

## PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC25039

<b>Project Name</b>	Benin Cross Border Tourism and Competitiveness Project (P149117)
<b>Region</b>	AFRICA
<b>Country</b>	Benin
<b>Lending Instrument</b>	Investment Project Financing
<b>Project ID</b>	P149117
<b>Borrower(s)</b>	Republic of Benin
<b>Implementing Agency</b>	Ministry in Charge of Development
<b>Environmental Category</b>	A-Full Assessment
<b>Date PID Prepared/ Updated</b>	21-Apr-2015
<b>Date PID Approved/ Disclosed</b>	06-Aug-2016
<b>Estimated Date of Appraisal Completion</b>	22-Jan-2016
<b>Estimated Date of Board Approval</b>	25-Mar-2016
<b>Concept Review Decision</b>	Track II - The review did authorize the preparation to continue

### I. Introduction and Context

#### Country Context

Benin is a low income country with a per capita income of US\$805 in 2013, with output dominated by agriculture and services. Prudent macroeconomic management has delivered largely positive economic conditions in Benin in recent years. The IMF reported GDP growth of 5.6 per cent for 2013 on the back of a good harvest of cotton and growth in activity through the Port of Cotonou. Inflation was moderate at around 1 per cent.

GDP growth over the last two decades averaged four percent annually, below the Sub-Saharan Africa (SSA) average of 4.6 percent. Benin was a strong economic growth performer up to earlier 2000. But growth declined over the recent years. Such performance generated only modest increases in per capita incomes as the population grew by 3.2 percent per annum over the same period. The national economy needs to create over 100,000 additional jobs every year to absorb new labor force entrants. Yet, in spite of Benin's prudent macroeconomic management, growth has so far proven barely sufficient to keep pace with the expanding labor force and has not generated any surplus through productivity growth to translate into higher incomes at the individual level. As a result, poverty still affects one Beninese out of two and has failed to recede significantly. To accelerate

poverty reduction and reduce economic and social vulnerability, the government will need to identify and materialize more economic opportunities that deliver higher growth the government needs.

Economic output has been driven by agriculture and services, while industry has remained under-developed. The primary sector accounts for over 30 percent of GDP and provides nearly 70 percent of the country's employment. Cotton is the primary export commodity representing 25 to 40 percent of exports. The transit trade to Nigeria contributes around 20 per cent of GDP, and 25 per cent of Government revenue.

Benin's economy today is largely dependent on rents derived from Nigeria's trade policy. Building on geographic proximity (Benin's commercial capital, Cotonou, is a mere 127 km from the Nigerian commercial capital of Lagos), strong ethnic and linguistic ties and economic complementarities, Benin took advantage of policy arbitrage opportunities when Nigeria began in 2002 imposing a combination of high import tariffs (up to 50 per cent) and outright import bans on a number of important product groups. These included used cars, fabrics, new and used clothing and a wide range of meat products, poultry, rice, palm oil, and sugar. In the meantime, Nigeria continues to be an important source market for imports into Benin. As formal imports into Nigeria were severely diminished by these restrictions, Benin began to import these same goods and re-export them through informal channels to Nigeria. Benin's imports rose from US\$623 million in 2001 to US\$725 million in 2002 and US\$2,200 million in 2012, a compound average growth rate of 12.15 per cent per annum, while exports grew from US\$374 million in 2001 to US\$448 million in 2002 and US\$1,400 million in 2012, a compound average growth rate of 12.75 per cent per annum. It is also estimated that the final destination of around half of all imports arriving in the port of Cotonou is Nigeria (e.g., frozen poultry, used cars, textiles). Notable formal exports from Nigeria to Benin include construction materials, cosmetic products, beverages, and cocoa products.

The informal transit trade now provides substantial economic benefits to Benin on a national scale. The importance of the transshipment trade is also evident in Government revenue. Tax collected on transshipped goods to Nigeria was about 14 per cent of Benin's total tax revenue in 2007, or about 2.4 per cent of GDP in 2007, which underlines the high level of risk faced by Benin should Nigeria embark upon a process of reforming its trade regime. The re-export trade is also an important source of employment in Benin, both formal (port workers, freight forwarders, etc.) and informal (thousands of contract drivers who drive imported cars from the Port to other entry points to Nigeria, some, as far as Kano (in Nigeria) through Kandi in Benin).

