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Report No: PAD1534

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF € 45.90 MILLION

(US\$50.00 MILLION EQUIVALENT)

TO THE

REPUBLIC OF BENIN

FOR A

CROSS-BORDER TOURISM AND COMPETITIVENESS PROJECT

March 4, 2016

Trade and Competitiveness Global Practice  
Africa Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective as of January 31, 2016)

Currency Unit = XOF

XOF 601 = US\$1

US\$1 = € 0.91612844

## FISCAL YEAR

January 1 – December 31

## ABBREVIATIONS AND ACRONYMS

ABGT	Beninese Agency for Major Works ( <i>Agence Béninoise des Grands Travaux</i> )
B2B	Business-to-Business
CAGAO	Collective Groups and Associations of Artisans of Ouidah
CGA	Business Development Centers ( <i>Centres de Gestion Agréés</i> )
DTIS	Diagnostic Trade and Integration Study
FNDPT	National Tourism Development and Promotion Fund ( <i>Fonds National de Développement et de Promotion du Tourisme</i> )
GUFE	Single Window for the formalisation of Enterprises ( <i>Guichet Unique de formalisation des entreprises</i> )
PCU	Project Coordination Unit
ABE	Environmental Agency of Benin ( <i>Agence Béninoise pour l'Environnement</i> )
ADTRP	Tourism Development Agency ( <i>Agence de Développement Touristique de la Route des Pêches</i> )
BCEAO	West Africa States Central Bank ( <i>Banque Centrale des Etats de l'Afrique de l'Ouest</i> )
BDS	Business Development Services
BOAD	West African Development Bank ( <i>Banque Ouest Africaine de Développement</i> )
CAA	Autonomous Sinking Fund ( <i>Caisse Autonome d'Amortissement</i> )
CBCA	Community Biodiversity Conservation Area
CESMP	Contractor Environmental and Social Management Plan
CIGOP	Competitiveness and Integrated Growth Opportunity Project
CPS	Country Partnership Strategy
CSG	Community Support Group
DA	Designated Account
DCA	Delegated Contracting Agency
EOI	Expression of Interest
ERR	Economic Rate of Return
ESIA	Environmental and Social Impact Assessment
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
FBS	Fixed Budget Selection
FM	Financial Management
GDP	Gross Domestic Product
GoB	Government of Benin
GPRS	Growth and Poverty Reduction Strategy
GRS	Grievance Redress Service
HIV	Human Immunodeficiency Virus
IDA	International Development Association
IFC	International Finance Corporation
IGF	General Inspectorate of Finance of Benin

IRR	Internal Rate of Return
IS	Implementation Support
LCS	Least Cost Selection
M&E	Monitoring and Evaluation
MCAAT	Ministry of Culture, Literacy, Crafts and Tourism ( <i>Ministère de la Culture, de l'Alphabétisation, de l'Artisanat et du Tourisme, MCAAT</i> )
MDEAP	Ministry of Development, Economic Analysis, and Prospective
MICEs	Meetings, Incentives, Conventions, and Events
MPA	Marine Protected Areas
MSMEs	Micro, Small, and Medium sized Enterprises
MTR	Mid-Term Review
NCB	National Competitive Bids
NGOs	Non-Governmental Organizations
NPV	Net Present Value
O&M	Operations and Maintenance
PAPS	Project Affected People / Persons
PC	Project Coordinator
PDO	Project Development Objective
PMP	Pest Management Plan
PMU	Project Management Unit
PP	Procurement Plan
PPD	Public- Private Dialogue
PSC	Project Steering Committee
QCBS	Quality and Cost-Based Selection
RAP	Resettlement Action Plan
RPF	Resettlement Policy Framework
RSF	Risk-Sharing Facility
SC	Strategic Committee
SMEs	Small and Medium sized Enterprises
SSS	Single Source Selection
TA	Technical Assistance
TC	Technical Committee
TIMS	Tourism Statistics and Information Management System
TOR	Terms of Reference
TSA	Tourism Satellite Account
TTL	Task Team Leader
UNDB	United Nations Development Business
WBG	World Bank Group

Regional Vice President:	Makhtar Diop
Country Director:	Pierre Laporte
Senior Global Practice Director:	Anabel Gonzalez
Practice Manager:	Jean Michel Marchat (Acting)
Task Team Leader:	Magueye Dia



**BENIN**  
**Cross-Border Tourism and Competitiveness Project (P149117)**

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## PAD DATA SHEET

*Benin*

*Cross-Border Tourism and Competitiveness Project (P149117)*

### PROJECT APPRAISAL DOCUMENT

AFRICA

Report No.: PAD1534

Basic Information			
Project ID P149117	EA Category A - Full Assessment	Team Leader(s) Magueye Dia	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints [ ]		
	Financial Intermediaries [ ]		
	Series of Projects [ ]		
Project Implementation Start Date 25-Mar-2016	Project Implementation End Date 31-Dec-2021		
Expected Effectiveness Date 25-Aug-2016	Expected Closing Date 31-Dec-2021		
Joint IFC Yes	Joint Level Complementary or Interdependent project requiring active coordination		
Acting Practice Manager/Manager Jean Michel Marchat	Senior Global Practice Director Anabel Gonzalez	Country Director Pierre Frank Laporte	Regional Vice President Makhtar Diop
Borrower: Republic of Benin			
Responsible Agency: Ministry of Development of Economy, Analysis and Planning (MDEAP)			
Contact: Telephone No.:	Mireille Guedou Madode +22921301351	Title: Email:	Chief of Staff Guedou.primature@gmail.com
Project Financing Data(in US\$, millions)			
<input type="checkbox"/> Loan	<input type="checkbox"/> IDA Grant	<input type="checkbox"/> Guarantee	
<input checked="" type="checkbox"/> Credit	<input type="checkbox"/> Grant	<input type="checkbox"/> Other	
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	
<b>Expected Disbursements (in US\$, millions)</b>						
Fiscal Year	2016	2017	2018	2019	2020	2021
Annual	200000.0	3000000.0	10000000.0	15000000.0	17000000.0	4800000.0
Cumulative	200000.0	3200000.0	13200000.0	28200000.0	45200000.0	50000000.0
<b>Institutional Data</b>						
<b>Practice Area (Lead)</b>						
Trade & Competitiveness						
<b>Contributing Practice Areas</b>						
Agriculture, Social, Urban, Rural and Resilience Global Practice						
<b>Cross Cutting Topics</b>						
[ ] Climate Change						
[ ] Fragile, Conflict & Violence						
[ X ] Gender						
[ X ] Jobs						
[ ] Public Private Partnership						
<b>Sectors / Climate Change</b>						
Sector (Maximum 5 and total % must equal 100)						
Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %		
Industry and trade	General industry and trade sector	40				
Finance	SME Finance	10				
Industry and trade	Agro-industry, marketing, and trade	15				
Transportation	Urban Transportation	22				
Water, Sanitation and Flood Protection	General water, sanitation and flood protection sector	13				
Total		100				
<input checked="" type="checkbox"/> I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.						
<b>Themes</b>						
Theme (Maximum 5 and total % must equal 100)						
Major theme	Theme	%				
Financial and private sector development	Other Private Sector Development	80				



Financial and private sector development	Micro, Small, and Medium Enterprise support	20
Total		100
<b>Proposed Development Objective(s)</b>		
The project development objective is to contribute to increased cross-border tourism and private sector investment in Selected Tourism Destinations and value chains, in the Recipient's territory.		
<b>Components</b>		
<b>Component Name</b>	<b>Cost (US\$, millions)</b>	
Improving Benin's Tourism Development Framework	8.00	
Tourism Destination and Product Development	23.50	
Support to MSME Upgrading, Linkages, and Expansion	10.00	
Project Management	4.50	
Contingency	4.0	
<b>Systematic Operations Risk- Rating Tool (SORT)</b>		
<b>Risk Category</b>	<b>Rating</b>	
1. Political and Governance	Substantial	
2. Macroeconomic	Moderate	
3. Sector Strategies and Policies	Substantial	
4. Technical Design of Project or Program	Moderate	
5. Institutional Capacity for Implementation and Sustainability	Substantial	
6. Fiduciary	Substantial	
7. Environment and Social	Substantial	
8. Stakeholders	Moderate	
9. Other	Moderate	
<b>OVERALL</b>	Substantial	
<b>Compliance</b>		
<b>Policy</b>		
Does the project depart from the CAS in content or in other significant respects?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Does the project require any waivers of Bank policies?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Have these been approved by Bank management?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Is approval for any policy waiver sought from the Board?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Does the project meet the Regional criteria for readiness for implementation?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
<b>Safeguard Policies Triggered by the Project</b>	<b>Yes</b>	<b>No</b>

Environmental Assessment OP/BP 4.01		X	
Natural Habitats OP/BP 4.04		X	
Forests OP/BP 4.36			X
Pest Management OP 4.09		X	
Physical Cultural Resources OP/BP 4.11		X	
Indigenous Peoples OP/BP 4.10			X
Involuntary Resettlement OP/BP 4.12		X	
Safety of Dams OP/BP 4.37			X
Projects on International Waterways OP/BP 7.50			X
Projects in Disputed Areas OP/BP 7.60			X
<b>Legal Covenants</b>			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Institutional Arrangements		26-Sept-2016	
<b>Description of Covenant</b>			
Create and install the Project Steering Committee, not later than one month after Effective Date, with functions, personnel and resources satisfactory to the Association and thereafter maintain said Project Steering Committee to be responsible for, inter alia, overall guidance and review of Project implementation progress and to support the Ministry in charge of Development in the coordination among other ministries, municipal authorities, and agencies involved with Project implementation.			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Institutional Arrangements		26-Sept-2016	
<b>Description of Covenant</b>			
Create and install not later than one month after Effective Date the Project Management Unit within the administrative structure of the Ministry in charge of Development, under the leadership of a Project coordinator and with functions, staff and resources satisfactory to the Association, and thereafter maintain, throughout the implementation of the Project said Project Management Unit to be responsible for, inter alia: (i) acting as technical secretariat for the Project Steering Committee; (ii) preparing Project activity; and (iii) overall Project implementation coordination by: (a) monitoring and evaluating the work performed by the Grant Facility and Challenge Fund Program Manager and the Participating Banks; (b) preparing consolidated technical and financial Project reports; and (c) ensuring that the lessons and skills derived from Project implementation are disseminated to the ministries involved in the project implementation.			

Name	Recurrent	Due Date	Frequency
Institutional Arrangements		28-Nov-2016	
<b>Description of Covenant</b>			
Collaborate with municipalities, agencies and relevant ministries and ensure, not later than three months after the Effective Date that the Partnership Agreements are signed in form and substance satisfactory to the Association, between the MDEAP and each of (i) the recipient's ministry in charge of tourism; (ii) the recipient's Ministry in charge of urbanization; (iii) the Recipient's Ministry in charge of culture; (iv) the recipient's Ministry in charge of employment and promotion of MSME; (v) the Recipient's municipality of Cotonou; (vi) the Recipient's municipality of Abomey-Calavi; (vii) the Recipient's municipality of Ouidah; (viii) ADTRP.			
Name	Recurrent	Due Date	Frequency
Delegated Management		28-Nov-2016	
<b>Description of Covenant</b>			
To facilitate the implementation of Subcomponents 2.4 and 3.1 of the project, the recipient shall no later than three months after the Effective Date, execute and thereafter maintain throughout the implementation of the project, the Management Agreement with the Grant Facility and Challenge Fund Program Manager in form and substance satisfactory to the Association selected in accordance with Section III (Procurement) of Schedule 2 to the Financing Agreement, pursuant to which the Grant Facility and Challenge Fund Program Manager shall be responsible for the implementation of Components 2.4 and 3.1 of the Project.			
Name	Recurrent	Due Date	Frequency
Financial Management, Financial Reports and Audits		27-Dec-2016	
<b>Description of Covenant</b>			
The recipient shall, and shall cause each of the Technical Operator and the Service Operator, to hire no later than four (4) months after the Effective Date, the external auditor in accordance with the provisions of Section III of this Schedule 2 to this Agreement.			
Name	Recurrent	Due Date	Frequency
Other Undertakings		25-Aug-2017	
<b>Description of Covenant</b>			
Not later than twelve months after the Effective Date, the Recipient shall prepare and thereafter disclose, in form and substance satisfactory to the Association, the Strategic Environmental and Social Assessment ("SESA") as a technical support instrument for ADTRP towards tourism development and the preparation of specific regulations to protect biodiversity in the Selected Tourism Destinations.			
<b>Conditions</b>			
Source Of Fund	Name	Type	
IDA	Project Implementation Manual	Effectiveness	
<b>Description of Condition</b>			
The Project Implementation Manual has been adopted in form and substance satisfactory to the Association.			

<b>Source Of Fund</b>	<b>Name</b>	<b>Type</b>
IDA	Withdrawal Conditions	Disbursement
<b>Description of Condition</b>		
No withdrawal shall be made under Category (2), until and unless the Association has received evidence satisfactory in form and substance that (i) the Risk Sharing Facility Framework Agreement and the first Counter Guarantee Agreement have been signed and (ii) the Risk Sharing Facility Manual has been adopted.		
<b>Source Of Fund</b>	<b>Name</b>	<b>Type</b>
IDA	Withdrawal Conditions	Disbursement
<b>Description of Condition</b>		
No withdrawal shall be made under Category (3), until and unless the Association has received evidence satisfactory in form and substance that (i) the first Grant Agreement has been signed and (ii) the Grant Facility and Challenge Fund Program Manual has been adopted.		

