Financing Agreement

(Ninth Poverty Reduction Support Development Policy Financing)

between

REPUBLIC OF BENIN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 10, 2014
FINANCING AGREEMENT

Agreement dated April 10, 2014, entered into between REPUBLIC OF BENIN (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, inter alia, of (a) the actions which the Recipient has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement, and (b) the Recipient’s maintenance of an 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) constitute an integral part of this Agreement.

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

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to thirteen million and one hundred thousand Special Drawing Rights (SDR 13,100,000) (variously, “Credit” and “Financing”).

2.02. The Recipient may withdraw the proceeds of the Financing in support of the Program in accordance with Section II of Schedule 1 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Payment Dates are February 15 and August 15 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is Euro.
ARTICLE III — PROGRAM

3.01. The Recipient declares its commitment to the Program and its implementation. To this end:

(a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the 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 including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

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

4.02. The Additional Event of Acceleration consists of the following, namely that any event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Association to the Recipient.

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 and twenty (120) days after the date of this Agreement.
ARTICLE VI — REPRESENTATIVE; ADDRESSES

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

6.02. The Recipient’s address is:

Ministère de l'Economie et des Finances
B.P. 302
Cotonou
République du Benin

Cable: MINFINANCES
Telex: 5009 MINFIN or Cotonou 5289 CAA
Facsimile: (229) 21 30 18 51 (229) 21 31 53 56

6.03. The Association’s Address is:

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

Cable address: INDEVAS
Telex: 248423(MCI)
Facsimile: 1-202-477-6391

Washington, D.C.
AGREED at Washington D.C., USA, as of the day and year first above written.

REPUBLIC OF BENIN

By

[Signature]

Authorized Representative
Name: John A. Obasan
Title: Minister of Economy and Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative
Name: Oussoumou Dragema
Title: Country Director
SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. **Actions under the Program**

The actions taken by the Recipient under the Program include the following:

A. **Improve Public Financial Management and Governance**

1. **Procedures for Public Procurement**

The Recipient has adopted and published detailed manuals of procedures for the Direction Nationale de Contrôle des Marchés Publics, as evidenced through a letter No. 0099-c/MEF/DC/CSPEF/SP dated January 29, 2014 signed by the Recipient’s Minister of Economy and Finance, as said manuals are published on the website: http://www.finances.bj/spip.php?article1404.

2. **Annual Evaluations of Public Procurement**

The Recipient has commenced annual evaluations of its public procurement system, as evidenced through the first evaluation report (“Rapport d’étape – Auto évaluation du système de passation des marchés publics du Bénin selon la méthodologie OCDE/DAC”) dated January 2014.

3. **Public Procurement Audits**

The Recipient has finalized the 2008, 2009 and 2010 procurement audits of selected public entities in the Recipient’s territory and published the results, as evidenced through the audit reports available to the public on the website of the Recipient’s national procurement authority (Autorité de Régulation des Marchés Publics) at http://www.armp.bj/index.php/publication/rapports-d-audits.

4. **National Anti-Corruption Authority**

The Recipient has appointed and installed the members of its National Anti-Corruption Authority, as evidenced through the Recipient’s Decree No. 2013-241 dated May 8, 2013 (Décret No. 2013-241 du 08 mai 2013 portant nomination des membres de l’Autorité Nationale de Lutte contre la Corruption) and the Letter from the President of said National Anti-Corruption Authority (No. 020/ANLC/PT/RPT/SA/14 dated January 27, 2014) confirming that said Authority has been installed.
5. **Open Data Initiative for INSAE**

The Recipient has agreed to a timetable for the implementation of an open data initiative for INSAE, as evidenced through the letter No. 013/MDAEP/DC/SP dated January 20, 2014 from the Recipient’s Minister of Development, Economic Analysis and Planning.