This comes with challenges as well. This has its own toll on highways maintenance in Benin as more than the average volume of rolling stock on its highways to the north (some to Burkina Faso, Niger and Nigeria) comes with all attendant fast and deep developing potholes, vehicle breakdowns at dangerous points on the highways causing many accidents and untold deaths and others.

A development strategy grounded in the exploitation of Nigerian policy may well be welfare enhancing for large numbers of Benin's citizens, but it is a high risk approach. Firstly, rents derived from policy arbitrage are vulnerable to changes in Nigeria's trade policy and to progressive price convergence between ECOWAS member States. Liberalization of Nigeria's trading regime and more effective policing of the border could both have a severe impact very rapidly on Benin's transit trade and government revenues. Second, the Benin-Nigeria relationship is characterized by fundamental asymmetry both economic and political. Nigeria's GDP is over thirty times the size of

Benin's. According to the IMF, up to 8 per cent of the fuel sold in Benin is subsidized fuel smuggled across the border from Nigeria. The extent of Benin's reliance upon these informal inputs was made clear in 2012 when Nigeria reduced its fuel subsidy level by 50 per cent, resulting in immediate price increases that sparked an inflationary spike from 1.8 per cent to 6.5 per cent in Q1 of 2012. Given that the balance of power rests with Nigeria long-term reliance on an economic strategy likely to draw the ire of Nigerian policy makers does not appear to be in Benin's best interest. Finally, while appearing lucrative, the informal transit trade actually hampers the modernization of Benin's economy. The informality of parallel trade spills over to associated services such as transport and other support services, taking entire chunks of the national economy out of the reach of taxes and regulation, and fuelling a vicious circle of informality, distortions, and poverty. Expansion of a more 'orthodox' trade and investment relationship would be a key means of mitigating the risk inherent in the transshipment trade and would make a positive contribution to managing the bilateral relationship with Nigeria.

Diversification is addressed as a national priority in Benin's Growth and Poverty Reduction Strategy. The government of Benin's Growth and Poverty Reduction Strategy (GPRS) has identified the lack of diversification and competitiveness of the economy as one of the main causes of the slow growth recorded over the last decade. Benin GPRS provides recommendations for enhanced growth including diversification of the economy through the promotion of new export-oriented sectors. However up to now, diversification has been approached narrowly from an agricultural production perspective with limited focus on forward linkages or on competitive advantages in services (trade logistics, tourism, IT, etc.). The government will need to leverage Benin's comparative advantages to broaden the base of the economy and enhance competitiveness of high potential sectors/value chains.

### **Sectoral and Institutional Context**

The 2014 DTIS report identified (among other things) improving trade facilitation, developing a competitive services economy, as key opportunities to modernize Benin's economy and foster growth. The DTIS also suggests to explore ways in which Benin can take advantage of the proximity to the largest economy in Africa.

In line with the recommendations above, an 2014 ESW on opportunities to build the Benin- Nigeria trade and investment relationship and foster growth, conducted by the WBG, identified the following high potential and complementary possibilities providing an integrated approach to promote Benin's broad-based private sector driven development: i) transforming Benin's endogenous touristic competitive advantages into serving the growing Nigerian travel and tourism market, ii) building on tourism and trade linkages, supporting the development of high potential sectors (including agribusiness) attractive to the Nigerian market

The sections below provide a more detailed description of these opportunities to spur broad-based growth leveraging Benin's comparative advantages.

#### **The Tourism Sector**

Recognizing its comparative advantages in stability, price competitiveness, location and endogenous natural and cultural assets, the Government of Benin has designated tourism as one of the five pillars in its national strategy Benin Alafia 2025. Tourism is Benin's second largest source of foreign exchange earnings (after cotton) and the country's third largest employer (after

agriculture and commerce). For Benin, tourism can be an effective tool to diversify its economy, increase foreign direct investment and foreign exchange earnings, and build on tourism's deep value chain linkages to create inclusive employment opportunities. The Government has set up a priority action program to catalyze the sector and increase its contribution to GDP, and recently its decades-old coastal integrated resort development project - the Route Des Pêches - has become a priority project for the President.