<b>Team Composition</b>				
<b>Bank Staff</b>				
<b>Name</b>	<b>Role</b>	<b>Title</b>	<b>Specialization</b>	<b>Unit</b>
Magueye Dia	Team Leader (ADM Responsible)	Senior Private Sector Development Specialist		GTCDR
Mathias Gogohounga	Procurement Specialist	Senior Procurement Specialist		GGODR
Alai Hinkati	Financial Management Specialist	Senior Health Specialist		GHNDR
Abdoul Wahabi Seini	Safeguards Specialist	Senior Social Development Specialist		GSURR
Ibrahima	Dione	Consultant		GTCDR
Alan Andrew Moody	Team Member	Lead Private Sector Development Specialist		GTCDR
Peter White	Value Chain Linkages	Consultant		CMGP6
Alex Pio	Tourism Specialist	Consultant		GTCDR
Hanneke Van Tilburg	Safeguards Advisor	Lead Social Development Specialist		GSURR
Erick Herman Abiassi	Team Member	Senior Agriculture Economist		GFADR
Hannah R. Messerli	Team Member	Senior Private Sector		GTCDR

		Development Specialist			
Louis Akakpo	Team Member	Consultant		GTCDR	
Irene Marguerite Nnomo Ayinda-Mah	Team Member	Program Assistant		GTCDR	
Kwabena Amankwah-Ayeh	Team Member	Sr. Urban Spec.		GSURR	
Lorenzo Bertolini	Team Member	Senior Private Sector Development Specialist		GTCDR	
Maiko Miyake	Team Member	Head		GTCDR	
Maman-Sani Issa	Environmental Specialist	Senior Environmental Specialist		GENDR	
Maman-Sani Issa	Safeguards Specialist	Senior Environmental Specialist		GENDR	
Pepita Hortense C. Olympio	Team Member	Program Assistant		AFMBJ	
Tanangachi Ngwira	Team Member	Operations Analyst		GTCDR	
Yannick Saleman	Team Member	Private Sector Development Specialist		GTCDR	
Taye Alemu Mengistae	Team Member	Senior Economist		GTCDR	
Blair Edward Lapres	Team Member	Private Sector Development Specialist		GTCDR	
Wilfried Tamegnon	Team Member	Investment Officer		CFGS6	
Sherif Motawe	Operations Officer	Operations Officer		CASSB	
<b>Extended Team</b>					
<b>Name</b>	<b>Title</b>	<b>Office Phone</b>	<b>Location</b>		
<b>Locations</b>					
<b>Country</b>	<b>First Administrative Division</b>	<b>Location</b>	<b>Planned</b>	<b>Actual</b>	<b>Comments</b>
Benin	Atlantique	Ouidah	X		
Benin	Atlantique	Fidjrossè-Kpota	X		
<b>Consultants (Will be disclosed in the Monthly Operational Summary)</b>					
Consultants Required?      Consultants will be required					



## I. STRATEGIC CONTEXT

### A. Country Context

1. **Benin is a low-income country with a per capita income of US\$810 in 2014 and output dominated by agriculture and services.** The primary sector accounts for over 30 percent of gross domestic product (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 percent of GDP, and 25 percent of government revenue. GDP growth over the last two decades averaged four percent annually, but began to stagnate in more recent years. GDP growth was estimated at 6.5 per cent for 2014, on the back of a good harvest of cotton and growing trade activity through the Port of Cotonou, while inflation remained moderate, well below the Central Bank of West African States (BCEAO) ceiling of three percent per year.

2. **Current economic growth has so far proven barely sufficient to keep pace with the growing working age population (annual population growth averages 3.2 percent).** The official unemployment statistics (defined as 'the population actively seeking work') is rather low at one percent, according to the World Bank. However, underemployment, defined as involuntary part-time or the employee being overqualified for the job, is high at 55.8 percent.<sup>1</sup> As a result, 43–44 percent of Beninese live below the US\$1.25 a day poverty line.<sup>2</sup>

3. **Benin's economy is largely dependent on rents derived from Nigeria's trade policy.** Building on geographic proximity, 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. As formal imports into Nigeria were severely diminished by restrictions, Benin began to import these same goods and re-export them through informal channels to Nigeria. The informal transit trade today is a significant part of Benin's economy. While there are winners from the current situation, 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 a huge portion of the national economy out of the reach of taxes and regulation and fueling a vicious cycle of informality, distortions, and poverty. The recent Diagnostic Trade and Integration Study (2015) analysis calls for the need to carefully manage the transition out of the current trade structure, to create a more competitive economy in Benin.

4. **The Benin Growth and Poverty Reduction Strategy (GPRS, 2011) recognizes the lack of re-distributional growth as a key challenge and attributes it to the lack of diversification and competitiveness of the economy.** The GPRS identifies four priority sectors to boost economic opportunities: agribusiness, textile, commerce and transport services, and tourism and handicrafts. An analysis on the Benin-Nigeria trade and investment relationship<sup>3</sup> further stressed the opportunity for broad-based private sector-driven development by transforming Benin's endogenous touristic competitive advantages into serving the growing

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<sup>1</sup> Danish Trade Union Council for International Development Cooperation. 2014. "Benin Labor Market Profile."

<sup>2</sup> Idem.

<sup>3</sup> World Bank. 2014. "Benin-Niger: Strengthening Cross-Border Trade and Investment."

Nigerian travel and tourism market. Indeed, the tourism and handicraft sector is well suited to address the twin objective of the GPRS—namely growth and redistribution. The sector offers opportunities for investment and jobs with extensive value chains, while job creation opportunities can be found at a wide range of skill levels. In India, for example, each job directly created in tourism can create 4.62 jobs in related areas, and every dollar spent on tourism can generate \$2.07 down the line<sup>4</sup>.

5. **As such, Benin finds a natural comparative advantage in tourism**, as well as an actionable entry point for creating value chain linkages especially for micro, small, and medium enterprises (MSMEs) and young entrepreneurs.<sup>5</sup> The country possesses important prerequisites for successful tourism development, including endogenous natural and cultural assets clustered around a compact coastal region and close to key potential source markets. The proximity to Nigeria is a particularly important advantage for the development of tourism in Benin. A recent analysis on the Benin-Nigeria trade and investment relationship<sup>6</sup> highlighted the opportunity for broad-based private sector driven development by transforming Benin’s endogenous touristic competitive advantages into serving the growing Nigerian travel and tourism market.

## **B. Sectoral and Institutional Context**

6. **So far, tourism is the country’s second largest source of foreign exchange earnings (after cotton)**, bringing US\$197 million in foreign currency in 2014 on a slightly increasing trend line, directly generating two point six percent of GDP, and indirectly contributing to six point five percent of GDP or US\$498 million annually.<sup>7</sup> The sector is the country’s third largest employer (after agriculture and commerce).<sup>8</sup> According to the World Economic Forum Travel and Tourism Competitiveness Report, the sector contributes to five point six percent of total employment.<sup>9</sup> In 2014, Benin welcomed 194,113 international visitors.<sup>10</sup> Its top three source markets are Nigeria (12.2 percent), France (7.5 percent), and Togo (6.2 percent). The main purpose of these visits was highly skewed toward business and institutional travel, accounting for an estimated 78 percent of visitors.

### **Opportunities**

7. **Benin’s tourism sector has three potential markets to develop simultaneously:** (a) visitors to meetings, incentives, conventions, and events (MICE) who may wish to extend the stay to explore Benin, taking advantage of the proximity of these tourism sites clustered in a compact area around the capital; (b) Nigerian middle-class leisure tourists looking for a getaway from busy city life in Lagos; and (c) tourists drawn to the unique cultural offerings of Benin,

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<sup>4</sup> IFC, 2007; Tata Consultancy Services (TCS), n.d.

<sup>5</sup> As confirmed by the Benin 2025 (the government of Benin, GoB); World Bank. 2014. Economic and Sector Work “Benin-Nigeria: Strengthening Cross-Border Trade and Investment.”; World Bank. 2015. “Value Chain Assessment for Local Economic Linkages and Tourism Enterprises in Benin.”

<sup>6</sup> Benin-Niger: Strengthening Cross-Border Trade and Investment (World Bank, 2014)

<sup>7</sup> WTTC (World Trade and Tourism Council). 2014.

<sup>8</sup> UNDP, *Republique du Benin*. 2013. *Politique Nationale du Tourisme Version Pre-Validee 2013–2025*.

<sup>9</sup> World Economic Forum. 2013. *The Travel & Tourism Competitiveness Report 2013: Benin Country/Economy Profile*.

<sup>10</sup> MCAAT. 2015. *Annuaire de Statistiques Touristiques*.



such as the city of Ouidah, which offers the global cradle of voodoo and one of Africa's most important slave routes, and Ganvié, which is Africa's largest stilt village.

8. **In particular, the opportunity to capture the growing middle-class Nigerian tourism market presents a unique opportunity**, as proximity and access to major source markets play a key role in successful tourism development. The potential for continued growth in Nigerian outbound tourism is high: with an estimated population of middle-class Nigerians at 40–50 million, it has been growing at a rate of 12 percent per year in recent years. According to the Nigerian tourism demand assessment, the target market for Benin is lower-middle-class visitors in their 30s, who stay on average 4 nights and are repeat visitors (2–6 times a year). These visitors value the physical proximity, purchasing power, safety, and natural environment. Nigerian tour operators see the highest potential in developing shopping activities, city tours, museums, and cultural tours in this order of importance.<sup>11</sup>

9. **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 links is scheduled for completion in 2016 and will dramatically reduce travel time and the incidence number of checkpoints along the way from Lagos. With regard to 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\$70 one way.

10. **A growing tourism sector would generate direct and indirect economic and development benefits across numerous value chains.** The tourism sector is an important consumer of agricultural products: fresh products (fruit and vegetables, dairies, fish, meat) represent an important share of food expenses of the sector. Based on demand studies conducted, fruits and vegetables lead the tourism establishments' procurement list, accounting for 56 percent of all foodstuffs purchased with regard to quantity. A large majority of tourists seek local commodities for their superior taste, freshness, and local origin. Tapping into this value chain opens a tremendous opportunity for much broader economic impacts. In the Gambia, for example, a program to strengthen links between the fruit and vegetable sector and the tourism industry raised participant household incomes by up to five times.

11. **Other sectors such as crafts and furniture could also benefit from a more vibrant tourism sector.** Benin's crafts consist of almost exclusively 98 percent of MSMEs. Activities are mainly geared toward supplying furniture and building components (for example, doors, windows) to hotels and restaurants, as well as handicrafts to tourists and travelers. It should be noted that while new hotels often import cheaper mass-produced furniture and building components, local products are sought by tourist-oriented hotels for aesthetic reasons and longer life span.

## Challenges

12. **Today, Benin's tourism sector is not meeting this potential.** Tourism arrivals and revenues have stagnated over the past decade with an average annual visitor growth of only two

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<sup>11</sup> Solimar International. 2015. *Analyse de la Demande du Tourisme Nigérian et l'évaluation des Besoins au Bénin. Rapport Final*. Commissioned by the PCCI. Unpublished.

per cent, compared to an average 15 percent growth for its neighbors and competitive set. In 2013, the nation had a total of 935 registered hotels, with 12,763 rooms and 30,022 beds, having a low average occupancy of 29 percent—the number is even lower for MSMEs, about 15–25 percent.<sup>12</sup> 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 if challenges are addressed.<sup>13</sup>

**13. Benin’s tourism sector difficulties are typical of the vicious cycle faced by nascent and aspiring tourism destinations.** Key challenges include: lack of (public and private) product and market development, bottlenecks to private investment stemming from the regulatory environment combined with poor compliance and performance capacity in the private sector, financing constraints, and the absence of an appropriate governance framework to support the private sector-led tourism development in the country. The compounded effect of these constraints leads to low tourist arrivals, spending and occupancy rates. The resulting low profitability maintains the underinvestment in tourism products (both physical and human assets) as well as in higher-value linkages with the broader economy (local sourcing). This in turn keeps the tourism offering overall uncompetitive and it is thereby unable to realize its potential. Benin’s tourism sector competitiveness ranks low, at 130 out of 140 countries, according to the 2013 Travel and Tourism Competitiveness Index released annually by the World Economic Forum. As a result, the country continues to suffer from the slow growth in the number of tourist arrivals and the low impact of tourism on its economy.

**14. With regard to product and market development, Benin’s main challenge is the urgent rehabilitation, development and management of its touristic assets.** Poor access to the sites is stunting the development of tourism clusters. Its tourism destinations lack visitor facilities, interpretation, and general maintenance and management that will allow them to act as visitor draws, increasing time and expenditures in the destination. Improvements in tourism sites and roads were ranked among the most critical issues to address to draw Nigerians to Benin, according to the aforementioned demand study. In addition, the issue of environmental and social sustainability of tourism development approaches remains unaddressed.

**15. The relatively low level of product and service quality achieved by Benin’s tourism-oriented firms constitutes a key constraint to the attractiveness of the sector.** The key drivers of firm underperformance include high levels of informality,<sup>14</sup> low levels of managerial and technological capabilities among MSMEs, and difficulties in accessing finance. Also, the regulatory frameworks are outdated and do not ensure the quality of offerings. As a consequence, hotels, tour operators, transport providers, restaurants, and guides remain of insufficient quality and variety. For example, in southern Benin, only seven point five percent of accommodation providers are classified, and a lengthy and complicated licensing process drives many into informality. The challenge of the service quality is further aggravated by poor skill levels and

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<sup>12</sup> Sécheresse Benin Tourism Competitiveness Study (2015)

<sup>13</sup> The total contribution of tourism to Benin’s GDP sits at 6.5 percent, lagging 1.5 percentage points behind its competitive set and 7.5 percent behind global averages. Similarly, tourism in Benin contributes to 5.6 percent of total employment, which is 1.4 percent less than its competitive set and 8.3 percent under global average. This translates into unrealized annual total GDP gains of between US\$113 and US\$567 million and unrealized employment of between 28,000 and 165,000 persons. (World Travel & Tourism Council. 2013. *Travel & Tourism Economic Impact*.)

<sup>14</sup> The informal sector accounts for between 50 percent and 80 percent of all hotel accommodations, depending on the locality.

lack of good management practices. The practice of providing professional business development services (BDS) in Benin is, in its infancy, compared to some other markets in the subregion, and employers are dissuaded from making investments in skills upgrading due to the aggressive poaching behavior among competitors, while existing public programs are largely inadequate.

16. **Access to finance is a widely shared constraint across the tourism industry and associated value chains in Benin.** On the demand side, there are concerns regarding the readiness of MSMEs to be bankable. As mentioned earlier, many private sector operators lack the minimum capacity to apply for loans—preparation of documents, business plans, necessary business acumen, and so on. Lack of formalization also makes it harder for these operators to qualify for loans. On the supply side, there are constraints in the risk appetite and capacity of financial institutions to deal with MSME loans. In Benin’s financial sector today, there may be emerging institutions that are willing to roll out financial products for MSMEs; however, these institutions feel it is still too risky and need an additional de-risking facility. At the same time, the institutions may not have the up-to-date know-how of developing and managing such financial products and need further assistance in this regard.

17. **Last but not least, limited exploitation of backward linkages and opportunities from tourism to other sectors** means that the sector’s contribution to the broader economy significantly undershoots its potential.

18. **Ultimately, bridging the gap between Benin’s tourism sector potential and its current performance requires an integrated program of actions** focusing on (a) strengthening the legal, regulatory, and institutional environment for private sector-led tourism development; (b) fostering product and market development; and (c) providing direct financial and nonfinancial support to foster investment, jobs, and growth of small and medium enterprises (SMEs) in the tourism and related sectors.

### C. Higher Level Objectives to which the Project Contributes

19. **The project will contribute to the attainment of the government’s GPRS objectives, including** the 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 the cotton sector.

20. **The project is also aligned with the priorities and objectives of Benin’s National Tourism Policy 2013–2025,** which aim to (a) increase and improve the touristic offer by upgrading sites, infrastructure, skills, and quality of services; (b) promote tourism by marketing, branding, and ecotourism development; and (c) reinforce the managerial and sectoral capacities by improving the institutional, legislative and regulatory frameworks, statistics, and sectoral financing sources.

