Financing Agreement

(First Fiscal Management and Structural Transformation Development Policy Financing)

between

REPUBLIC OF BENIN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
AGREEMENT dated as of the Signature Date 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: (i) the actions which the Recipient has already taken under the Program and which are described in Section I of Schedule I to this Agreement; and (ii) the Recipient's maintenance of an adequate macroeconomic policy framework.

The Recipient and the Association 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 grant and a credit, which are deemed as Concessional Financing for purposes of the General Conditions (collectively, "Financing") in the following amounts:

(a) an amount equivalent to thirty-six million three hundred thousand Special Drawing Rights (SDR 36,300,000) ("Grant"); and

(b) the amount of forty-four million nine hundred thousand Euros (EUR 44,900,000) ("Credit").

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 is 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plus the Basis Adjustment to the Service Charge; and (b) three-fourths of one percent (3/4 of 1%) per annum, on the Withdrawn Credit Balance.

2.04. The Payment Dates are May 15 and November 15 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 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 the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (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 ninety (90) 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 (20) years after the Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is its minister at the time responsible for finance.

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

(a) the Recipient’s address is:

Ministère de l’Economie et des Finances
B.P. 302
Cotonou
Republic of Benin; and

(b) the Recipient’s Electronic Address is:

Telex: Facsimile: E-mail:
(+229) 21-31-47-81 (+229) 21-30-42-61 mobilisation@caabenin.org
(+229) 21-31-53-56

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.

REPUBLIC OF BENIN

By

Romuald WADAGNI

Title: Ministre de l'Economie et des Finances

Date: 17 DEC 2019

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Abou B. Sack

Title: Country Representative

Date: 17 DEC 2019
SCHEDULE I
Program Actions; Availability of Financing Proceeds

Section I. Actions under the Program

A. Actions Taken Under the Program. The actions taken by the Recipient under the Program include the following:

1. To increase tax revenue, the Recipient’s President has adopted decree No. 2019-422 dated September 25, 2019, transmitting to Parliament the budget law 2020: (i) eliminating the exemptions of fees on property transactions, by re-institution of a 5% fee; (ii) increasing the excise tax rates on tobacco, alcoholic beverages, energy drinks and fruit juices; and (iii) increasing the corporate minimum tax by 0.25%.

2. To improve tax administration, the Recipient’s MEF has: (i) adopted arrêté No. 2010-C/MEF/DC/SGM/DGI/DPSE-DLC/22756619 dated July 25, 2019 which sets up certification terms for an electronic tax payment system used by companies; (ii) issued a circulaire No. 715/MEF/DC/SGM/DGI/DPSE-DLC dated August 26, 2019, which contains relevant technical specifications; and (iii) a circulaire No. 0037/MEF/DC/SGM/DGI/CSC dated January 16, 2019, that expands electronic notification and payment coverage to medium-sized businesses located in the Littoral, Atlantique and Bourgou-Alibori departments of the Recipient’s territory.

3. To improve debt management, the Recipient’s MEF has adopted an arrêté No. 2887-C/MEF/DC/CAA/371/SGG/19 dated October 9, 2019 on external borrowing, requiring the prior approval of the National Commission for Indebtedness, through the issuance of a formal opinion, on the basis of (i) a face-to-face meeting for the approval of non-concessional or commercial loans, and concessional loans greater than CFAF 67 billion; or (ii) a virtual consultation by mail for other concessional loans.

4. To improve the technical performance of SBEE, the Recipient’s Ministry of Energy, and MEF have approved a recovery plan for the electricity sector for the period 2019-2022, including policies to reduce technical and non-technical losses, through letter No. 2986-C/2019/MEF/ME/DC/SGM/CSPEF-ST/DPP/SP dated October 24, 2019.

5. To ensure the financial balance of the SBEE, the Recipient has (i) initiated a process to ensure that electricity bills are paid regularly to SBEE by public sector companies (PSEs) by signing memoranda of understanding with OGSB dated September 12, 2019, and BTI dated October 19, 2019; and (ii) approved an inter-ministerial arrêté No. 014/MPD/MEF/ME/DC/SGM/387SGG19 dated October 28, 2019, establishing a compensation mechanism under which it ensures the
periodic payment of the revenue gap arising from electricity tariffs approved by the regulator and actual tariffs to enable SBEE to achieve its financial equilibrium.

6. To promote renewable energy sources, the Recipient’s council of ministers has adopted and submitted to Parliament, through decree No. 2019-151 dated May 29, 2019, a draft Electricity Code which includes (i) a chapter on renewable energy and whose objective is to increase its share in the energy mix and; (ii) the designation of the responsible entity for its implementation.

7. To guarantee the quality of digital services, the Recipient’s council of ministers has adopted and submitted to Parliament, through decree No. 2019-151 dated May 29, 2019, a draft Electricity Code which includes (i) a chapter on renewable energy and whose objective is to increase its share in the energy mix and; (ii) the designation of the responsible entity for its implementation.

8. To develop digital infrastructure, the Recipient’s council of ministers has adopted and submitted to Parliament, through decree No. 2019-385 dated August 28, 2019, a decree creating the supervisory body for the trust service providers in accordance with the Recipient’s Code du Numérique.

9. To develop digital infrastructure, the Recipient’s council of ministers has adopted and submitted to Parliament, through decree No. 2019-385 dated August 28, 2019, a decree creating the supervisory body for the trust service providers in accordance with the Recipient’s Code du Numérique.

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 Credit Allocated (expressed in Euros)</th>
<th>Amount of the Grant Allocated (expressed in SDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Single Withdrawal Tranche</td>
<td>44,900,000</td>
<td>36,300,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>44,900,000</td>
<td>36,300,000</td>
</tr>
</tbody>
</table>

C. **Withdrawal Tranche Release Conditions**

No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied: (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"); and (ii) a dedicated account in XOF ("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 sixty (60) 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 XOF 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 the 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 (4) months after the date of the Association's request for such audit 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 December 31, 2020.
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 May 15 and November 15, commencing May 15, 2026 to and including November 15, 2057.</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

Definitions


2. "Basis Adjustment to the Service Charge" means the Association's standard basis adjustment to the Service 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.


4. "Foreign Currency Dedicated Account" means the account referred to in Part D.1(a) of Section II of Schedule I to this Agreement.


6. "Local Currency Dedicated Account" means the account referred to in Part D.1(b) of Section II of Schedule I to this Agreement.

7. "MEF" means the Recipient's ministry in charge of economy and finance, or any successor thereto.

8. "Ministry of Energy" means the Recipient's ministry in charge of energy, or any successor thereto.


14. "President" means the Recipient's head of state.

15. "Program" means the program of objectives, policies, and actions set forth or referred to in the letter dated November 6, 2019 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.

16. "SBEE" means Société Béninoise d'Energie Electrique, the Recipient's national electricity production company, established pursuant to decree 2004-098, dated March 1, 2004, or any successor decree thereto.

17. "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.

18. "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.