Specifically, tourism can serve as an entry-point for export growth to Nigeria, paving the way for linkages with related industries. Tourism is seen as overcoming many factors stunting the development of Benin's traditional exports to Nigeria, such as a weak domestic production, processing and logistics base; the lack of a clear competitive advantage for goods exports and fickle Nigerian trade policies on goods. Tourism, in contrast, has a clear though undeveloped competitive advantage in its proximity to Nigeria, its pristine coastline and complementary products; and visitor exports are not subject to restrictive trade policies, and are unlikely to be in the future. Benin is well placed to serve certain niche segments attractive to the Nigerian market, which can yield results fairly quickly. At the same time, Benin has some very unique tourism assets which could position the country in the international market in a medium to long run.

### Opportunities

Benin's tourism sector remains in the 'initiation stage' as a pristine, generally undiscovered destination. The country's primary touristic assets include a compact concentration of important cultural and natural heritage: Ouidah - the global cradle of voodoo; one of Africa's most important slave routes; among the best wildlife parks in West Africa; Ganvié Africa's largest stilt-village; the Tata Somba clay-fort houses and, last but not least, an undeveloped, pristine coastline. In 2011, Benin welcomed 209,000 international visitors, with US\$187 million in foreign currency tourism receipts. Its top three source markets are Nigeria (12.2%), France (7.5%) and Togo (6.2%). The main purpose of these visits was highly skewed towards business and institutional travel, accounting for an estimated 78 per cent of visitors.

Benin's tourism advantage is, in particular, its proximity and complementarity to the growing and affluent Nigerian tourism market. Globally, South Africa and Nigeria were the only two countries in Sub-Saharan Africa to rank among the world's top 50 tourism spenders in 2009, with Nigeria ranking 39th. Nigerian outbound tourism has been growing at a rate of 12 per cent per annum in recent years and reached at least 586,000 international travelers in 2012, spending a cumulative estimate of US\$4 billion. Nigerian travelers to Benin currently make up only 4.4 per cent of this total. International experience shows that proximity and access to major source markets play a significant role in successful tourism development, and in this, Benin finds a major comparative advantage over other destinations for attracting Nigerian tourists (Such as The Gambia, Ghana and South Africa).

Nigeria has the potential to be a high-growth, high impact inbound market; and current developments in lifting access bottlenecks indicate that the timing is ripe for catalytic investments in developing this sector. The potential for continued growth in Nigerian outbound tourism is high, being the most populous nation in Africa with over 170 million inhabitants, and a middle class estimated to be at 40-50 million. The UNWTO projects Africa's intra-regional tourism arrivals to increase to 64% of all international tourist arrivals, or to over 50 million people, by 2020. Benin is well poised to capitalize on these encouraging trends and tap a greater share of the Nigerian travel

and tourism market by focusing on the following three high-value and growing markets: i) Meetings, Incentives, Conventions, and Events (MICE), ii) business trip leisure add-ons and retreats; and iii) middle class weekend family leisure tourists.

A number of recent developments are set to improve the conditions for promoting Nigerian travel to Benin, namely in easing access bottlenecks. The 10-lane Lagos-Badagry expressway with dedicated mass transit lanes and rail link is scheduled for completion in 2015 and will dramatically reduce travel time and the incidence number of checkpoints along the way. In terms of air connectivity, Arik Air is joining Asky Airlines offering frequent direct flights between Lagos and Cotonou, taking 30 minutes with an average airfare of US\$ 240 one-way.

## Challenges

Despite Benin's potential as well as its stable political and peaceful environment it has enjoyed for the last three decades or so, the lack of structuring and development of its tourism sector has caused Benin to lose out on possible benefits, as it falls behind to its competitors. Much remains to be done to enhance its sector competitiveness. Its tourism arrivals and revenues have stagnated over the past decade with an average annual visitor growth of only 2 per cent, compared to an average 15 percent growth for its neighbors and competitive set. Its tourism sector continues to underperform relative to its potential, ranking lowly at 130 out of 140 countries according to the 2013 Travel & Tourism Competitiveness Index, released annually by the World Economic Forum.