6. **Registry for Collateral and Leasing**

The Recipient has established the *Registre du Commerce et du Crédit Mobilier du Tribunal de Première Instance de Première Classe de Cotonou* as the sole registry for recording all collateral and leasing arrangements, as evidenced through the Recipient’s inter-ministerial regulation (*Arrêté interministériel*) No. 52 MJLDH/ MICPME/ MEF/ MDAEP/ CAB/SGM/ DLCS/ DACP dated May 24 2013.

7. **Public Private Partnership**

The Recipient has submitted to its Supreme Court a Public Private Partnership bill, as evidenced through the Recipient’s Presidency Letter No. 389/PE/CAB/SP-C dated August 26, 2013.

8. **Creation of the Agence Béninoise des Grands Travaux**

The Recipient has created its national agency for public works (*Agence Beninoise des Grands Travaux*) as evidenced through the Recipient’s Decree No. 2013-480 dated November 7, 2013.

9. **Improvement of Tax Collection**

The Recipient, through its Ministry of Economy and Finance has signed an agreement with the *Collectif des Centres de Gestion Agréés* to support the formalization of the informal sector, as evidenced through the executed copy of said agreement dated January 27, 2014.

10. **Implementation of Strategic Plan for Reform of the Agricultural Sector**

The Recipient has implemented its strategic plan for the reform of its agricultural sector by having reorganized its Ministry of Agriculture, Livestock and Fisheries as evidenced through Decree No. 2012-541 dated December 17, 2012 and by strengthening CARDER as evidenced through Decree No. 2013-137 dated March 20, 2013.

11. **Checkpoints on Essential Road Corridors**

The Recipient has taken action to regulate and consolidate checkpoints on the Cotonou-Ouagadougou and Cotonou-Niamey road corridors as evidenced through Decree No. 2013-546 dated December 24, 2013.
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. 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 SDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Single Withdrawal Tranche</td>
<td>13,100,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>13,100,000</td>
</tr>
</tbody>
</table>

C. Withdrawal Tranche Release Conditions

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

D. Deposits of Financing Amounts. Except as the Association may otherwise agree:

1. all withdrawals from the Financing Account shall be deposited by the Association into an account designated by the Recipient and acceptable to the Association; and

2. the Recipient shall ensure that upon each deposit of an amount of the Financing into this account, an equivalent amount is accounted for in the Recipient’s budget management system, in a manner acceptable to the Association.

E. Audit. The Recipient shall:

1. have the Deposit Account audited by the Recipient’s Chambre des Comptes or 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 six months after the end of the Recipient’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 Deposit Accounts and their audit as the Association shall reasonably request.
F. Excluded Expenditures.

The Recipient undertakes that the proceeds of the Financing shall not be used to finance Excluded Expenditures. If the Association determines at any time that an amount of the Financing was used to make a payment for an Excluded Expenditure, the Recipient shall, promptly upon notice from the Association, refund an amount equal to the amount of such payment to the Association. Amounts refunded to the Association upon such request shall be cancelled.

G. Closing Date. The Closing Date is December 31, 2014.
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 15 and August 15:</td>
<td></td>
</tr>
<tr>
<td>commencing August 15, 2024 to and including February 15, 2034</td>
<td>1%</td>
</tr>
<tr>
<td>commencing August 15, 2034 to and including February 15, 2054</td>
<td>2%</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 3.03(b) of the General Conditions.
APPENDIX

Section I. Definitions

1. "CARDER" means "Centres Agricoles Régionaux pour le Développement Rural", the Recipient’s regional centers for rural development as established and operating under the Recipient’s Decree No. 2013-137 dated March 20, 2013.

2. "Chambre des Comptes" means the Recipient’s chamber of accounts, a division of the Recipient’s Supreme Court responsible for discharging the functions of Auditor General under the Recipient’s constitution.

3. "Collectif des Centres de Gestion Agréés" means the association of certified management and accounting centers established and operating in accordance with the Recipient’s Law.

4. "Direction Nationale de Contrôle des Marchés Publics" means the Recipient’s national directorate for procurement control, established and operating under the Recipient’s Ministry of Economy and Finance.