21. **The project is a strategic fit with the World Bank Group (WBG) Country Partnership Strategy (CPS) for Benin for the period of FY13 to FY17** (Report No. 75774-BJ, discussed by the World Bank Board of Executive Directors on April 9, 2013) and contributes specifically to the ‘*Sustainable Growth, Competitiveness, and Employment*’ pillar of the CPS. It

also contributes to the WBG twin goals of poverty eradication and shared prosperity on several fronts. An impact on the eradication of extreme poverty can be expected by the creation of economic opportunities and job creation in the short, medium, and long term for members of local communities near some of the main tourist destinations. Further, the project will generate an increase in the amount of private sector investment and SME revenues in the region to the benefit of tourism enterprises and related value chains in Benin. International evidence shows that most of the cross-country and over time variation in changes in social welfare is due to changes in average incomes. Hence, the expected growth from project interventions will aid in reducing poverty and increasing the welfare of the bottom 40 percent of the population.

## II. PROJECT DEVELOPMENT OBJECTIVES

### A. PDO

22. The project development objective (PDO) is to contribute to increased cross-border tourism and private sector investment in Selected Tourism Destinations and value chains, in the Recipient's territory.

#### **Project Beneficiaries**

23. **As mentioned above, the project will contribute to the WBG twin goals of poverty eradication and shared prosperity. The project activities will primarily target the local communities and entrepreneurs near some of the main tourist destinations in the project's selected destinations.** This means the destinations selected in Benin under the project, namely, the areas of Ouidah (including Djegbadji and Zoungbodji), Cotonou, Abomey-Calavi, and any other touristic area that shall be selected in mutual agreement. These communities and MSMEs will benefit from improved infrastructure and services and expanded economic opportunities. Suppliers linked with these destinations' value chains will benefit from increased opportunities and improved products.

24. **Tourism enterprises in Benin as a whole and those in related value chains will benefit from an improved enabling environment, increased demand, and improved quality and variety of products.** 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 (for example, agribusiness, construction) 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.

25. **Tourists and visitors will benefit from an improved experience, a greater quality and variety of products, and higher satisfaction** by (a) enhanced attractions and experiences; (b) improved access through border crossings and infrastructure upgrades; (c) diversified and better tailored tourist activities; (d) improved basic and tourism-related services; (e) improved destination management; and (f) raised operating standards of tourism personnel.

26. **Government institutions** benefitting from the project will include the *Agence de Développement Touristique de la Route des Pêches* (Tourism Development Agency, ADTRP); 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, for example, Abomey, Ouidah, and Cotonou. Support provided will consist of technical assistance (TA), training, and capacity building; equipment; and infrastructure financing.

27. **Gender.** The project is likely to affect gender issues, such as the increased employment opportunities in tourism or hospitality sectors for men and women. The scale and type of opportunities will differ between men and women, which will be considered in designing the skills development activities. MSME support activities planned under Component 3 will include a focus on facilitating job creation and entrepreneurship opportunities for women.

#### **PDO Level Results Indicators**

28. PDOs will be monitored against the following indicators:

- (a) Number of tourism firms in Benin
- (b) Additional private investment by firms benefitting from project support
- (c) Number of international tourist arrivals, and share of which coming from Nigeria

### **III. PROJECT DESCRIPTION**

#### **A. Project Components**

29. **The proposed project will use a mix of physical, regulatory, and value chain development initiatives to provide a solid foundation for leveraging opportunities offered by the Nigerian market, with a special focus on selected destinations.** This means the destinations in Benin selected under the project, namely the areas of Ouidah (including Djegbadji and Zoungbodji), Cotonou, Abomey-Calavi, and any other touristic area that shall be selected in mutual agreement. The proposed investments will cover two levels of intervention: (a) the upgrading of national systems, policies, and tools for effective tourism development and (b) destination-specific spatial interventions for catalyzing tourism visitor and enterprise growth and their value chain linkages.

30. The project consists of four components:

- **Component 1:** Improving the Recipient's Tourism Development Framework (US\$8 million).
- **Component 2:** Tourism Destination and Product Development (US\$23.5 million)
- **Component 3:** Support to MSME Upgrading, Linkages, and Expansion (US\$10 million)
- **Component 4:** Project Management (US\$4.5 million)

## **Component 1: Improving the Recipient’s Tourism Development Framework (US\$8 million)**

31. This component aims at improving the investment climate to foster development of the tourism sector in Benin.

### *Subcomponent 1.1: Strengthening the Enabling Environment for Tourism Development and Enterprise Creation and Growth (US\$4 million)*

32. This subcomponent will support the identification, implementation, communication, and monitoring and evaluation (M&E) of a reform agenda through public-private consultation. Such consultation will turn into formal or informal sector-specific task forces that will serve as a platform for public-private dialogue (PPD) to prioritize the policy agenda, draft an action plan, and ensure implementation through M&E.<sup>15</sup> Licensing and certification, travel facilitation for tourists at the Benin-Nigeria border crossing, and awareness building toward MSMEs on tourism regulations compliance are some of the policy issues raised during project preparation, that will be addressed.

33. The subcomponent will also support the institutional strengthening of the ADTRP as the flagship entity for coastal tourism development in Benin. The project will provide TA for the upgrading of the agency into an agile and effective entity. Among others, feasibility studies, elaboration of key regulations, and preparation and rollout of a pilot Tourism Investment Strategy will be considered.

### *Subcomponent 1.2: Upgrading the Institutions and Programs for Skills Development in Tourism (US\$1.5 million)*

34. This subcomponent will improve tourism skills development frameworks to build capacity for public sector stakeholders and to provide training and awareness raising for communities in selected tourism destinations.

- (a) **Upgrading tourism skills development frameworks.** This includes designing and implementing a program to (i) undertake PPD to support greater cooperation between the tourism sector and training institutes to respond to industry demand and enhance the link between training and job placements; (ii) update curriculums and teaching manuals for courses on tourism and hospitality; (iii) upgrade the modules on continuing education used by the Ministry of Culture, Literacy, Crafts and Tourism (*Ministre de la Culture, de l'Alphabétisation, de l'Artisanat et du Tourisme, MCAAT*) and increase their reach; and (iv) design and implement a training of trainers program, with the aim of integrating it into the MCAAT’s regular training programs.

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<sup>15</sup> Sector-specific PPD can transform an industry as an example in the cruise tourism sector, “a PPD organized by the Izmir Chamber of Commerce in Turkey contributed to a 100-fold increase in cruise passengers visiting Izmir, from roughly 3,500 passengers in 2003 to 350,000 in 2010.”

Source: World Bank. 2011. “The survey on Public-Private Dialogue for Sector Competitiveness and Local Economic Development: Lessons from the Mediterranean Region.”

- (b) **Capacity building of public sector stakeholders.** Design and implement a capacity-building program for tourism planning, management, and development at two levels: (i) for national-level tourism practitioners (MCAAT, NTO, and so on) and (ii) for tourism destination and site management. Stakeholders could include the Ouidah tourism office, tourism destination managers, and tourism site managers such as museums, crafts markets, and cultural and natural sites.
- (c) **Training and awareness raising for communities in areas of project focus, especially Ouidah and the Route Des Pêches.** This includes the design and implementation of a program to allow communities within and around tourism sites to directly benefit from the tourism sector. This includes undertaking (i) awareness-raising workshops in communities on opportunities to integrate into the tourism value chain its advantages and mitigating the negative impacts of tourism; (ii) TA in the production and management of dossiers for the MSME support services under Component 3; and (iii) trainings on communicating and interacting with, and developing small-scale products and services for, tourists. Special focus and targeted support will be provided to women, youth, and the disabled.

*Subcomponent 1.3: Improving Marketing Processes and Tools for Selected Tourism Destination (US\$2.5 million)*

35. This subcomponent will support the following activities:

- (a) **Implementation of a marketing and promotion action plan,** including (i) developing a brand and visual identity for Benin, redesigning the official website as well as marketing and promotion collateral; (ii) developing tools for travel trade promotion (business to business) such as sales manuals, familiarization trips, trade shows, and tour operator trainings; and (iii) developing targeted marketing and promotional activities toward specific Nigerian market segments.
- (b) **Establishment and operationalization of a financially viable destination marketing entity.** This will be rolled out in three phases. First, a business plan and proposed structure for the entity will be elaborated through (i) elaboration and validation by a broad-based stakeholder dialogue of a business plan and structure for the envisioned entity. This will be followed by (ii) establishment of the legal and institutional framework for the entity. Finally, support will be given to the (iii) operationalization of the new entity if all the previous milestones are met.

**Component 2: Tourism Destination and Product Development (US\$23.5 million)**

36. The objective of this component is to support the critical elements of tourism products, destinations, and services in selected tourism destinations to break the vicious cycle of perpetuating underperformance of the tourism sector in Benin. The component will target the destination of Ouidah as the strategic starting point of a sequenced development approach. Ouidah is strategically located on the coast, with favorable transport access and linkages to potential demand (proximity to Cotonou, Nigeria, and Togo) in Benin's priority area for tourism development. Most importantly, it contains a well-diversified mix of tourism products and sites that are unique to the region, thus setting the groundwork for its sustained competitiveness. As

such, it is a natural starting point to catalyze tourism development in the area as a cultural, leisure, and ecotourism hub.

**Figure 1. Location of Ouidah**



37. The historic city of Ouidah will be supported and enhanced as the cultural hub, located strategically along key touristic routes (coastal route, slave route, voodoo cradle). The project will carry out an integrated approach to providing support to developing this destination, with investments along three main categories: (a) upgrading urban and transport infrastructure and services in its historic core, with the goals of improving livability and accessibility for residents and visitors alike; (b) creating flagship cultural and heritage products to position the destination, attract, retain, and satisfy visitors; and (c) structuring the tourism offer to improve the competitiveness and revenue generation potential of the destination all along the year.

38. The following specific investments will be covered:

*Subcomponent 2.1: Upgrading urban infrastructure and services in Ouidah’s historic core (US\$10.6 million)*

39. Activities of this subcomponent will include paving and rehabilitation of selected roads; the improvement of solid waste management in Ouidah; and the upgrading of urban infrastructure and service provision in the Zoungbodji area.

40. **In addition, Component 2 will finance activities to inform decision making for sustainable tourism development.** This includes notably (a) the development of urban planning regulations including construction and planning codes and standards specific to the area; (b) the implementation of management plans for Community Biodiversity Conservation Areas (CBCAs) and existing Marine Protected Areas (MPAs); (c) the preparation and internalization of a Strategic Environmental and Social Assessment toward tourism development of the *Route des Pêches* program including the preparation of specific regulations to protect the related biodiversity. Any resettlement compensation cost will be estimated and borne by the government during implementation through the Resettlement Action Plans (RAPs).

*Subcomponent 2.2: Creating flagship cultural and heritage products (US\$10.3 million)*



41. This will be realized through the rehabilitation of the Portuguese Fort; the upgrading of the slave route; and the creation of a complex integrating a crafts village, an interpretation center for the slave route, and a satellite tourism information center.

*Subcomponent 2.3: Structuring the tourism offer to improve the competitiveness of the selected tourism destinations (US\$2.6 million)*

42. This will be done through the improvement of the tourism events and the development of beachfront leisure areas at Djegbadji.

43. A second and important zone to bolster the MICE and shopping markets and to establish a good practice foothold in the expansion of the coastal tourism product is developing the Fidjrossè beachfront, starting from Cotonou to the west. Light investments in a small portion of the Fidjrossè beachfront area will be considered during the midterm review (MTR), subject to the resolution of potential safeguards and inclusive development issues, as well as adequate progress on the implementation of the Ouidah investments.

44. To encourage innovative, sustainable and inclusive approaches, some of the activities under subcomponents 2.1, 2.2, and 2.3 will be executed through calls for proposals that would encourage participation from NGOs, foundations, research centers and the private sector. This would be structured as a Challenge Fund that would offer matching grants, and implemented by the same firm selected competitively to manage the SME grant component (see Sub-Component 3.1.2).

45. Component 2 will also support the integration of stakeholders and communities to each of the proposed investments to create ownership over the management and maintenance of the sites. Costs for planned investments also include TA and capacity reinforcement (notably equipment) for sustainable operations and maintenance (O&M) processes.

### **Component 3: Support to MSME Upgrading, Linkages, and Expansion (US\$10 million)**

**46. This component will support tourism or tourism related MSMEs in selected tourism destinations to improve quality and linkages and foster growth of tourism related MSMEs by extending access to credit.**

47. Component objectives will be realized through the following key activities:

*Subcomponent 3.1: Improving MSME Product Quality and Linkages (US\$5 million)*

48. **This subcomponent will establish a grant facility with two windows** to extend grants (through business plan competition) in order to (a) finance BDS to improve beneficiary firm capabilities and (b) provide funding to support business plans and linkage opportunities. MSME grants through the BDS window will be available for a range of purposes, including support for basic accounting, management support, opening of bank accounts, provision of mediation services for disputes with tax authorities, assistance to prepare loan application identification of new market opportunities, efficiency and environmental studies, training programs (including those linked to activities developed under the project), implementation of technology solutions, and so on. Funding disbursed under the window will also support acquisition of critical

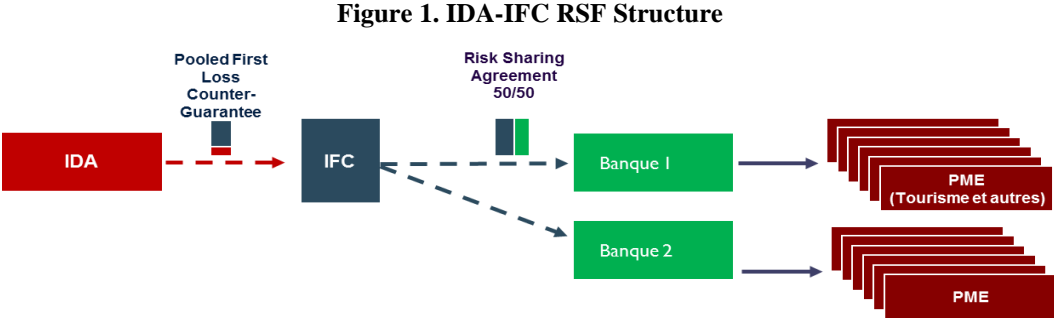
infrastructure (including equipment) and activities directly related to strengthening target value chains on a selective basis.<sup>16</sup> While firm selection will be through business plan competition with wide scope for innovation around improving Benin’s tourist offerings, some specific project priorities will also be clearly flagged to participants. For example, an important outcome for this window will be to have generated and funded innovative ideas aimed at strengthening linkages with the agricultural sector.

49. **The MSME grant program will be outsourced to a single private management firm under the supervision of the Project Management Unit (PMU).**<sup>17</sup> The operating manual will be developed (as part of the Project Implementation Manual [PIM]) to highlight the operating principles and procedures of the fund, as well as the governance and internal control mechanisms. The MSME facility is expected to target about 1,000 firms and lead to the creation of about 5,000 jobs over the course of the project.