Benin's tourism sector is lagging compared to its competitive set despite having similar potential assets and an advantage in proximity to key (Nigerian) markets. When compared to this regional set, Benin has the potential to increase tourism's direct contribution to GDP by at least 30 per cent and generate an estimated 30,000 more jobs by improvements in tourism's enabling environment, infrastructure and services. Many jobs that tourism creates are considered 'quality jobs', allowing the poor to enter and move up value chains. Tourism and its related industry linkages can support from entry-level (housekeeper, artisans) through to mid-to-high level professional positions including hotel and restaurant management, marketing, communications and information technology, accounting, etc. Studies in developing countries such as India, have shown that tourism generates the highest employment per unit of investment for the skilled, the semi-skilled and the unskilled.

Benin's unmet potential is largely due to structural, budgetary and capacity constraints that continue to remain unaddressed by the Government. Its tourism-related legislative and regulatory frameworks are outdated and not well adapted to Benin's present-day situation, with laws and regulations dating more than 20 years and not observed in many areas. The sector requires urgent rehabilitation, development and management of its touristic assets and investments in vocational and management skills. Hotels, tour operators, transport providers, restaurants and guides remain of insufficient quality and diversity. Poor infrastructure, low access to water, roads, electricity and telecommunications are stunting the development of tourism clusters around important sites. The question of environmental and social sustainability of tourism development approaches remains open.

Unlocking the gap between Benin's potential and its performance requires i) Policy, institutional, and business climate reforms to remove structural bottlenecks to tourism development; ii) catalytic infrastructure investments in access and destination-specific levels; and iii) targeted private sector

development of sub-sectors and related industries to unlock tourism's job creation potential. Adequate policies, regulations and focused public investment are prerequisites to encourage the effective development of Benin's private sector. The targeted structuring of and investments in its tourism sector should aim to geographically and temporally disperse the benefits of tourism, increase local economic linkages and promote an enabling environment for private sector involvement and growth.

#### Linkages with tourism sector

##### Opportunities

Linkages with the tourism sector: The tourism sector is an amalgamation of numerous sub-sectors, with traditional tourism service providers (airlines, hotels, tour operators, restaurants, activity providers, car and bus hire companies, souvenirs) being supported by upstream industries and services such as fuel, construction, furniture, foodstuff supplies, fishing, laundry services, accounting firms, banking, marketing agencies and ICT operators.

Tourism has a multiplier effect as it generates direct and indirect economic and development benefits throughout numerous value chains. In developing countries an average of two jobs are created for each hotel room, and each job directly created in tourism can create 4.62 jobs in related areas; similarly, research in developing destinations has shown that every dollar spent on tourism can generate \$2.07 down the line. However, this depends heavily on the level of linkages between tourism and the local economy.

Increasing linkages between tourism and other sectors could have significant positive impacts on the Beninese economy. In developed economies, between 80-90 percent of gross tourism earnings stay within local economies, while in developing countries, around 50 percent of earnings can leak out to foreign economies; in African LDCs this can be as high as 85 percent. In Benin, this number is likely to be high, given the low quality and availability of local products and services. Experience shows that the greatest impediment to pro-poor benefits from tourism is not the type or size of tourism, but the way the tourism sector is structured: its approach to development, supply chains, linkages and expenditure reach. Leakages can be reduced by investing in programs to improve the quality of related industries and their linkages with the tourism sector. This can be done through improving access to finance, upgrading labor skills, improving production quality and reliability, linking buyers and suppliers and developing locally distinctive products, among other tools.

Agriculture seems a natural candidate for linkages development given the tourism industry's need for a steady supply of food products and the importance of the sector in the Beninese economy. The tourism sector is indeed an important consumer of agricultural products: fresh products (fruit and vegetables, dairies, fish, meat) represent an important share of food expenses of the sector. Moreover, hotel operators as well as their guests look for locally supplied and cost-competitive inputs. In the Gambia, for example, food and beverage comprise of half of out-of-pocket tourist expenditures; a program to strengthen links between the fruit and vegetable sector and the tourism industry raised participant household incomes by up to five times. As such, a robust tourism industry can give a boost to the agribusiness sector and with it upstream opportunities in product improvement, supply chain management and employment, and agribusiness can be critical to Government of Benin's strategy to build a competitive, self-reliant and successful Tourism sector.

