengthening and further enhancing the intergovernmental fiscal framework and thereby building the basis for a full-fledged devolution.

The proposed project comprises four components as follows:

Component A: Service delivery improvement through infrastructure rehabilitation, maintenance and expansion (Base cost: IDA US$44 million equivalent). This component will support the improvement of infrastructure service delivery through rehabilitation and expansion of urban community infrastructure in 10 urban municipalities of Benin to improve their effectiveness as economic growth poles. Demand driven sub-projects financed under the project would be taken from the existing and updated Community Development Plans of the 10 participating urban Municipalities. These projects may include among others, urban drainage systems, paved urban roads, water supply, sanitation facilities, Solid Waste Management, covered markets, lorry/articulated vehicle/car parks, safe toilets for primary and secondary schools, health centers and others. Project Beneficiary Municipalities are Cotonou, Abomey, Parakou, Porto Novo, Abomey Calavi, Lokossa, Kandi, Boichon, Nantetengu and Jugwu. These were selected using a uniform criteria that sought to identify readiness of Municipalities for inclusion in the project including: (i) community-participated, well drawn up community development plans that have priority investments identified; (ii) size of the population; (iii) Municipality revenue set aside for maintenance of existing infrastructure (averaged for the last five years); (iv) existing and working Community Development Associations (Comité du Développement de Quartier-CDQs) and SAICs; (v) local economic development activities already established and working within the commune; (vi) other development partners’ projects that the Municipalities are participants; (vii) level of
poverty; (viii) availability and qualifications of technical staff to lead the project implementation within the Municipality/commune; and (ix) location with regard to the Regional structure of the decentralization efforts and possibility of servicing these cities as growth poles for development of the country.

Component B: Municipal and Urban Management (Base cost: IDA US$6 million equivalent). This component is targeting principally the ten main cities of Benin to improve governance, municipal management, and fiscal performance through the provision of technical assistance, training, and equipment. Upfront training and management enhancement support in procurement, project management, financial management, social and environmental safeguards, monitoring and evaluation and disaster management, and others that will be identified as specific needs of the participating Municipalities once the project implementation gets underway, would be financed by the project for all participating Municipalities (may just be refresher courses for the 6 old cities which were beneficiaries of PGUD-II). This will be done towards making the cities capable of undertaking proper physical and financial audits to better inform their development planning for services delivery.

• Institutional strengthening and capacity building for municipalities—Capacity building in investment planning and programming, financial management, procurement, safeguards, monitoring and evaluation, development and maintenance of infrastructure and services: The project will improve the national approach to development through enhancing city-wide planning tools, preparation of city-level urban technical and financial audits and performance-based contractual arrangements for service delivery as a complement to local development plans in all 10 participating cities. These municipal audits would be instituted as annual exercises that would help on continuous basis to build reliable baseline information on the organization, financial structure, and investment needs of these cities and provide the basis for a coherent municipal management and investment programming in the future. Strategic planning tools including procedures for setting priorities in demand-driven sub-project choices that will be consolidated into the annual investment plans (program) to be approved by the municipal councils for implementation will be deployed to strengthen urban management in the participating Municipalities.

Furthermore, the proposed project will support the following:
(a) Acquisition of digitalized maps for three largest target cities (Cotonou, Porto Novo and Parakou) and the appropriate software to process them;
(b) Development of appropriate urban master plans for three main cities (Cotonou, Parakou and Porto Novo) and identification of priority littoral investment plan;
(c) Developing strategic sanitation plans for all 10 participating cities and identification of priority sanitation investment program for each participating city;
(d) Preparation, execution and monitoring of maintenance programs in all participating cities;
(e) Training.