*Subcomponent 3.2: Fostering MSME Expansion (US\$5 million)*

50. **The sub-component will (i) establish a Risk Sharing Facility in cooperation with IFC** to encourage Participating Banks to serve selected MSME by partially mitigating creditor risk through Counter Guarantees for first loss cover; and (ii) provide technical assistance to Participating Banks and MSME in order to promote the utilization of said Risk Sharing Facility.

51. **Tourism and tourism-related MSMEs’ will benefit from access to finance** by increased incentives for financial institutions to lend to and support MSMEs and to improve their own value chain lending capabilities. A joint IDA-IFC Risk-Sharing Facility (RSF) will be created to encourage private commercial banks and, potentially, other financial intermediaries to serve a new cohort of MSME clients by partially mitigating creditor risk through first-loss cover (see Figure 1). The RSF will leverage International Finance Corporation’s (IFC) strategic objectives and experience in the region to bolster MSME financing with a particular focus on agribusiness and crafts value chains.



52. **The RSF will be implemented through competitively selected commercial banks (such as a delegated contracting agency [DCA]) under the overall coordination of the PMU** and technical leadership of the appropriate ministries. Based on field assessment and discussions

<sup>16</sup> Selection will be undertaken according to predetermined criteria such as firm age (at least 3–5 years), quality of expansion plans with regard to business and jobs creation, firm viability, market potential of the firm, and potential contribution to strengthening the tourism value chain.

<sup>17</sup> It is expected that the firm will also manage the Challenge Fund supporting Component 2.

to date with candidate banks and potential anchor firms, the relevant SMEs' financing needs are estimated at about US\$45 million, which, assuming a 50/50 risk-sharing agreement, means an RSF in the size of US\$22.5 million (see Figure 1). The component's IDA-pooled first-loss contribution of US\$4 million will represent 17.8 percent of the US\$22.5 million exposure. Of Subcomponent 3.2's US\$5 million total amount, the remaining US\$1 million will be earmarked for funding TA to banks and their SME clients. It is estimated that 300 to 500 eligible SMEs

### **Risk Sharing Facility**

The Risk Sharing Facility will be implemented through IFC in accordance with the provisions of several basic documents: (a) the Risk Sharing Facility Framework Agreement (between the Association, IFC and the Recipient); (b) the Risk Sharing Facility Manual describing all the details and arrangements under the RSF (to be adopted by GoB); and (c) Partial Credit Guarantee Agreements (between the participating commercial banks and IFC). These banks will be selected competitively. In addition, GoB will entrust IFC to open and maintain on its behalf an account (the Risk Sharing Facility Account) that will receive part of the proceeds of the credit and will be used to make payments under the RSF (in accordance with the terms and conditions established in the Risk Sharing Facility Framework Agreement, the Partial Credit Guarantee Agreements and the Risk Sharing Facility Manual). If part of the funds deposited in the Risk Sharing Facility Account are not required to cover payments due under or in connection with any Partial Credit Guarantee Agreements or if there are any balances remaining after the commitments under each Partial Credit Guarantee Agreement have expired, then IFC will refund said amounts to the Association. Refunds to the Association shall be credited, prior to the Closing Date, to the Financing Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of the Financing Agreement, including the General Conditions. The signing of the Risk Sharing Facility Framework Agreement and of the first Partial Credit Guarantee Agreement as well as the adoption of the Risk Sharing Facility Manual will be a condition for disbursement.

### **Delegated Management**

For the implementation of Components 2.4 (Challenge Fund Program) and 3.1 (Grant Facility) of the Project, GoB will hire on a competitive basis a firm that will serve as Grant Facility and Challenge Fund Program Manager (GFCFPM). This will be done through the signing of a Management Agreement and the GFCFPM will be in charge of selecting beneficiaries and MSMEs under the Challenge Fund and the Grant Facility in accordance with Management Agreement, the Anti-Corruption Guidelines, the Safeguard Documents and the Grant Facility and Challenge Fund Program Manual. The signing of the first Grant Agreement (between Beneficiaries or MSMEs and the PMU)

operating in or linked to the tourism sector will benefit from RSF-supported financing.

## **Component 4: Project Management (US\$4.5 million)**

The component will provide support to an effective and efficient Project management, by:

*Subcomponent 4.1: Establishing of and support to the Project Management Unit (US\$4 million)*

53. **Activities will support the PMU** (see details in Annex 3, Implementation Arrangements) through the financing of equipment, technical assistance, operating costs, organizational budgets, M&E, systems development, training and communication, capacity building, and TA. These

activities will include support to the ministry in charge of development, the line ministry of the PMU.

*Subcomponent 4.2: Upgrading the Recipient’s Tourism Statistics Systems (US\$0.5 million)*

54. **The project plans investments in upgrading Benin’s Tourism Statistics and Information Management System (TIMS)** to set the groundwork for the implementation of tourism satellite accounts (TSAs), to provide the sector and Project with continuous and reliable data for decision making. The project will finance priority actions for its TIMS upgrading, including the provision of database systems, IT software and hardware, training, and capacity building.

**B. Project Financing**

**Project Cost and Financing**

<b>Project Components</b>	<b>Project Cost (US\$, millions)</b>	<b>IBRD or IDA Financing (US\$, millions)</b>	<b>% Financing</b>
1. Improving Benin’s Tourism Development Framework	8.0	8.0	100
2. Tourism Destination and Product Development	23.5	23.5	100
3. Support to MSME Upgrading, Linkages, and Expansion	10.0	10.0	100
4. Project Management	4.5	4.5	100
5. Unallocated (Phase 2)	4.0	4.0	100
Total Project Costs	50.0	50.0	100
Front-end Fees	0.0	0.0	
<b>Total Financing Required</b>	50.0	50.0	100

**C. Lessons Learned and Reflected in the Project Design**

55. **This project builds on the Bank’s extensive international, regional, and national experience in private sector development, tourism development, and value chain linkages, including the following (see annex 6 for more details):**

- **Tourism, if properly structured and managed, can be an effective means of holistic development**, with the ability to reduce poverty, create jobs, conserve nature and heritage, and improve livability and access to services in a durable manner.
- **A wide variety of interventions and an integrated approach are required for tourism development**, to create lasting impact. This is especially key for countries at the emerging stage of tourism development where most aspects of their tourism sector remain underdeveloped.
- **Undertaking clustered spatial investments in tourism infrastructure is critical for success.** Experience demonstrates the importance of concentrating investments to create tourism clusters, which transforms destinations into growth zones.
- **In environments with low implementing capacity, a substantial focus is required on building government capacity and systems**, as well as integrating various government ministries, given tourism’s multisectoral nature.

- **Tourism development must be a private sector-led and market-based activity.** As such, there is a critical importance to understanding the demand conditions and integrating enterprises in multiple project aspects, from enabling environment reforms to destination development. Specifically, facilitating effective PPD has been demonstrated to increase the likelihood of successful reforms and ownership in such programs.
- **It is important to plan for the diversification of a tourism sector to multiple segments early on** in a sector's development to ensure its competitiveness as it matures.

#### IV. IMPLEMENTATION

##### A. Institutional and Implementation Arrangements

56. **Implementation arrangements feature several players whose roles will be further detailed in the PIM**, the elaboration and approval of which are a condition of effectiveness. These arrangements consider capacity limitations in government and existing relevant agencies. They build on similar successful projects in Benin.

57. **Quality of implementation and readiness.** Linkages between all activities throughout the project's lifetime will ensure that all outputs are consistent and lead to an increased tourism experience in the destinations. The quality of construction and design of systems for upgrading is critical for the sustainability and success of the project. The creation of detailed project information sheets for each activity, as well as the up-front identification and elaboration of key infrastructure and works, will ensure readiness for a timely completion of works and institutionalization of systems. A sustainability checklist will be used to track the project implementation quality as well as sustainability actions by identifying gaps in every supervision and MTR.

58. **The government authorities designated the Ministry of Development, Economic Analysis, and Prospective (MDEAP) as the implementing agency of the project.** Project implementation arrangements include the following two-level project steering committee (PSC):

- (a) **Strategic committee (SC).** An SC will be established to provide overall strategic, oversight and guidance on project implementation and will review and approve work plans and budget and serve as the ultimate authority to solve potential impasses that may arise with respect to specific reforms and strategic decisions. The SC will be chaired by the MDEAP and will include (a) the minister of Tourism, the minister of Finance, the minister of Agriculture, the minister of Urbanism, the minister of Industry and Commerce, the minister of Interior, the minister of Public Works, and the minister of Environment; (b) the mayors of Cotonou, Ouidah, and Calavi; and (c) the president of the CNP and the president of the Chamber of Commerce. The SC will meet every six months.
- (b) **Technical committee (TC).** A TC will be established under the SC to supervise project implementation (for example, ensuring that implementation is in line with the objectives and scope of the project; ensuring that the annual work plan to achieve the

project objectives is within the agreed time frame and budget; and managing risks and issues that arise during the project implementation). The committee will be chaired by the permanent secretary of the Ministry of Tourism and will comprise representatives of the ministries and municipalities in the PSC and representatives of the national council of the hotel industry (*Conseil National des Industries hôtelières du Bénin*), the association of tourism operators (*Association des Opérateurs Privés Touristiques du Bénin*), the association of hotel industry professionals (*Association des Professionnels de l'Industrie Hôtelière du Bénin*), and the association of travel agents (*Association des Agences de Tourisme et Voyage*). The TC will meet on a quarterly basis and ad hoc, as needed.

59. **Project Management Unit.** The PMU will be housed in the MDEAP and will consist of dedicated and competitively recruited staff headed by a project coordinator (PC) and a procurement officer, a financial management (FM) officer, an accountant, an M&E specialist, a tourism specialist, a private sector development specialist, a civil engineer, an environmental and social expert, and support staff. The PMU will be responsible for all procurement, disbursement, accounting and FM, M&E, and reporting of project progress and for ensuring the auditing of project accounts. The PC will report to the PSC at least once every quarter on the progress achieved, highlight implementation issues and challenges, and seek guidance and direction from the PSC on project implementation. The PMU will function as the secretariat to the PSC. The PC will also report to the TC.

### **Implementation Arrangements for the Components**

60. **The PMU will work in close collaboration with the different ministries and agencies involved in the project, as well as with private sector representative bodies and other stakeholders (municipalities and so on), through designated focal points.** The focal point in each beneficiary ministry or agency will be responsible for the activity. These agencies or ministries and beneficiaries include the Ministry of Tourism; the Ministry of Employment and Promotion of SME; the Ministry of Urbanization; the *Agence de la Route des Pêches*; and the municipalities of Ouidah, Cotonou, and Abomey Calavi.

61. **The focal point will be responsible for preparation of the component annual work plan, budget, and results to be achieved, including targets;** the terms of references (TORs) for hiring TA and technical specification for goods and works to be procured under the component; participation in the procurement process, including updating the procurement plan; M&E of the component; supervision missions; and preparation of periodic reports on component implementation progress.

62. **Delegated contracting agencies (DCA).** DCA conventions could be signed by the PMU to support the implementation of Component 3. The DCA will work under the ministries or agencies responsible for Component 3 and in close coordination with the PMU.

### **B. Results Monitoring and Evaluation**

63. **The PMU, with support from the MCAAT, will be responsible for M&E of the project outcomes** against agreed indicators, as described in the Results Framework. The

project's institutional strengthening activities include supporting the MCAAT in upgrading its Tourism Information Management System (TIMS), which includes the tracking of indicators relevant to the project's success. An important issue identified early in the project design was the lack of detailed and reliable data on visitation and tourism impacts; thus, the preparatory studies, surveys, and assessments have contributed to building a knowledge base and baseline data for future monitoring, including the performance of sectoral enterprises, visitor satisfaction and expenditure, investments, and sector competitiveness.

64. **The GoB and the WBG will evaluate progress on the indicators presented in Annex 1 (Results Framework and Monitoring) through regular reporting (quarterly and annually) by the PMU and implementation support (IS) missions.** The PMU will collect and present data on project indicators and core sector indicators. The PMU will hire an M&E specialist, who will be responsible for this work and, which will be funded by Component 4 (Project Management). The M&E specialist will support the agencies involved in the project implementation in systematically recording official statistics needed to monitor the project's results framework; coordinate with the TIMS upgrading subcomponent, as well as the MCAAT and evaluation consultants, to produce frequent (quarterly and annual) reports and evaluations to assess implementation and provide feedback to adjust systems and operations, as required. **In addition to the PDO-level results indicators specified in section II, progress on each of the components will be measured by intermediate outcomes.** Indicators for these intermediate outcomes will be the WBG core sector indicators and project-specific indicators listed in annex 2. For those indicators that require new monitoring, the PMU will be responsible for gathering information, through the implementing partners.

### **Citizen Engagement in the Project Cycle**

65. **The project prioritizes the importance of stakeholder buy-in and citizen engagement, O&M of sites and infrastructure, and the continuity of systems and tools, as follows:**

- **Wide-ranging consultations with a variety of stakeholders during project preparation.** Relevant agencies have been involved throughout the conception of the project. Numerous consultative workshops have been held with communities, NGOs, local and regional governments, tourism businesses and associations, and parliament members at the national and site levels (Fidjrossè and Ouidah). An interministerial SC, comprising 15 members from both the public and private sectors, is being established to formalize these consultative mechanisms for utilization throughout the project. Consultations have been crucial in clarifying perceptions, needs, and expectations, to ensure the key issues are being tackled for strong project relevance.
- **Screening of project interventions for sustainability and relevance to country context.** Each project intervention, specifically those assisting in the setting up of new systems or construction works, is being screened on the feasibility for implementation and continuity of the activity after project completion. This includes criteria for evaluating the sustainable budget sources, O&M arrangements, and institutional responsibility (anchoring). Special care has been taken to propose interventions that are in line with the local contexts, capacities, and systems.

66. **During implementation, the dialogue will continue**, mainly through the following approaches:

- **The organization of community support groups** (CSGs) closely tied to existing community associations around the selected destinations, including women and youth. CSGs will be involved in all phases of project implementation around the targeted destinations, specifically in oversight, physical audit, and the social impact of the infrastructures that will be implemented in the project. Beneficiary feedback will be conducted through various assessments, audits, and the use of standard text messaging.
- **Heavy emphasis on building capacities, phasing of activities, and piloting of approaches.** Throughout the project, the MCAAT, the Chamber of Commerce, tourism associations, and other key stakeholders will be supported with trainings, TA, and study tours to ensure the necessary knowledge and technical expertise to pursue project implementation and operation of established systems and destinations. CSGs will benefit from capacity development and just-in-time support in participatory planning, implementation, M&E, communications strategies, organization of public meetings, mediation, complaints, and grievance and redress mechanism.