Other sectors of the economy, such as manufacturing and services (construction, transportation, and other services) will also be explored. For example, in addition to processed food products the other types of manufactured goods demanded by the tourism sector are imported. Indeed from monthly purchases of stationery and guest toiletries up to furniture are imported directly or bought from local distributors. Light manufacturing could be further developed in Benin to supply the tourism sector. Ultimately, which sectors to focus on will depend on the size of the opportunity and investments needed to increase linkages with tourism.

Over the medium to long term, improved offerings and better structure of Beninese firms in the selected value chains will allow them to be more competitive and prepare them to access broader opportunities. Specifically, they will be positioned to take advantage of opportunities provided by the Beninese consumer market, but also, by proximity with the Nigerian market that Benin has failed to effectively leverage so far.

In the agribusiness sector, for example, this will help in preparing Beninese firms to stretch their supply of high potential products to the densely populated and economically prominent Nigerian southwest, and thus offer producers and processors access to a larger market and help them spread risks and make profits. Analyses over the years and, more recently, a desk research and agriculture opportunities mapping mission to Benin and Lagos in February 2014 have singled out several value chains where Benin appears to have a comparative advantage as a producer and processor of agriculture commodities and where a supply deficit exists within Nigeria's large agriculture system, especially as it pertains to its south-west quadrant. Several candidate crops and arguments in favor of their increased support for the Nigerian market include

### Challenges

**Lack of Access to critical infrastructure and services:** Storage, processing and packaging of fruits, vegetables, meats and cereals under sanitary and cost-efficient conditions necessitate investment in infrastructure and improved adherence to international norms – especially with regard to a world-class tourism industry.

**Lack of Access to Financing:** Financing is raised by West Africa companies as the single-most obstacle to investment. The financing landscape has over the past decade changed dramatically in many West African countries but not yet in Benin. Access to financing for SMEs particularly those in the agribusiness sector remains a challenge. Financial institutions often seek projects which offer a stream of foreign currency and fixed assets as collateral, such as offered by tourism projects.

**Lack of economies of scale:** supply chain to the nascent tourism sector may not provide the volume of demand to make it a game changer for Benin

### Relationship to CAS

Strategic fit with the World bank Group Country Partnership Strategy (CPS)

The strategic vision of the World Bank Group's 2013-17 Country Partnership Strategy (CPS) is to "...harness Benin's comparative advantages to spur sustainable, shared economic growth.' (The World Bank Group, March 2015). The strategy itself is built upon three pillars:

- i) A foundation pillar of 'Governance and Public Sector Capacity';
- ii) 'Sustainable Growth, Competitiveness and Employment' pillar; and

iii) ‘Access to Basic Social Services and Social Inclusion’ pillar.

The project will contribute primarily to the ‘Sustainable Growth, Competitiveness, and Employment’ pillar of the CPS. It aims to achieve this by supporting cross-border competitiveness initiatives that have the potential to strengthen the long-term economic relationship between the two countries for mutual benefit. Activities will focus around two key areas: (i) Supporting tourism-led inclusive growth in Southern Benin, ii) Enhance linkages of the tourism sector with the local economy.

Linkages with current interventions

The project would benefit from existing operations addressing the investment climate to create the foundation for businesses in the tourism sector. While Benin’s investment climate is poor, a number of development partner activities, including from the World Bank Group, are already in place to support improvements. IFC’s current investment climate project for Benin has a strong focus on improving trade logistics, aiming to streamline procedures in order to reduce the time and cost to import and export. The World Bank funded ‘Competitiveness and Integrated Growth Opportunity Project’ is supporting improvements in the delivery of commercial justice and dispute resolution, improved cross-border trade procedures, and strengthened private-public sector dialogue. Finally, the Investment Policy and Business Taxation in West Africa advisory project will help address the ineffective implementation of regional (and bilateral) trade agreements between the two countries by supporting private and public dialogue.

Additionally, the focus on the agribusiness sector (through linkages with tourism) would complement existing upstream World Bank support through the Agricultural Productivity and Diversification Project.

Higher level Objectives

The project will contribute to attainment of Government GPRS objectives which is to enhance diversification of the economy through the promotion of foreign currency generating and potential export-oriented sectors. This will reduce the vulnerability of the economy induced by high dependency on informal trade with Nigeria and cotton sector. The project will contribute to a stronger growth of the economy by supporting additional sources of growth.