5. Excluded Expenditure" means any expenditure:

(a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Association or the Bank has financed or agreed to finance, or which the Association or the Bank has financed or agreed to finance under another credit, grant or loan;

(b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Recipient:

<table>
<thead>
<tr>
<th>Group</th>
<th>Sub-group</th>
<th>Description of Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>112</td>
<td></td>
<td>Alcoholic beverages</td>
</tr>
<tr>
<td>121</td>
<td></td>
<td>Tobacco, un-manufactured, tobacco refuse</td>
</tr>
<tr>
<td>122</td>
<td></td>
<td>Tobacco, manufactured (whether or not containing tobacco substitutes)</td>
</tr>
<tr>
<td>525</td>
<td></td>
<td>Radioactive and associated materials</td>
</tr>
<tr>
<td>667</td>
<td></td>
<td>Pearls, precious and semiprecious stones, unworked or worked</td>
</tr>
<tr>
<td>718</td>
<td>718.7</td>
<td>Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors</td>
</tr>
<tr>
<td>728</td>
<td>728.43</td>
<td>Tobacco processing machinery</td>
</tr>
<tr>
<td>897</td>
<td>897.3</td>
<td>Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths’ or silversmiths’ wares (including set gems)</td>
</tr>
<tr>
<td>971</td>
<td></td>
<td>Gold, non-monetary (excluding gold ores and concentrates)</td>
</tr>
</tbody>
</table>
(c) for goods intended for a military or paramilitary purpose or for luxury consumption;

(d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party;

(e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

(f) with respect to which the Association determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or other recipient of the Financing proceeds, without the Recipient (or other such recipient) having taken timely and appropriate action satisfactory to the Association to address such practices when they occur.

6. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010 with the modifications set forth in Section II of this Appendix.

7. “INSAE” (Institut National de la Statistique et de l’Analyse Economique) means the Recipient’s national institute for statistics and economic analyses, established through Decree No. 97-168 dated April 07, 1997, as the official statistical agency of the Recipient.

8. “National Anti-Corruption Authority” (Autorité Nationale de Lutte contre la Corruption) means the Recipient’s entity in charge of anti-corruption activities established pursuant to the Recipient’s Law No. 2011-20 dated 12 October 2011.

9. “Program” means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated January 2014 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.

10. “Registre du Commerce et du Crédit Mobilier du Tribunal de Première Instance de Première Classe de Cotonou” means the Property Registry for Commerce and Credit of the Court of Cotonou.

11. “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.
Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.

2. Sections 2.04 (Designated Accounts) and 2.05 (Eligible Expenditures) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.

3. Sections 4.01 (Project Execution Generally), and 4.09 (Financial Management; Financial Statements; Audits) are deleted in their entirety, and the remaining Sections in Article IV are renumbered accordingly.

4. Paragraph (a) of Section 4.05 (renumbered as such pursuant to paragraph 3 above and relating to Use of Goods, Works and Services) is deleted in its entirety.

5. Paragraph (c) of Section 4.06 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

"Section 4.06. Plans; Documents; Records

... (c) The Recipient shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Financing until two years after the Closing Date. The Recipient shall enable the Association’s representatives to examine such records."

6. Section 4.07 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

"Section 4.07. Program Monitoring and Evaluation

... (c) The Recipient shall prepare, or cause to be prepared, and furnish to the Association not later than six months after the Closing Date, a report of such scope and in such detail as the Association shall reasonably request, on the execution of the Program, the performance by the Recipient and the Association of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Financing."

7. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

(a) The definition of the term “Eligible Expenditure” is modified to read as follows:

"Eligible Expenditure’ means any use to which the Financing is put in support of the Program, other than to finance expenditures excluded pursuant to the Financing Agreement.”
(b) The term "Financial Statements" and its definition as set forth in the Appendix are deleted in their entirety.

(c) The term "Project" is modified to read "Program" and its definition is modified to read as follows:

"'Program' means the program referred to in the Financing Agreement in support of which the Financing is made." All references to "Project" throughout these General Conditions are deemed to be references to "Program".