In addition, the project will provide the following core areas of support, targeting weaknesses in the current fiscal transfer framework for local governments in Benin:
(a) Support to resource mobilization reforms and implementation: The project will support technical assistance (TA) and supply of equipment (software as well as some hardware) to help participating Municipalities increase communal revenues through better tax payer identification and better management of revenue-generating systems and facilities. Local resource mobilization in participating cities will be improved through studies that will identify weaknesses in their systems and will include, among others:
(b) Updating the local fiscal base: diagnostic of the taxation potential, evaluation, updating of fiscal registers and enrollment, and support to tax collection procedures to restore fiscal potential in the participating cities; including the diagnostic, preparation, and publication of a local taxation manual; and
(c) Studies and technical assistance to all participating municipalities to develop management models for revenue generating facilities such as markets, bus stations, etc. that already exist or will be built during the project’s life.

Component C: Deepening Decentralization and Intergovernmental Fiscal Transfer System (IFTS) (Base cost: IDA US$6 million equivalent). The component will support two principal areas (i) overall national reforms of the intergovernmental fiscal framework and (ii) support to strengthen the fiscal base in municipalities.

With regard to fiscal reforms, the project aims at supporting Government’s drive to further decentralize fiscal, political and social responsibilities to local governments to increase service delivery. The main focus of the component is to work with Government agencies to restructure the existing weak Intergovernmental Fiscal Transfer System IFTS including FADeC, PONADEC and CONAFIL and improve the predictability and overall functionality of the system (Annex III details the whole field of Inter Governmental Fiscal Transfers mechanism as it currently stands in Benin).

The proposed project will provide support to help GoB renew, restructure and strengthen the CONAFIL system of IG FT and enable GoB to better channel its own funds to LGs through this existing mechanism. This will be achieved through technical assistance services; including (i) reviews and analysis of the existing IFTS, (ii) support to the State and the Municipalities to develop and strengthen regulations, principles and functionality of allocations and transfers, (iii) technical assistance to CONAFIL to properly fulfill its mandate, and (iv) consultancy support to provide revision of overall policies and regulations guiding the IFTS as a whole. The objective of this support is to make the overall IFTS fully operational and based on formulae accepted by all participating Municipalities and the State.

Component D: Institutional Strengthening, Monitoring & Evaluation and Project Management (Base cost: IDA US$4 million equivalent). This component proposes to support activities aimed at strengthening: (i) implementing agencies to better support and monitor municipal development; (ii) the local private construction sector to improve its capacity to deliver quality infrastructure; and (iii) support to project management, monitoring and evaluation of project results, and targeted training for the Technical Secretariat and project implementing entity IE staff.

This proposed project is a follow on effort to scale up the PGUD-II project activities in order to enhance the impact of a project that performed very well and that established a solid basis for improved municipal management and service delivery. The Bank Team had envisaged a different tool (switch from working on “building the pipes for Governments and cities” to “building the institutions that build the pipes through systematization of the intergovernmental fiscal transfer mechanism) for bring benefits of this project to the cities of Benin. In the Team’s project preparation dialogue with Government, effort was made to shift focus from doing what was done in PGUD-II (fixing the pipes) towards a new era of urban operation for Benin (fixing the institutions that fix the pipes). However, Government recognizing the impact of PGUD-II on the cities that participated in PGUD-II (the demand from the population, the enhanced revenue generation, the better informed citizenry and communications between groups in the communities for project planning, implementation monitoring, etc) made a specific request to enhance and expand the benefits of PGUD-II to more of its large cities and then use this project to better prepare the ground
for the eventual next step in municipal development for Benin—employing Intergovernmental Fiscal Transfer (IGFT) mechanism to direct cities systems for local/municipal development. Until a well structured system for sharing of national resources between the state and local government’s was established, the GoB did not find CONAFIL (the supposed IGFT mechanism) to be transparent, usable and effective for the kinds of things the Team had dialogued with Government as the first line of order for the preparation of this project. It is envisaged that through this project more of what was done successfully in the PGUD-II project can be expanded to all large cities of Benin and ready them for the next level of urban management that will be heavily geared towards enabling the State to allow its own decentralization policy to fester better.