## II. Proposed Development Objective(s)

### Proposed Development Objective(s) (From PCN)

The project development objective is to contribute to the expansion and enhanced competitiveness of the cross-border tourism value-chain.

### Key Results (From PCN)

#### Project Beneficiaries

Government institutions that will benefit from the project include the Agence des Grands Travaux; Agence de Développement et Promotion Touristique de la Route des Pêches; the Ministry of Commerce, Industry and SMEs; the Ministry of Tourism; the Ministry of Agriculture; and the



Ministry of Transport, Municipalities and Cities where most of the tourist assets are held, e.g. Abomey, Ouiddah, Cotonou, Porto Novo etc. Support provided will consist of: technical assistance, training & capacity building; equipment; infrastructure financing.

Medium and large companies will benefit from better quality supporting infrastructure, enhanced investment opportunities in tourism and other key value chains with strong linkages to the tourism sector (e.g. agribusiness, construction, etc.), and from support to facilitate access to finance and to strengthen in-firm innovation. Smaller firms will benefit from product enhancement and value chain linkages as well as from the positive spillovers from both anchor investors and project investments.

#### Project Level Indicators

Project development objectives will be monitored against the following indicators: i) Increase in number of SMEs in value chain in target destinations, ii) Revenue growth of SMEs in value chain in target destinations, iii) Investments by SMEs in value chain in target destinations, iv) Jobs created by SMEs in value chain in target destinations, v) Increase in number of international tourist arrivals.

### III. Preliminary Description

#### Concept Description

The proposed project will strengthen Benin's trade and investment relationship with Nigeria by supporting the competitiveness of high potential sectors/value chains, including tourism and agribusiness. Specific sectoral or spatial initiatives can both complement and accelerate substantive efforts to improve the broader investment climate, including those being implemented through the ongoing World Bank private sector development project. The mix of physical, regulatory, and value chain development initiatives to be supported under this project would provide a solid foundation for the inclusive growth of tourism and its related value chains in Benin.

The proposed project will also leverage the existing World Bank portfolio: several specific preparatory activities will be implemented through the ongoing PSD project in order to accelerate effective implementation. Examples of such activities include a visitor demand and needs assessment and a survey of Nigerian companies and their international partners which have invested in Nigeria's tourism sector, and are looking to tap further into this market and to expand regionally. A key perspective of this study will focus on 'what would it take' in terms of market opportunity, ancillary infrastructure, and the regulatory regime to increase the attractiveness of such investments. Identified constraints will be classified into "investment climate constraints", "market failures", and "infrastructure constraints" to help determine the best course of action. Linkages between tourism and other sectors of the economy will be assessed (to identify high potential value chains to be supported through the project (e.g. agribusiness, construction, etc.)). Detailed value chain analyses will identify constraints specific to each identified value chain to be addressed through the project. Beninese companies and Nigerian investors will also be surveyed to assess their appetite for direct investment in these high potential value chains in Benin.

Additionally (and as mentioned above), the focus on agribusiness would complement existing upstream World Bank support through the Agricultural Productivity and Diversification Project. The project will also benefit from existing operations addressing the investment climate (IFC's current investment climate project for Benin, World Bank funded 'Competitiveness and Integrated Growth Opportunity Project'), as well as ECOWAS-wide interventions to address the ineffective

implementation of regional (and bilateral) trade agreements affecting the two countries (Investment Policy and Business Taxation in West Africa project). Additional linkages could be built for supportive infrastructure systems in destinations selected for focus through the on-going Benin Cities Support Project that has some room to look closely at possible expansion and networking of infrastructure at specific location in support of this project.

### Proposed Project Components

Component 1: Strengthening the institutional and enabling environment for developing tourism and related value chains (US\$7m). This component aims at improving the structure, planning, development and management of the tourism sector in Benin and its related value chains.