67. **A communication strategy will be put in place**, including rolling out posters and media programs and disseminating the summary of key project implementation documents, including activity planning and implementation, procurement, budgets, results, complaints, and appeals decisions.

68. **Citizen engagement will be measured through a proxy indicator** on ‘average satisfaction rating from post-workshops/meetings citizen engagement questionnaires’, which will be compiled annually.

## V. KEY RISKS

### A. Overall Risk Rating and Explanation of Key Risks

69. **The overall project risk to achievement of development objective is rated Substantial**, mainly based on the ‘Substantial’ ratings for the following five risks:

- **Political and Governance.** The current government is eager to leave, as part of its legacy, the implementation of the longstanding *Route des Pêches* program. However, following the next presidential elections (Scheduled March 2016), the newly elected government might be inclined to shift priorities and drop the *Route des Pêches* program or take measures to deter it. The WBG has been engaging in continuous dialogue with all potential stakeholders to ensure a smooth political transition with regard to the project being evaluated here, which partly covers the *Route des Pêches* area for some of its target sites. It is important to note that the *Route des Pêches* program was initiated more than 15 years ago and survived several regime changes. It is noteworthy also that the mayor of Ouidah (recipient of most of investments) belongs to the opposition.



- **Sector Strategies and Policies.** The tourism industry is inherently risky and competitive. The ‘consuming’ tourist—especially the more affluent—has a wide choice of markets. Political or social disturbance in the country of destination, or even in neighboring countries, can deter tourists from visiting. Health and safety standards and supporting services (for example, transportation, airports, and health facilities) have to be of acceptable standards as the existence of a buoyant tourism industry often drives improvements in the supporting infrastructure. This risk is being mitigated through the project’s support to improve institutional and regulatory frameworks, institutional capacity, and development of sites, strengthening targeted value chains for the tourism sector that will enable the sector to grow, with a relatively strong impact on job creation and poverty reduction.

**PPD.** Even though the dialogue between the government and the main apex business associations continues to be plagued by the aftermath of the ‘Talon affair’,<sup>18</sup> constructive discussions are happening at the sector level, which has led to increased investments. As an illustration, over the last two years, at least three important international hotel groups have decided to invest in Benin. To mitigate this risk, the project will provide support to the government to promote issues-based PPD in the tourism sector.

- **Institutional Capacity.** As reflected in many governance ratings for Benin, overall governance environment is inadequate and could affect project implementation and the achievement of the PDO. Currently, the regulatory framework governing the *Route des Pêches* program is vague, which will make it difficult to clarify the role of private sector in the development of the area. Project implementation success will require sustained government commitment as well as strengthened capacity at both the central and destination levels. To mitigate the risk, the project will establish, a strong PMU to support project management and M&E.
- **Fiduciary.** The risk stems from the relative lack of transparency and accountability. This risk will be mitigated by clearly publicizing the project’s objectives and its accountability structure at launch, with the aim of facilitating public scrutiny of delivery. The WBG will also play an active role in supporting implementation, including ensuring adherence to WBG procurement and FM procedures.
- **Environmental and Social.** The location of the investments, which spans across an ecosystem (coastal lagoon and associated mangrove vegetation), may cause a negative impact on the environment, which is expected to be from moderate to significant. This in turn may have an indirect negative impact on the support to the value chains (agribusiness, manufacturing). However, the project activities are aimed at supporting tourism development, including ecotourism, which will help protect biodiversity conservation in the densely populated area. To mitigate this risk, the project will prepare the relevant WBG safeguard documents, which will provide

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<sup>18</sup> Patrice Talon, a Beninese businessman with background in the cotton industry, had been forced into exile in 2013 following a dispute over government interference in the agricultural sector, specifically the cotton sector, and alleged embezzlement of funds from a government cotton fertilizer subsidy program and later on allegations of plotting against the president. Talon has been pardoned by the president in May 2015 and is running for the 2016 presidential elections.

guidelines and criteria for selecting the sites, taking into consideration the characteristics of the ecosystem.

70. **Other: Readiness for implementation.** Most preparatory studies (demand study, infrastructures identification, and institutional options) have been completed during project appraisal. Bidding documents for main activities (construction of infrastructures and so on) will be finalized and ready for advertisement before project effectiveness. This will mitigate the major risk that materialized in many Trade and Competitiveness projects over the last years in the Africa region.

71. **Insufficient attraction of financial institutions to the RSF** or insufficient eligibility of applicants to meet IFC credit standards. This risk, if materializing, would result in an inability to disburse project funds allocated for this component. To mitigate this risk, all remaining project funds earmarked for this component will be reallocated to other project components by midterm review.

## VI. APPRAISAL SUMMARY

### A. Economic and Financial (see details in annex 5)

72. **The rationale for public intervention to support activities proposed under this project can be explained component by component:**

- (a) Improvements in the business environment have been shown to be necessary for a long-term growth of the private sector and are mostly decided by public sector actors.
- (b) The competitiveness of tourism is also strongly influenced by the existence of certain tourism infrastructure elements (related to history, arts, natural assets, and so on) and associated services as a ‘package’ that defines the tourism destination. These elements are public or semipublic goods.
- (c) Dysfunctions both on the supply and demand sides need targeted public intervention to bring SMEs to a minimum quality standard and recreate a functioning and sustainable financial market.
- (d) Finally, capable project-level institutions need to be in place in the short term to implement the project effectively, transparently, and efficiently, while broader institutional strengthening is needed for sustainable gains in planning and execution of successful tourism development plans—and both are public goods.

73. **The value added of the WBG is that it can provide the relevant technical and financial support that neither the GoB nor other development partners can provide at the moment.** The WBG has extensive experience in supporting developing countries’ tourism development strategies, is already supporting the GoB on improving the business environment and supporting agricultural value chains, and can uniquely leverage the IFC (market conditions permitting).

74. **Cost-benefit analyses of the project were conducted according to methods and principles laid out in the Bank’s OP 10.04 for the Economic Analysis of Investment Project Financing operations.** The discount rate used is five percent and benefits are calculated up to 20

years, according to the new guidelines. In keeping with common practices, the analysis is seeking to identify all major quantifiable and non-quantifiable benefits and costs of the project as a whole and of its individual components separately, based on which the expected net present value (NPV) and economic rate of return (ERR) of the project are being estimated.

75. Table 1 shows the project costs and benefits by component and for the project as a whole. The ERR for the project is largely positive and will remain positive even with a discount rate of 10.8 percent. This is despite the fact that benefits were measured in monetary terms only for Components 2 and 3, while costs from all components were accounted for, which means that the true value of the project is being underestimated.

**Table 1. Distribution of Project Value by Component**

<b>Component</b>	<b>Cost (US\$, millions)</b>	<b>Share (%)</b>	<b>NPV (US\$, millions)</b>	<b>ERR (%)</b>
Component 1	8.0	16	(7.38)	n.a.
Component 2	23.5	47	46.81	14.6
Component 3	10.0	20	1.55	8.4
Component 4	4.5	9	(4.18)	n.a.
Contingency	4.0	8	0	n.a.
<b>Total</b>	<b>50.0</b>	<b>100</b>	<b>36.81</b>	<b>10.8</b>

*Note:* n.a. = Not Applicable.

76. The above results are robust to relatively large changes to the assumptions made about the main variables of interest. The NPV will remain positive unless the following changes are made to the original assumptions: construction costs are multiplied by more than two point five; the international tourist arrivals growth rate increases by zero point forty six percentage point less; the average length of stay for international tourists is decreased from five days to two point five days; average daily spending per international tourist is decreased from US\$134 to US\$58 (for additional arrivals generated by the project).

77. **Nonmonetary benefits of the project were identified to flow mostly from Components 1 and 4**, which aim to increase the productivity and scale of the tourism industry through improved regulations and access to skills and marketing services to operators within the industry and to enhance the government’s service provision, monitoring, and regulatory capacity in relation to the sector. While the generation of these benefits will be necessary for the success of the project, the benefits are not internal or restricted to the project or its targeted (or direct) beneficiaries as they will naturally accrue to all Beninese firms and households potentially participating in the value chain of the tourism industry and in that sense are quasi-public goods that the NPV and ERR calculations presented here do not take into account.

78. **Alternatives were considered that could have altered the economic costs and benefits of the project.** Discussions of alternative locations mainly concerned the Fidjrossè site. The solution chosen was to focus first on a site that had the least land issues in the immediate term, reducing chances of delays to project implementation while remaining close enough to Cotonou and Nigeria to attract a large number of tourists. The discussion on the sectoral focus revolved mainly around the inclusion of sectors linked to tourism and the scope and depth of support. It was decided that the strongest potential linkages of tourism to the broader economy

should be supported directly, with a sector focus on local food and crafts, while broader support to services would allow the growth of a local tourism ecosystem, to avoid the alternative of an ‘enclave’ development model with limited spillovers. Significant focus was put on infrastructure developments, given that the core of attraction for new tourists (especially but not only Nigerian) would be the improvement of the rich Beninese tourism assets and associated services.

## **B. Technical**

79. **Component 2 of the project will mainly finance investment in catalytic physical infrastructure along the *Route des Pêches* growth corridor of southern Benin** (including investment in ground work for a coastal development project of the site in a cultural ecotourism hub and a leisure and entertainment hub on either end). The combined physical public infrastructures of these investments will be identified in a master plan. Feasibility and design studies will be carried out and validated before their implementation. Procurement documents will be prepared to launch and ensure a competitive selection of firms to be contracted for work. This includes those relating to the recruitment of consultants and technical experts needed to ensure that activities are implemented in accordance with appropriate good practices and technical standards.

## **C. Financial Management**

80. The project team has assessed the FM capacity of the Project Management Unit (PMU) to be set up within the Ministry of Planning currently assumed by the premier minister’s office. The FM assessment was carried out in accordance with the Financial Management Practices Manual issued by the Financial Management Board on March 1, 2010. The objective of the assessment was to determine whether the PMU had acceptable FM capacity. A unit’s arrangements are acceptable if they are capable of recording accurately all transactions and balances, supporting the preparation of regular and reliable financial statements, and safeguarding the project’s assets and are subject to auditing arrangements acceptable to the Bank. These arrangements should be in place when project implementation starts and should be maintained as such during project implementation.

81. A request for project preparation advance has been submitted to the Bank and its financing will help set up a reliable FM system at the PMU level. The main weaknesses to be addressed include (a) the recruitment of an FM specialist and an accountant with qualifications and experience satisfactory to the Bank; (b) the setup of an adequate accounting software; and (c) the preparation and adoption of a good draft of project manual, including acceptable FM procedures, especially specific procedures applicable to the matching grants operations (under the Challenge Fund, the BDS Fund, and the business plan competition) and to the Bank Credit guarantee mechanism to be set up under the RSF.

82. To mitigate fraud and corruption risks inherent to the public sector in Benin and reinforce the governance of the project, the following actions have been incorporated into the project design: (a) the recruitment of an experienced private firm that will bring technical support and ensure adequate compliance on agreed rules for the matching grants operations (promotion of equity and transparency); (b) the conclusion of an agreement with the General Inspectorate of Finance of Benin (IGF) to include the project in its annual work program; and (c) a reasonable

sample of subgrants that will be reviewed each year by the independent financial auditor to ensure that activities were completed pursuant to the agreed procedures related to the matching grants operations and that funds were used for the purposes intended.

83. The conclusion of the FM assessment is that FM arrangements for the project are being established to satisfy the Bank's minimum requirements under OP/BP 10.00 (Investment Project Financing), after which they will be adequate to provide, with reasonable assurance, accurate and timely information on the status of the project as required by the Bank.

84. The overall FM risk rating for the project is assessed as Substantial and is expected to be moderate once the mitigation measures are implemented.

#### **D. Procurement**

85. **Procurement activities will be carried out by the MDEAP through the PMU for Components 1 and 4 and Subcomponents 2.1 and 2.2.** The PMU shall be responsible for the coordination of procurement activities under the project, including the consolidation of procurement plans and reporting.

86. IDA and the GoB have agreed to delegate all procurement responsibilities of Component part of components 2 and 3 to a DCA. An agreement will be signed between the PMU and DCA.

87. **Procurement of works, goods, and non-consulting services for the proposed project will be carried out in accordance with the Bank's 'Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers' dated January 2011 and revised in July 2014 (Procurement Guidelines) and the procurement of consultant services will be carried out in accordance with the Bank's 'Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers' dated January 2011 and revised in July 2014 (Consultant Guidelines) and the provisions stipulated in the Loan Agreement. The Bank's 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants' dated October 15, 2006, and revised in January 2011 (Anticorruption Guidelines) will apply to this project.**

88. **The risk assessment rating for the entire project was done through the Procurement Risk Assessment and Management System.** Identified risks and proposed mitigation measures are described in detail in Annex 3. The procurement risk is rated as Substantial before mitigation measures, and after mitigation measures are implemented, the residual risk will be Moderate.

#### **E. Social (including Safeguards)**

89. **Tourism development will create more opportunities for businesses to invest and will increase demand for real estate, which will cause real estate and rental values to appreciate.** The project is expected to generate positive social impacts by creating employment, building productive capital, and improving infrastructure and transport connections. The negative social impacts are expected to be limited, including some temporary inconvenience to local residents (particularly fishers along the corridors) during construction. Longer-term impacts relate to increased visitors that may enhance local communities' vulnerabilities to HIV and other

transmissible diseases and create isolate insecurity with the flux of potential migrants and business.

90. **Temporary impacts include dust, noise, limited access to the areas, and increased safety risks**, which will be addressed through the Environmental and Social Management Plans (ESMPs) to be prepared during the civil works, as well as the Environmental Management Guidelines for Contractors, both of which will be included in the Operations Manual. These impacts will likely affect residential structures in the immediate vicinity of project sites.

91. **Direct long-term impacts include traffic safety due to an increased number of visitors** since the proposed activities are linked with roads leading to sites and other existing infrastructures. The increased traffic and use of facilities may increase the community's risks of traffic accidents, which will need to be addressed with adequate safety measures.

92. **Other long-term social impacts** may be related to (a) urban gentrification of Fidjrossè and Ouidah, resulting from the increased price of goods or services as well as property values and (b) a large influx of tourists, investors, and migrants attracted by the new opportunities. The project will analyze such issues and suggest mitigation measures.

93. It is expected that the project will have potential social impacts during the implementation of investments on the ground. However, as the master technical study related to the preparation of the *Plan de Développement de Destination pour la Filière Tourisme* related to the project's overall targeted investment locations have not been finalized, including the specific investment sites, the project triggers the Bank Safeguards Policy on Involuntary Resettlement (BP/OP 4.12), which will mainly focus on (a) potential land expropriation, (b) temporary relocation, and/or (c) loss of income or productive assets during civil works on potential stakeholders (local fishers and so on) within the corridor since their activities and houses will be affected during the civil works.