Specifically, the proposed operation would finance investments to improve the service delivery of the 10 participating cities and to help address a large infrastructure backlog in cities that may be benefiting for the first time from an IDA financed project. The Government-decreed project implementation committee has carried out the following activities which will support swift implementation of the expanded activities: (i) screening of cities for eligibility conducted according to the eligibility and appraisal criteria for over 20 subprojects from all the 10 participating local governments, (ii) technical, environmental impact assessment and socioeconomic studies are ongoing and requests for proposal for technical design and tender documents are being prepared and will be ready before effectiveness. Similarly, GoB is reviewing the PGUD-II ESMF and RPF in an attempt to review, revise and adapt them to the current project. These will be submitted to the Bank for clearance and then disclosed both in-country and at the InfoShop prior to appraisal.

Safeguards:
The proposed project is category B with moderate, site specific and easily manageable potential environmental and social impacts. Two safeguards policies are triggered with respect to activities/investments associated with component A: (i) Environmental Assessment (OP/BP 4.01) and (ii) Involuntary Resettlement (OP/BP 4.12). Since the exact locations, magnitude and numbers of some of the demand-driven community infrastructure sub-projects are not known at this stage of project preparation, the appropriate safeguards instruments to prepare are an Environment and Social Management Framework (ESMF) and a Resettlement Policy Framework (RPF). The safeguards instruments of the PGUD-2: an Environmental and Social Management Framework (ESMF) and a Resettlement Policy Framework (RPF) will be reviewed, revised, updated and adapted to the present project. They will be approved and disclosed in-country and at the Infoshop prior to project appraisal. During project implementation and following the results of environmental and social screening checklist of the ESMF decisions will be made to prepare site specific EMPs, ESIAs, RAPs or ARAPs.

A comprehensive monitoring and results-oriented data collection system will be made functional following the example of the already successfully implemented M&E system for the PGUD-II operation. This will enable the project to document its detailed output/outcome and impact on community development and services delivery.

Project performance of PGUD-II to date:
As of May 25, 2012, the implementation of PGUD-II project has been brought to a successful completion. Overall, in every category of the project, achievement of set objectives have been over and above all that was promised in the project paper and the financing agreement (May 24, 2012 Implementation Status and Results report (ISR) attached). A few examples of achievements of the project include: the rehabilitation (paving and drainage) of 32.9 kilometers of urban roads is
completed (about 126% of original project target) providing to 384,000 residents better access to the
city centers (121% of end of project target); and (ii) the construction of 17.5 km of primary
drainage network, protecting more than 981,000 residents from periodic flooding (end of project
target exceeded). The Implementation Progress rating has been predominantly satisfactory through
the life of the implementation and the Project Development Objective rating has also been
satisfactory at this close-to-closure of the project. Indeed, the Project Development Objective is on
course to being achieved.

Implementation performance of PGUD-II which is the father of the current proposed project has
remained in satisfactory status and the project is likely to achieve or exceed all its objectives with no
significant shortcomings. This steady progress is attributed to the tight implementation processes
and the quality of implementation mechanism employed by the implementing entities and supported
by the Cellule de Pilotage (CPS) of the Ministry of Urban Development and Housing. The outputs
and outcomes recorded in the most recent Implementation Status and Results report (ISR) reveal
that the socio-economic and environmental impact of PGUD-II so far has been better than the
original targets. The government and municipalities have been committed to the PGUD-II project,
and have all complied with the technical covenants specified in the Financing Agreement, except
the State that is experiencing difficulties to finance its Counterpart Funding obligations after it spent
a substantial amount on measures d’accompagnement on the Takon (Porto Novo) landfill
collection. There are no outstanding or unresolved fiduciary, environmental, or social safeguards
problems. The project account has been audited for the fiscal years 2010 and 2011, and an
unqualified report has been issued for both years. Procurement is proceeding satisfactorily. IE
Monitoring and reporting are generally satisfactory. The Government and municipalities have
showed continuous commitment to the project and have complied with the covenants specified in
the Development Credit and Financing Agreement. The performance of the implementing agencies,
AGETUR and SERHAU (IE) and the Technical Secretariat has also been satisfactory.

IV. Safeguard Policies that might apply

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VI. Contact point

World Bank

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