#### Subcomponent 1.1: Strengthen policies and institutions for tourism and its related value chains

Experience shows that in order to maximize local benefits, it is not the type or size of tourism that matters as much as the way the tourism sector is structured. Consequently, Benin requires an improved institutional and regulatory frameworks for its tourism sector to function and grow in an inclusive manner. This sub-component will: i) Update, revise and strengthen tourism-related policies and regulations, most of which are over 20 years old and not adapted to its present-day tourism context, ii) cross-border travel facilitation, iii) capacity building for government officials in tourism planning and development

#### Subcomponent 1.2: Improve the public sector's structuring and development of Benin's tourism sector

This subcomponent provides technical assistance for the upgrading of systems and processes linked to the tourism sector's development, which includes i) investments in Benin's tourism statistics and information management system to better measure and evaluate impacts and markets; ii) supporting destination branding, marketing and improve travel trade linkages through research, campaigns and restructuring the MCAAT's marketing and promotion agency, and iii) improving national systems and institutions for tourism skills development.

#### Sub-Component 1.3: Support to effectively structure and implement the Route Des Pêches Integrated Coastal Tourism Project

This subcomponent will finance comprehensive analytical work to prepare the scaling-up of the Route Des Pêches project beyond the pilot phase, including the following activities: i) Improving effectiveness of the Route Des Pêches implementing agency, ii) Structuring of the Special Economic Zone for Tourism (Route Des Pêches) through technical assistance in drafting and implementing regulatory texts, and iii) Investment promotion support for the first phase of the zone.

Improving effectiveness of the Route Des Pêches implementing agency: Experience with competitiveness platforms elsewhere has underlined the importance of having an authoritative delivery team able to effectively coordinate the multi-departmental actions required for delivery. This activity will strengthen the planning and coordination capacities of the Government unit tasked to implement the Route des Pêches Programme such that it can effectively deliver the Tourism competitiveness platform program. The "Agence de Développement Touristique de la Route des pêches" (ADTRDP) is anchored at the ministry of Tourism and overseen by a board including

several ministries, local communities and few private sector representatives. The mandate of the agency is to plan, regulate and develop the Route Des Pêches Coastal Tourism Project; it is operational but is yet to produce concrete results. The agency is a good candidate to serve as delivery unit for the competitiveness platforms program and has volunteered to play this role. The project will support a gradual transformation of the ADTRDP into a more flexible, agile entity able to, develop, promote and manage the tourism competitiveness platform. Its board composition would be enlarged to include key players in the implementation of government priority projects such as the Agence Béninoise des Grands Travaux (ABGT) but also give a more prominent role to the private sector.

An ongoing options study will help identify the most adequate institutional structure (under the OHADA rules) and the required capacity building to turn ADTRDP into a well performing authority capable of managing the tourism competitiveness platform. The project will help recruit and finance costs associated with the management team of the new agency and any other aspect relating the agency capacity building.

Component 2: Catalytic infrastructure investments in key tourism destinations and related value chains (US\$28m)

The objective of this component is to finance catalytic investments in tourism destinations in order to improve the quality and variety of tourism products and services in Benin, as well as infrastructure improvements to remove roadblocks for the growth of related value chains. In order to maximise the creation of agglomeration economies in the tourism sector, infrastructure and services investments for tourism growth will be clustered geographically in the Southern Benin growth corridor, comprising of two hubs and their connecting coastline, known as the Route Des Pêches (Fisherman's Route). To this end, the project will focus investments in the following two selected areas, thus increasing synergies and maximizing resource use:

- i) The historical city of Ouidah as the cultural hub, located strategically along key touristic routes (Coastal route, slave route, Voudou cradle). These products mainly target international cultural heritage tourists, diaspora, educational groups and Nigerian heritage tourists;
- ii) Fidjrosse beachfront and environs, as the starting point for the government anchor project Route des Pêches. This product mainly targets the regional (predominantly Nigerian) family friends' leisure markets, the regional MICE (Meetings, Incentives, Conventions and Exhibitions) market as well as domestic tourists.

A number of key target products and sites have been preliminarily identified with stakeholders within each hub. Sites will require infrastructure and access upgrades in order to be transformed into products, and subsequently quality visitor experiences, while simultaneously improving residents' quality of life. Activities include i) physical investments in infrastructure, utilities and basic services (solid waste management, public areas, lighting), and ii) upgrading of sites/attractions through tourism-related infrastructure (interpretation centers, signage, site rehabilitation), and iii) sustainable product development initiatives by involving communities and enterprises in and around key tourism sites in their development and management.