94. The Resettlement Policy Framework (RPF) looks into the policy, legal, and regulatory mechanisms on how to address cases of land acquisition, loss of livelihoods, and restriction of access as a result of project activities. It also provides a coherent framework, eligibility criteria, and asset valuation methods for compensation and/or resettlement of affected people, as well as grievance mechanisms of affected persons, in case of unsatisfactory arrangements between the parties involved. The RPF is considered both as a planning and implementation framework, which includes institutional arrangements, outlining the roles and responsibilities for the various stakeholder groups involved, for screening, reviewing, and realizing investment as a result of the upcoming study. The RPF also includes provisions for capacity strengthening, to ensure that safeguard are monitored. Before any civil work, a comprehensive RAP will be prepared and submitted to the Bank for review and clearance and all related instruments will be cleared and disclosed in-country and at the Bank's InfoShop. All the relevant provisions for the RAP preparation and implementation will be reflected in the PIM.

95. **Public consultation.** Under the ecotourism activities, efforts will be made to increase community participation and involve local authorities and traditional leaders. Opportunities will be given to PAPs to raise concerns.

96. **Gender.** The project is likely to affect gender issues, such as the increased employment opportunities in tourism/hospitality sectors for men and women. The scale and type of opportunities will differ between men and women, which will be considered in designing the skills development activities. The results of such activities will be monitored using gender-disaggregated data. Improving the quality of local infrastructures, such as water supply and sewerage connections in the project area, will also have some positive direct effects on women, given their greater role in domestic work. The project will collect gender-disaggregated data to better understand and assess the role of men and women in the tourism economy and its potential impact on both. With regard to participation, the project will ensure that women are adequately represented in public consultations. In assessing the demand for tourism sites and designing the marketing activities, the project will consider different demands or expectations of male and female tourists, so as to ensure gender-balanced developments and to protect women (among both tourists and the local community).

#### **F. Environment (including Safeguards)**

97. **The GoB has prepared and disclosed the required safeguard documentation in due time.** An Environmental and Social Management Framework (ESMF), an RPF, and a Pest Management Plan (PMP) have been prepared, consulted upon (July to August 2015), approved (environmental permit of November 2015), and disclosed in-country (November 18, 2015) and at the Bank's InfoShop (November 25, 2015) before appraisal and 120 days before the Board approval date. These instruments provide specific mitigation measures along with their comprehensive implementation mechanisms. The ESMF, the RPF, and the PMP include institutional arrangements, outlining the roles and responsibilities for the various stakeholder groups involved, for screening, review, and approval of subprojects, as well as implementation and monitoring of their mitigation measures. Notwithstanding the reasonable institutional capacity to addressing project safeguard aspects adequately, given the country's track record in environmental assessment, these safeguard instruments, together, include provisions to further strengthen the capacity of the various institutions and actors involved, as well as to promote coordination and synergy among the various sectors in attending to the potential environmental and social impacts. A summary of the screening process and implementation of the safeguard measures and recommendations is provided in annex 3 (paras 35 and 36).

#### **G. Bank Grievance Redress**

98. Communities and individuals who believe that they are adversely affected by a Bank-supported project may submit complaints to existing project-level grievance redress mechanisms or the Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed to address project-related concerns. Project-affected communities and individuals may submit their complaints to the Bank's independent Inspection Panel, which determines whether harm occurred, or could occur, as a result of Bank noncompliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the Bank's attention and Bank management has been given an opportunity to respond. For information on how to submit complaints to the Bank's corporate GRS, please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

## Annex 1: Results Framework and Monitoring

**Country: Benin**

**Project Name: Benin Cross Border Tourism and Competitiveness Project (P149117)**

### Results Framework

<b>Project Development Objectives</b>								
PDO Statement								
The project development objective is to contribute to increased cross-border tourism and private sector investment in Selected Tourism Destinations and value chains, in Recipient's territory								
<b>These results are at</b>	Project Level							
<b>Project Development Objective Indicators</b>								
Indicator Name	Baseline	Cumulative Target Values						
		2016	2017	2018	2019	2020	2021	End Target
Number of tourism firms in Benin (Number) (X0=Baseline value to be determined by the baseline survey to be finalized by effectiveness)	X0	X0	X0	X0 + 50	X0 + 100	X0 + 150	X0 + 200	X0 + 200
Additional private investment by firms benefitting from project support (Amount(USD million))	0.00	0	0.5	1.00	4.00	8.00	10.00	10.00
Number of international tourist arrivals (of which coming from Nigeria) (Number) (Y0=Baseline value to be determined by the baseline survey to be finalized by effectiveness)	Y0	Y0	Y0	Y0 + 10.000	Y0 + 20.000	Y0 + 40.000	Y0 + 60000	Y0 + 60000



<b>Intermediate Results Indicators</b>								
		Cumulative Target Values						
Indicator Name	Baseline	2016	2017	2018	2019	2020	2021	End Target
Percentage of tourism business licensing requests approved (Percentage) (L0=Baseline value to be determined by the baseline survey to be finalized by effectiveness)*	L0	L0	L0 + 0.1L0	L0 + 0.2L0	L0 + 0.3L0	L0 + 0.4L0	L0 + 0.4L0	L0 + 0.4L0
Number of direct beneficiaries of sub-component activities (Number)		0	200	300	400	600	1000	1000
Number of persons reached by destination marketing activities (Number) (P0=Baseline value to be determined by the baseline survey to be finalized by effectiveness)	P0	P0	P0 + 1000	P0 + 2000	P0 + 4000	P0 + 6000	P0 + 10.000	P0 + 10000
Number of visitors to the Portuguese Fort (“Ouidah Museum”) (Number) (V0=Baseline value to be determined by the baseline survey to be finalized by effectiveness)	V0	V0	V0 + 0.2V0	V0+0.3V0	V0 + 0.4V0	V0 + 0.5V0	V0 + 0.6V0	V0 + 0.6V0
Level of satisfaction of beneficiaries (visitors and communities) from Comp 2 activities (percentage)	0.00	0.0	10.0	20.0	30.0	50.0	60.0	60
Number of MSME receiving technical support (Number)	0.00	0.0	100.0	200.0	400.0	700.0	1000.0	1000.00
Of which led by female entrepreneurs (Number - Sub-Type: Breakdown)	0.00	0.0	20.0	40.0	80.0	140.0	200.0	20.00
Value of locally produced goods sourced by tourism enterprises in target area	G0	G0	G0 + 0.1G0	G0 + 0.2G0	G0 + 0.3G0	G0 + 0.4G0	G0 + 0.5G0	G0 + 0.5G0

(Amount(USD millions)) (G0=Baseline value to be determined by the baseline survey to be finalized by effectiveness)								
Plan for tourism statistics systems upgrading implemented, and visitor data disseminated (Yes/No)	No	No	No	No	Yes	Yes	Yes	Yes
Additional volume of credit allocated to MSMEs supported under the project (Amount(USD millions))	0.00	0.00	0.50	2.00	5.00	7.00	10.00	10.00
Of which percentage of firms led by female entrepreneurs (Percentage - Sub-Type: Supplemental)	0.00	0.0	0.0	5.0	10.0	15.0	20.0	20.00
Satisfaction rating from post-workshops/meetings citizen engagement questionnaires (Yes/No)	No	No	No	No	Yes	Yes	Yes	Yes
Grievances responded and/or resolved within the stipulated service standards for response times (%) (Percentage)	0.00	0.00	0.00	100.00	100.00	100.00	100.00	100.00

### Indicator Description

<b>Project Development Objective Indicators</b>				
Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
Number of tourism firms in Benin	Active licenses for hotels, restaurants and travel agencies, as recorded by the ministry responsible for tourism development and its agencies.	Annual	Reports from Ministry of Tourism	Ministry of Tourism / PMU
Additional private investment by firms benefitting from project support	Annual data collection survey including new firms as they are approved for direct support under the project, with baseline measured at time of approval (questionnaire included).	Annual	Beneficiary Survey	Ministry of Tourism and PMU
Number of international tourist arrivals (of which coming from Nigeria)	Statistics as recorded by the ministry responsible for tourism development and its agencies.	Annual	Ministry of Tourism Statistics- hotel arrivals reporting	Ministry of Tourism and PMU

<b>Intermediate Results Indicators</b>				
Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
Percentage of tourism business licensing requests approved	Statistics as recorded by the ministry responsible for tourism development and its agencies from applications received by for hotels, restaurants and travel agencies/tour operators.	Annual	Ministry of Tourism Report	Ministry of Tourism / PMU
Number of direct beneficiaries of sub-component activities	This includes those involved in training, skills development, capacity building, and awareness raising activities and associated under the project, as recorded by the PMU.	Annual	PMU Reporting	PMU
Number of persons reached by destination marketing activities	The firm chosen to implement this subcomponent after competitive selection will be required to set up rating tools for each of the marketing tools	Annual	Implementing firm tracking	Ministry of Tourism and PMU

	developed, including tracking tools for the number of persons reached by the corresponding activities (website consultations and clicks, number of people visiting marketing stands at international forums in Nigeria etc.). The total number will be the compilation of performance indicators for each marketing tool. The baseline is zero, except for the website, which already has a number of visitors per year that will need to be measured.			
Number of visitors to the Portuguese Fort (“Ouidah Museum”)	Records from the Portuguese Fort (“Ouidah Museum”)	Annual	Beneficiary Survey	Ministry of Tourism and PMU
Level of satisfaction of beneficiaries (visitors and communities) from Comp 2 activities	Survey of visitors and local communities at strategic sites to be determined, to explain developments and assess satisfaction. This will include a final rating as a number out of 5: 1 for very unsatisfied with developments, 2 for relatively unsatisfied, 3 for indifferent, 4 for relatively satisfied, 5 for very satisfied.	Annual	Beneficiary Survey	PMU
Number of MSME receiving technical support	The implementing firm for Component 3.1 will be required to keep clear records of the number of firms supported under the component. This number will then be collected by the PMU.	Annual	Implementing firm	PMU
Of which led by female entrepreneurs	The implementing firm for Component 3.1 will be required to keep clear records of the number of firms supported under the component. This number will then be collected by the PMU.	Annual	Beneficiary Survey	Ministry of Tourism and PMU
Value of locally produced goods sourced by tourism enterprises in target area	The survey would target hotels (and their restaurants), restaurants, and crafts sellers in the areas targeted by the project and collect their procurement data on tradable goods for this indicator. Specifically, for hotels (and their restaurants) and restaurants the	Annual	Beneficiary Survey	Ministry of Tourism and PMU

	<p>survey would collect the disaggregated:</p> <ol style="list-style-type: none"> <li>1. Value of procurement directly from local (registered) supplier firms (of which operating in agribusiness/food sectors, crafts).</li> <li>2. Value of procurement from local (registered) intermediaries (for example. supermarkets/wholesalers/traders) for other agribusiness/food or crafts needs.</li> <li>3. Value of procurement directly from local (registered) supplier firms (of which operating in agribusiness/food sectors, crafts).</li> <li>4. Total value of procurement for goods (of which operating in agribusiness/food sectors, crafts).</li> </ol> <p>Taking the percentage of 3 over 4 and applying it to 2 will give a reasonable estimate of the tourism sector's procurement of local goods through intermediaries. Then adding 1 and this number will give the total "value of locally produced goods sourced by tourism enterprises in target area".</p>			
Plan for tourism statistics systems upgrading implemented, and visitor data disseminated	The tourism statistics upgrading plan will have been drafted by the very beginning of project implementation, with targeted completion by end of year 3.	Annual	Ministry of Tourism Report	Ministry of Tourism and PMU
Additional volume of credit allocated to MSMEs supported under the project	The assumption is that lending done through the RSF will be attributable to the project, as banks would not have lent without it – given the constraints associated with the RSF management, they would not use it unless they actually need it to mitigate counterpart risk.	Annual	Beneficiary Survey	Ministry of Tourism and PMU
Of which percentage of firms led by female entrepreneurs	Statistics as recorded by the ministry responsible for tourism development and its agencies from applications received by for hotels, restaurants and travel agencies/tour operators.	Annual	Beneficiary Survey	Ministry of Tourism and PMU

Satisfaction rating from post-workshops/meetings citizen engagement questionnaires	Rating (number out of 5) – A simple, one-page meeting satisfaction sheet will be distributed at each meeting and/or workshop organized as part of project implementation, and the PIU will be responsible for collecting it, sorting it and compiling it so rating numbers can easily be averaged in aggregate but also by sub-categories of meetings, especially those explicitly organized for consultation of local stakeholders.	Annual	PMU reporting	PMU
Grievances responded and/or resolved within the stipulated service standards for response times (%)	No description provided.	Annual	No description provided.	PMU

## Annex 2: Detailed Project Description

### Benin: Cross-Border Tourism and Competitiveness Project (P149117)

1. The proposed investments will focus on two levels: (a) the upgrade of national systems, policies, and tools for effective tourism development and (b) destination-specific spatial interventions for catalyzing tourism visitor and enterprise growth and their value chain linkages. The proposed activities are expected to create direct benefits for the residents of southern Benin through an increase in jobs and livability and for tourists as well by improving access to and quality of infrastructure; increase the quality and variety of visitor experiences; increase the amount of private sector investment and SME revenues in the region; and conserve natural and heritage assets. The government will benefit from improved institutional capacity, systems and tools to manage, regulate, and develop the tourism sector as well as operate and maintain its assets.

2. **Benin's coastal region.** The greatest concentration and diversity of Benin's tourism resources are clustered around the 60km stretch of its coastline, from Porto Novo to Ouidah. This zone, straddling the departments of Atlantic and Littoral, has the greatest amount of potential for tourism development and market readiness in Benin. It is located along a key transport artery, the Trans-West African Coastal Highway, and the access point (Cotonou International Airport), within 2 to 3 hours of its largest potential source market, the city of Lagos, Africa's largest city with a population of 20 million. Additionally, it is well poised to create linkages and agglomerations with related sectors such as agricultural products, furniture, and crafts, among others, the majority of which are produced in this region.

3. The destinations selected under the project are the areas of Ouidah (including Djegbadji and Zoungbodji), Cotonou (including Fidjrossè), Abomey-Calavi, and any other touristic area that shall be selected in mutual agreement. Within those zones, two destinations to pilot integrated tourism development approaches were selected, in consultation with national, regional and local stakeholders: (a) Ouidah, pilot for inclusive cultural heritage and ecotourism in urban destinations, and (b) Fidjrossè, pilot for the integrated development of beachfront destinations (subject to progress with the Ouidah pilot). The objective is to leverage private investments around these destinations, by targeting developments that have shown most demand from existing and potential tourists, especially those coming from Nigeria, but also by providing the appropriate investment climate base for tourism firms to invest, whether to establish themselves or increase their quality and profitability. This integrated destination development also aims at building capacities, tools, and systems to then scale up initiatives to additional spatial developments, including the following phases of Benin's *Route des Pêches* tourism development project. Finally the project will support an increase of the impact of the national tourism industry on the local economy by supporting the growth of tourism SMEs as well as developing backward linkages, with a focus on the food, crafts, and furniture sectors.

4. The project consists of four components:

- **Component 1:** Improving Benin's Tourism Development Framework (US\$8 million)
- **Component 2:** Tourism Destination and Product Development (US\$23.5 million)

- **Component 3:** Support to MSME Upgrading, Linkages, and Expansion (US\$10 million)
- **Component 4:** Project Management (US\$4.5 million)

### **Component 1: Improving Benin’s Tourism Development Framework (US\$8 million)**

5. This component aims at making critical improvements to the investment climate for private sector development in the tourism sector in Benin, in relation to the objectives of the project. The critical bottlenecks identified are as follows:

- An outdated regulatory environment, especially for licensing, certification and enforcement—it can take up to 3 years for lodging establishments to formalize, and often they do not meet the quality levels or needs of international tourists
- Gaps in the skills programs available to entrepreneurs and workers alike, and mismatch with actual needs of the private sector
- Quasi-absence and inadequacy of promotion and marketing tools and linkages for the industry to promote itself outside of Benin, especially toward tourists from Nigeria
- Inefficient institutions and systems tasked with development, measurement and regulation of tourism

6. The activities to tackle these bottlenecks will be designed and implemented with a demand-driven approach, and in close coordination with the private sector.

#### *Subcomponent 1.1: Strengthening the Enabling Environment for Tourism Development and Enterprise Creation and Growth (US\$4 million)*

7. The project will support the identification and implementation of a reform agenda through broad-based consultation. A series of informal and formal discussions between the government and the private sector actors operating in the tourism sector will be organized. These discussions will turn into formal or informal sector-specific task forces or working groups that will serve as a platform for PPD. The project will support the functioning of working groups or task forces to arrive at an agreement on the prioritization of the policy agenda, to draft an action plan, and to ensure implementation by conducting M&E.<sup>19</sup>

8. The project will also set aside resources to support the implementation of proposed reforms that have been deemed high priority by a broad group of stakeholders. Some of the reforms worthy of consideration, as raised by the stakeholders, are revamping the construction permits for tourism-related establishments, tourism licensing and inspection processes, hotel classification and standards compliance, travel facilitation for tourists at the Benin-Nigeria

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<sup>19</sup> Sector-specific PPD can transform an industry as an example in the cruise tourism sector, “a PPD organized by the Izmir Chamber of Commerce in Turkey contributed to a 100-fold increase in cruise passengers visiting Izmir, from roughly 3,500 passengers in 2003 to 350,000 in 2010.” Source: World Bank. 2011. “The survey on Public-Private Dialogue for Sector Competitiveness and Local Economic Development: Lessons from the Mediterranean Region.”



border crossing. The project will also support an awareness building and communication campaign toward MSMEs on the processes and tools to meet tourism related regulations.

9. This subcomponent will also provide support and TA (US\$2 million) to the ADTRP to increase its effectiveness as the flagship entity for coastal tourism development in Benin. The project will commission a technical and institutional audit and fund a program for the upgrading of the Agency into an agile and effective entity. This includes helping the ADTRP streamline the *Route des Pêches* program by completing critical feasibility studies and elaborating key regulations, and support the elaboration and roll out of a pilot Tourism Investment Strategy. The investment strategy will include the design and implementation of a comprehensive lodging investment strategy for project target areas, with buy-in from all stakeholders, including collection of supply-demand marketing intelligence, to develop a tourism investment mobilization plan, development and documentation of the tourism value proposition, preparation of hotel and resort investor list, the development of an outreach plan, preparation of pre-packaged investment-ready opportunities, and stakeholder engagement events.

*Subcomponent 1.2: Upgrading the Institutions and Programs for Skills Development in Tourism (US\$1.5 million)*

10. This subcomponent will provide targeted training and capacity-building support to (a) the private sector, (b) the GoB, and (c) targeted communities, to upgrade competencies and systems for skills development.

- (a) **Upgrading tourism skills development frameworks.** This includes designing and implementing a program to (i) undertake PPD to support greater cooperation between the tourism sector and training institutes to respond to industry demand and enhance the link between training and job placements; (ii) update curriculums and teaching manuals for courses on Tourism and Hospitality; (iii) upgrade the MCAAT's modules on continuing education and increase their reach; and (iv) design and implement a training of trainers program, with the aim of integrating it into the MCAAT's regular training programs.
- (b) **Capacity building of public sector stakeholders.** Design and implement a capacity building program for tourism planning, management and development at two levels: (i) for national-level tourism practitioners (MCAAT, NTO, and so on) and (ii) for tourism destination and site management. Stakeholders could include the Ouidah tourism office, tourism destination managers, and tourism site managers such as museums, crafts markets, and cultural and natural sites.
- (c) **Training and awareness raising for communities in areas of project focus, especially Ouidah and the *Route Des Pêches*.** This includes the design and implementation of a program to allow communities within and around tourism sites to directly benefit from the tourism sector. This includes undertaking (i) awareness-raising workshops in communities on opportunities to integrate into the tourism value chain, its advantages and mitigating the negative impacts of tourism, (ii) TA in the production and management of dossiers for the MSME support services under Component 3, and (iii) trainings on communicating and interacting with, and developing small-scale products and services for tourists. Special focus and targeted support will be provided to women, youth, and the disabled.

*Subcomponent 1.3: Improving Marketing Processes and Tools for Selected Tourism Destination (US\$2.5 million)*

11. A key roadblock to increasing tourism demand is the lack of awareness of Benin's tourism products by key source markets, particularly Nigerians. Demand survey results have shown a significant gap between the positive assessment of Nigerians that have traveled to Benin, and those who have not, for both leisure and business tourists. To increase demand and raise Benin's tourist market share, the country needs to develop a cohesive image to improve its visibility as a tourist destination, to position its key assets and undertake substantial promotion. To ensure the continued application of effective marketing approaches, this component also aims to improve the financing mechanisms<sup>20</sup> for tourism promotion, as well as support the creation of a private sector-led destination marketing entity.

12. Marketing activities will upgrade general tools and systems to target international and regional visitors, with a specific focus on the Nigerian market. This subcomponent will support the following activities, at both national and regional levels:

- (a) **Destination marketing.** The subcomponent proposes to finance the implementation of the initial activities under the marketing and promotion action plan, which was produced during project preparation. This action plan includes (i) developing a brand and visual identity for Benin, redesigning the official website as well as marketing and promotion collateral, (ii) developing tools for travel trade promotion (business to business) such as sales manuals, familiarization trips, trade shows and tour operator trainings; and (iii) targeted marketing and promotional activities toward three specific Nigerian market segments: (i) the Meetings, Incentives, Conventions, and Events segment, (ii) the shopping and beach leisure segment, and (iii) cultural tourism.
- (b) **Creation of a destination marketing entity and structuring of continuous funding sources.** The subcomponent will support the design and implementation of a framework for private sector-driven and financially sustainable tourism promotion entity. To do so, a three-phase approach is considered. During phase 1, a business plan and structure will be elaborated with a view to making the entity financially independent by the fifth year. Based on the validation of the plan by broad-based stakeholder dialogue, the project will support the establishment of the legal and institutional framework for such an initiative during the second phase, including potential restructuring of the National Tourism Development and Promotion Fund to serve as a sustained source of partial funding. With the full endorsement by the stakeholders and successful completion of phase 2, the third phase will be to operationalize the institution. Recruitment of technical specialists, capacity building, development of procedure manual, and provision of equipment and furniture are all possible support under this component.

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<sup>20</sup> The MCAAT's Tourism Promotion and Development Fund was created in 2004, which procures funding from (a) a hotel tax of US\$2 per person per night and (b) a departure tax of US\$41.8 per person, built into flight tickets.

## Component 2: Tourism Destination and Product Development (US\$23.5 million)

13. The objective of this component is to support the critical elements of tourism products, destinations and services to break the vicious cycle of perpetuating underperformance of the tourism sector in Benin. The component will target the destination of Ouidah as the strategic starting points of a sequenced development approach. Ouidah is strategically located on the coast, with favorable transport access and linkages to potential demand (proximity to Cotonou, Nigeria and Togo) in Benin's priority area for tourism development. Most importantly, it contains a well-diversified mix of tourism products and sites that are unique to the region, thus setting the groundwork for its sustained competitiveness. As such, it is a natural starting point to catalyze tourism development in the area as a cultural, leisure and ecotourism hub.

Figure 2.1. Location of Ouidah



14. The historic city of Ouidah will be supported and enhanced as the cultural hub, located strategically along key touristic routes (coastal route, slave route, voodoo cradle). Investing in developing cultural tourism products is an important strategic fit to create a sustainable, inclusive, and diversified product base early on, as well as respond to increasing demand from key source markets—European, American and, Diaspora—and especially Nigerians, who view cultural activities as key components in their destination choices.<sup>21</sup> This market has above-average spending, a high proportion of which reaches the local economy.<sup>22</sup> In particular, redeveloping thematic circuits of tangible and intangible heritage was rated as highly attractive for that market, in Benin as well as in other destinations they tend to favor (Ghana, Kenya,

<sup>21</sup> About 16 percent of Nigerian demand survey respondents, the largest of any single category, rated cultural tourism as the activity with the most potential.

<sup>22</sup> Solimar International. 2015. *Analyse de la Demande du Tourisme Nigérian et l'évaluation des Besoins au Bénin*. Final Report. Commissioned by the PCCI, Republic of Benin. Unpublished.

Senegal, and South Africa). Cultural tourism is where infrastructure and product development actions has the greatest potential for impact, as the undeveloped nature of sites is the key roadblock to tapping this segment. Upgrading tourism sites and roads were ranked in the top 3 improvements required to draw Nigerians to Benin.

15. The project will carry out an integrated approach to providing support to developing this destination, with investments along three main categories: (a) upgrading urban and transport infrastructure and services in its historic core, with the goals of improving livability and accessibility for residents and visitors alike; (b) creating flagship cultural and heritage products to position the destination, attract, retain and satisfy visitors; and (c) structuring the tourism offer to improve the competitiveness and revenue generation potential of the destination all along the year.

16. Activities were selected through careful analysis and deep consultations with local stakeholders, in particular local civil society and local authorities, to ensure that they articulate with local priorities and respect local customs. They were designed as meaningful ‘packages’, both to improve the local urban environment, especially for the most disadvantaged communities, and to attract tourists.

17. To encourage innovative, sustainable and inclusive approaches, some of the activities related to local services and tourism offerings within these categories will be executed through calls for proposals that will encourage participation from NGOs, foundations, research centers and the private sector. This will be structured as a Challenge Fund that will offer matching grants (with high percentage of participation in total costs) for around 5 subprojects, receiving each between US\$100,000–500,000, for a total of up to US\$2 million. This Challenge Fund will be implemented by the same firm selected competitively to manage the MSME grant component (see Subcomponent 3.1).

18. Specific investments would include the following:

- **2.1 Upgrading urban infrastructure and services in Ouidah’s historic core (US\$10.6 million)**
  - (a) **Upgrading urban infrastructure in the historic core, including creating a pedestrian zone.** This includes the paving and rehabilitation of strategic portions of roads for tourism circuits as well as traffic decongestion for the city, improving drainage, providing street lighting, landscaping, creating a pedestrian zone, and installing benches, trash cans, and signage.
  - (b) **Improving solid waste management.** Ouidah produced about 5,240 tons of solid waste in 2014, with a very low corresponding collection rate. An activity for the improvement of waste collection with specific requirements for inclusiveness and sustainability will be selected and partially funded through the Challenge Fund, and implemented along with the Municipality of Ouidah. In particular local NGOs may help scale up a program already piloted by Oxfam Quebec.

- (c) **Upgrading urban infrastructure and service provision in the Zoungbodji area.** This is a poor community, lacking access to water<sup>23</sup> and sanitation that surrounds some of the most important slave route monuments. Proposed investments in this area include upgrading of roads and drainage, improving access to safe water and sanitation for 200 households, and upgrading public spaces, social infrastructure, and parking zones. The upgrading of this zone will serve as a demonstration project for the integration of communities to tourism sites in Benin.
  - (d) Further, the component will finance specific activities aiming at strengthening the sustainability of the tourism development in the country: (a) development of urban planning regulations, including construction and planning codes and standards specific to the area; (b) implementation of management plans for CBCAs and existing MPAs, which include capacity building of management bodies and stakeholders; (c) preparation and internalization of a Strategic Environmental and Social Assessment toward tourism development of the *Route des Pêches* program and the preparation of specific regulations to protect the related biodiversity;
- **2.2 Creating flagship cultural and heritage products (US\$10.3 million)**
    - (a) **Creating a flagship interpretation product, rehabilitating the Portuguese Fort as the Ouidah museum and cultural center.** This activity includes the rehabilitation of the museum building, scenography and exhibition spaces, concessions, and the rehabilitation of the plaza and park facing the fort as the gateway to the historic core, which includes parking, landscaping, paving, and street lighting. Parts of it, such as the rehabilitation of collections, could be funded and executed through the Challenge Fund. A scientific committee will serve as advisory council to the museum’s rehabilitation, while its O&M will be undertaken by the MCAAT, funded in part by concessions and ticket sales.
    - (b) **Creating a flagship heritage product—upgrading the slave route.** This activity will support the rehabilitation of memorials and public spaces at the four main stations along the slave route that cuts through Ouidah and leads to the coast—this could be executed through the Challenge Fund. It also includes financing signage, lighting, and parking spaces. The ‘Door of No Return’ area will be restored, landscaped, and its buffer area expanded. This will be done in a way that improves the connection between the coast and Ouidah and creates the conditions for private sector development, especially lodging. The goal is to assist in the route’s inscription as a UNESCO World Heritage Site. A scientific committee will serve as advisory council to the route’s rehabilitation, and its O&M will be undertaken by the MCAAT and other resources as needed, using resources and competencies from the management of the Portuguese Fort.
    - (c) **Creating a flagship coastal tourism product—a compound integrating a crafts village, slave route interpretation center, and tourist information center.** This area will integrate a number of products and services offered in the

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<sup>23</sup> Only 23 out of 358 households have access to water supply in this community.

proximity of the Door of No Return to add value to and diversify the tourism offer, allowing visitors to stay longer, spend more, and increase their satisfaction. This integrated development will house interpretative spaces, concessions and crafts sales and production spaces, as well as function (event) rooms and information points. O&M will be undertaken by the MCAAT with contributions from the Municipality, partly funded by revenue from concessions, the crafts village, and ticket sales. The crafts village will be developed in cooperation with Collective Groups and Associations of Artisans of Ouidah. This activity will also draw on the Challenge Fund.