The investments will be structured in a manner to maximize the private sector participation in the construction and management of infrastructure and services. The process for the participatory

identification of specific investments will begin with studies on Nigerian demand and product needs as well as destination development planning. The potential for investing in Benin's northern tourism Hub: Natitingou and the Pendjari National Park is also currently being explored.

Infrastructure investments will also be undertaken to improve the linkages to value chains related to tourism. A value chain assessment is currently being undertaken, which will identify key value chains and infrastructure needs.

### Component 3: Enterprise development for SME upgrading and expansion (US\$9m)

This component will support the upgrading and expansion SMEs in selected value chains with the aim of increasing their competitiveness. The component could include a combination of interventions including access to finance (e.g. matching grant, line of credit or refinancing scheme (in collaboration with Central Bank) for commercial banks providing financing to SMEs in the selected VCs, etc.), business incubation services (in collaboration with Infodev), access to markets, acquisition of equipment, and/or business development services depending on key priorities identified through the ongoing value chain studies.

Subcomponent 3.1: Support private sector development through programs targeting sub-sectors' constraints and increasing job creation in the tourism sector.

Benin's tourism businesses require product and service quality upgrading, diversification and targeted linkages to consumers and the Nigerian travel trade. By supporting private sector development through programs targeting sub-sector specific constraints, this component aims to unleash tourism's job creation potential in Benin. This component includes: i) the methodical and participatory identification of key sub-sectors and their constraints to growth, ii) implementation of a private sector development program in targeted sub-sectors, and iii) provision of tourism training and capacity building programs, given the critical shortage of a skilled workforce, including line-staff, management, entrepreneurs and tourism developers that has stunted the development of the industry.

### Subcomponent 3.2: Enhance linkages of the tourism sector with the local economy

The general perception in Benin is that the tourism sector has limited impact on the local economy despite an important potential for backward linkages. The objective of this component is to provide an integrated support to selected value chains to consolidate and expand backward linkages in the tourism sector. Proposed support aims to increase the competitiveness of these value chains as suppliers to the tourism industry and increase value addition in Benin. Specific value chains within the agricultural, arts and craft manufacturing, as well as services (e.g. construction) sectors will be considered in view of the future developments under the coastal integrated resort development project - the Route Des Pêches. Proposed focus on these value chains will be mainly driven by their high potential to increase jobs in the local economy. The component will address key bottlenecks along the selected value chains that could include regulatory challenges, access to finance and skills, provision of appropriate infrastructure, quality of products and linking of suppliers.

The expansion of the tourism sector and strengthening of linkages will help improve the offering of the selected VCs and allow them to be more competitive for opportunities to serve the broader local

market (e.g. food wholesaling and retaining markets) as well as take advantage of the opportunities provided by proximity with Nigeria. In that context, the project will help facilitate the access of supported products/value chains to the densely populated and economically prominent Nigerian southwest. Additionally, the sub-component will finance supplier development programs to connect the supported firms with tourism actors (hotels, restaurants, etc.).

#### Component 4: Project management (US\$6m)

The Project will be managed on a day-to-day basis through a Project Implementation Unit (PIU).

The aim of this component is to build capacity in the project coordination unit, and support project management, monitoring and evaluation. Financing to be provided for the PIU may include: equipment; consultants compensation; operating costs; organizational; monitoring and evaluation; systems development; training and communication to beneficiaries; capacity building; and technical assistance.

#### IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01	✗		
Natural Habitats OP/BP 4.04	✗		
Forests OP/BP 4.36		✗	
Pest Management OP 4.09	✗		
Physical Cultural Resources OP/BP 4.11	✗		
Indigenous Peoples OP/BP 4.10		✗	
Involuntary Resettlement OP/BP 4.12	✗		
Safety of Dams OP/BP 4.37		✗	
Projects on International Waterways OP/BP 7.50		✗	
Projects in Disputed Areas OP/BP 7.60		✗	

#### V. Financing (in USD Million)

Total Project Cost:	50.00	Total Bank Financing:	50.00
Financing Gap:	0.00		
Financing Source		Amount	
BORROWER/RECIPIENT		0.00	
International Development Association (IDA)		50.00	
Total		50.00	

#### VI. Contact point

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