- (d) **Improving historic and heritage circuits in the historic core.** This proposed activity will leverage the urban infrastructure investments to upgrade and operationalize four key tourism circuits in Ouidah's historic core. Proposed are (i) essential sites; (ii) memories of slavery; (iii) architecture tour; and (iv) art and design in an open air museum. Each of these circuits will be upgraded with signage, interpretation, lighting, benches, landscaping of public spaces, solid waste and drainage works and an improved layout of the main tourism office.
- **2.3 Structuring the tourism offer to improve the competitiveness of the selected tourism destinations (US\$2.6 million)**
    - (a) **Improving the tourism events offer.** Events, such as the annual voodoo festival, are a key visitor draw and a proven important element of attracting the Nigerian market. This activity will include upgrading the Verdure Theater and the adjacent esplanade at the French Fort to better host events. TA to professionalize the organization of events could be executed by NGOs or foundations through the Challenge Fund. The municipality will be charged with O&M of the area, funded partly by events revenues.
    - (b) **Developing a beachfront leisure area in Djegbadji to serve as an anchor for leisure tourism on the western point of the *Route des Pêches*.** This may include infrastructure such as solid waste and drainage, water supply and electricity connection, as well as tourism infrastructure such as a boardwalk, benches, landscaping, concession spaces, beach sports facilities, parking, and a playground. The development of an integrated ecotourism product offering in Djegbadji is also being explored and could include the upgrading of key ecotourism circuits, including lagoon canoe tours and interpretation walks (lagoon, coast, lakes, forest, salt collection), with facilitation for their operationalization by the private sector and training for guides.
    - (c) **The Fidjrossè beachfront, starting from Cotonou to the west might be a second and important zone** to attract MICE tourists, bolster shopping markets and establish a good practice in the expansion of the coastal tourism product. Light investments in a small portion of the Fidjrossè beachfront area will be considered during the MTR, subject to the resolution of potential safeguards and inclusive development issues, as well as adequate progress on the implementation of the Ouidah investments. Such pilot will be developed with the aim of contributing to transforming Fidjrossè into a quality leisure and entertainment zone close to Cotonou. This will be carried out by upgrading its public spaces and

creating opportunities for the upgrading and expansion of regulated, quality private sector establishments. Such investments could include (a) public space upgrading: notably drainage, water supply and electricity connection, sanitation facilities, street lighting, and landscaping and (b) tourism infrastructure: boardwalk, benches, landscaping, concession spaces for stalls, stores, restaurants and activities, beach sports facilities, a playground, and parking.

19. To encourage innovative, sustainable and inclusive approaches, some of the activities under subcomponents 2.1, 2.2, and 2.3 will be executed through calls for proposals that would encourage participation from NGOs, foundations, research centres and the private sector. This would be structured as a Challenge Fund that would offer matching grants, and implemented by the same firm selected competitively to manage the SME grant component (see Sub-Component 3.1.2).

20. Component 2 will support the integration of stakeholders and communities to each of the proposed investments, to create ownership over the management and maintenance of the sites. Costs for planned investments also include TA and capacity reinforcement (notably equipment) for sustainable O&M processes.

21. Any resettlement compensation cost will be estimated and borne by the government, during implementation through the RAPs.

### **Component 3: Support to MSME Upgrading, Linkages, and Expansion (US\$10 million)**

22. The relatively low level of product and service quality offered by Benin's tourism-oriented firms constrain the attractiveness of the tourism sector. Similarly, limited exploitation of backward linkage opportunities from tourism to other sectors means that the sector's contribution to broader economy significantly undershoots its potential. The key drivers of firm underperformance include high levels of informality<sup>24</sup>, low levels of managerial and technological capabilities among MSMEs, and difficulties in accessing finance.

23. Broader African experience suggests both demand- and supply-side financing constraints apply: while only around one in five African MSMEs has ever obtained financing from a formal financial institution, only 23 percent of those who have not received a loan actually applied for one. Bank penetration in Benin is estimated at 5 percent, and SMEs only make up about 10–15 percent of the typical Bank portfolio. Loans in the tourism sector are generally oriented toward large enterprises and represent less than two percent of the total bank's portfolio. It is estimated that about 500 SMEs operate directly in tourism sector activities (hotels, restaurants, supermarkets and distribution), and about 300 of them (60 percent) would have long-term (annual) supply contracts with large enterprises. These MSMEs typically require short-term financing equivalent to US\$7.5 million, or about 25 percent of their turnover.

24. The objectives of this component are the following:

(a) Support tourism or tourism-related MSMEs to improve product quality and linkages.

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<sup>24</sup> The informal sector accounts for between 50 percent and 80 percent of all hotel accommodations, depending on the locality.

- (b) Foster growth of tourism or tourism-related MSMEs by extended access to credit constraint.

25. Component objectives will be realized through the following key activities:

- (a) An MSME facility will support BDS and business plan preparation and implementation through business plan competitions.
- (b) A joint IDA-IFC RSF with leading commercial banks and financial institutions to ease the financing constraint by SME financing in general and those in the tourism sector in particular.

26. The component will also apply the geographic filter to maximize impact: within the target destinations in southern Benin (that is, Ouidah, Djegbaji, and Cotonou) all MSMEs will be eligible for direct support. Beyond this region only MSMEs with supply links to the tourism sector will be eligible. Linkages support will focus primarily on the agribusiness, crafts, and souvenir industries given their strategic importance to Benin's tourism industry, high demand for those local products, and unrealized potential for value addition and job creation (including for women).

*Subcomponent 3.1: Improving MSME Product Quality and Linkages (US\$5 million)*

27. This subcomponent will establish a grant facility with two windows to extend grants (through business plan competition) that will (a) finance BDS to improve firm capabilities and (b) provide funding to support business plans and linkage opportunities identified by the geographic and thematic project filters.

28. MSME funds through the BDS window will be available for a range of purposes, including the development of business plans (including through business plan competitions), support for basic accounting, management support, to open bank accounts, provision of mediation services in disputes with tax authorities, assistance to prepare loan application identification of new market opportunities, efficiency and environmental studies, training programs (including those linked to activities developed under the project), implement technology solutions, and so on.

29. Funding disbursed under the MSME grant facility will support acquisition of critical infrastructure (including equipment) and activities directly related to strengthening target value chains on a selective basis.<sup>25</sup> While firm selection will be through business plan competition with wide scope for innovation around improving Benin's tourist offerings, some specific project priorities will also be clearly flagged to participants. For example, an important outcome for this window will be to have generated and funded innovative ideas aimed at strengthening linkages with the agricultural sector.

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<sup>25</sup> Selection will be undertaken according to predetermined criteria such as firm age (at least 3–5 years), quality of expansion plans with regard to business and jobs creation, firm viability, market potential of the firm, and potential contribution to strengthening the tourism value chain.



30. The MSME grant program will be outsourced to a single private management firm under the supervision of the PMU.<sup>26</sup> The operating manual will be developed (as part of the PIM) to highlight the operating principles and procedures of the fund, as well as the governance and internal control mechanisms. The SME facility is expected to target about 1,000 firms and lead to the creation of about 5,000 jobs over the course of the project.

*Subcomponent 3.2: Fostering MSME Expansion through a Joint IDA-IFC Risk-Sharing Facility (US\$5 million)*

31. This component will seek to expand access to finance for tourism and tourism-related SMEs through mechanisms aimed at providing financial institutions with sufficient comfort to lend to and support SMEs while improving their own value chain lending capabilities. An IFC RSF imbedding a pooled first-loss cover and fee rebates from IDA will be created under the Global SME Facility.<sup>27</sup> The facility will partially mitigate creditor risks and enable financial institutions to increase lending to established SMEs as well as expand their reach to a new cohort of SME clients. It will leverage IFC's existing network of private sector partners in Benin, including top tier hotels as anchor names and systemically important banks as lenders, to bridge the SME financing gap in the country. In line with the project's objectives, the RSF will have a particular focus on agribusiness and crafts value chains.

32. The RSF will be extended to a preselected pair of two private commercial banks on the basis of the banks' willingness to expand their SME financing, as demonstrated by their existing in-house capabilities, a clearly articulated SME strategy, and IFC's experience partnering with them. It is presumed that the two banks would be selected from a pool of subsidiaries of international and pan-African banking groups. The programmatic approach to the RSF reflects the lessons being learnt by IFC in a similar Bank-IFC value chain project in Cameroon, where partnering with several banks has created a sense of competition among Financial Institutions to provide superior service to eligible SMEs while taking adequately compensated credit risks. The RSF will incentivize banks to extend longer-term loans in addition to their more traditional working capital facilities. The activity will also provide to the selected banks TA (for example, specific value chain credit know-how, implementation of targeted instruments, ICT support) to enable them to better assess and manage SME relationships and to channel some critical TA to their SME clients.

33. The RSF will be implemented through competitively selected commercial banks (such as a DCA) under the overall coordination of the PMU and technical leadership of the appropriate ministries. Based on field assessment and discussions to date with candidate banks and potential anchor firms, the financing needs of the relevant SMEs in the region are estimated at US\$45 million, which, assuming a 50/50 risk sharing agreement, means an RSF in the size of US\$22.5 million (see figure 1.1). The component's IDA pooled first-loss contribution of US\$4 million would represent 17.8 percent of the US\$22.5 million exposure. Of Component 3.2's US\$5 million total amount, the remaining US\$1 million will be earmarked for funding TA to banks and

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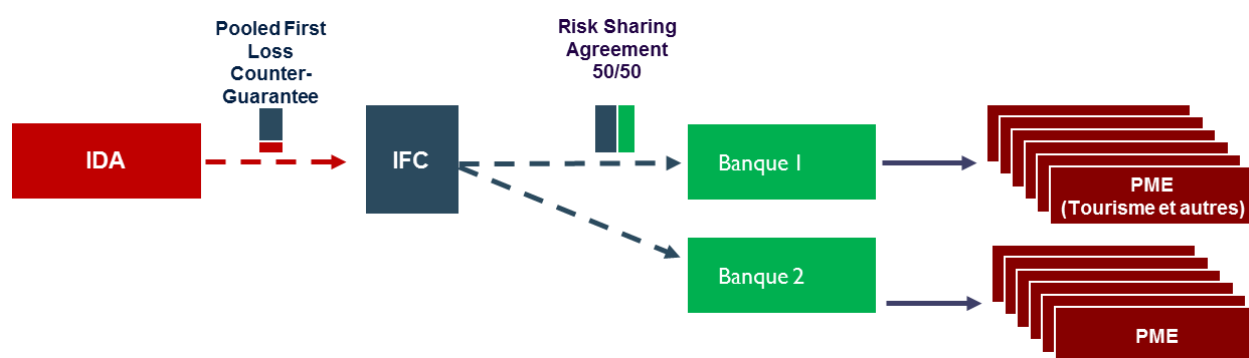
<sup>26</sup> It is expected that the firm will also manage the challenge fund supporting Component 2.

<sup>27</sup> The Global SME Facility is an IFC investment and advisory platform aimed at catalyzing SME finance projects, launched in partnership with the United Kingdom's Department for International Development (DFID) and the European Investment Bank (EIB).

their SME clients. It is estimated that 300 to 500 eligible SMEs operating in or linked to the tourism sector will benefit from RSF-supported financing.

34. In addition to IFC’s specific reporting requirements for RSFs, the banks’ effectiveness in deploying the RSF will be periodically reviewed by the DCA. To continue to qualify under the program, the banks will have to quickly ramp up their respective covered portfolios and demonstrate high rates of utilization (more than 50 percent). A reallocation mechanism will also be used to ensure optimal utilization of the facility.

**Figure 2.2. IDA-IFC RSF Structure**



#### **Component 4: Project Management (US\$4.5 million)**

35. This component aims to provide the necessary technical, advisory and financial support for the adequate implementation, management and coordination of the project; ensure that M&E systems for project and sector-wide analysis systems are upgraded and sustained; and implement a robust citizen engagement and communications program for project and sector inclusiveness.

##### *Subcomponent 4.1: Establishment of and support to the Project Management Unit (US\$4 million)*

36. Activities will support the establishment and operations of a project management unit (see details in the Institutional and Implementation Arrangements section) through the financing of equipment, consultant compensation, operating costs, organizational budgets, M&E, systems development, training and communication, capacity building, and TA. More specifically, this includes the following:

- (a) The establishment and operation of a PMU. The PMU staff will include the following functional capacity: (i) PMU management; (ii) senior tourism specialist (responsible for Component 1); (iii) senior municipal engineer/architect/project manager (responsible for Component 2); (iv) private sector development and local economic linkages specialist (responsible for Component 3); (v) fiduciary specialists (procurement, accounting); (vi) communications and citizen engagement specialist; and (vii) M&E and tourism statistics specialist.
- (b) Construction supervision could be supported by a DCA.

- (c) Communications, citizen engagement and stakeholder coordination activities. This includes (i) the development of a comprehensive communication strategy for each project target area as well as the preparation of all communication materials and, where appropriate, the organization of awareness raising events; (ii) the coordination of stakeholder involvement and in project activities; and (iii) the implementation of a citizen engagement plan and looping back feedback to the project implementation.
- (d) Set up a monitoring mechanism, building on the subcomponent strengthening official statistics recoding capacity of all government agencies involved in the project implementation. The agencies should report statistics to the PMU regularly.
- (e) Secretariat services for the technical PSC.

37. These activities will also include support to the ministry in charge of development, to which the PMU will be anchored, for the monitoring of projects and coordination of external resources for the financing of development. This support could include the establishment and management of the following:

- (a) The Harmonized and Integrated System for the Monitoring and Evaluation of Public Investment Projects and Programs, including linkages with project stakeholders.
- (b) The Development Aid Information and Management System.

*Subcomponent 4.2: Upgrading Benin's Tourism Statistics Systems (US\$0.5 million)*

38. This subcomponent will support the upgrading of Benin's TIMS to set the groundwork for the implementation of TSAs, to better measure and evaluate impacts and target markets. The project will finance (a) the elaboration of a program for upgrading its TIMS, to set the groundwork for TSAs based on the 2014 diagnostic and, subsequently, (b) priority actions for its TIMS upgrading, including the provision of database systems, IT software and hardware, training and capacity building, and process mapping

## Annex 3: Implementation Arrangements

### Benin: Cross-Border Tourism and Competitiveness Project (P149117)

1. Implementation arrangements feature several players whose roles will be further detailed in the Project Implementation Manual, the elaboration and approval of which are a condition of effectiveness. These arrangements take into consideration capacity limitations in the government and existing relevant agencies. They build on similar successful projects in Benin.
2. The government authorities designated the MDEAP as the implementing agency of the project. Project implementation arrangements include the following **two-level PSC**:
  - (a) **Strategic committee.** An SC will be established to provide overall strategic, oversight and guidance on project implementation and will review and approve work plans and budget and serve as the ultimate authority to solve potential impasses that may arise with respect to specific reforms and strategic decisions. The SC will be chaired by the Minister of Development, Economic Analysis and Prospective, and will include (i) the minister of Tourism, the minister of Finance, the minister of Agriculture, the minister of Urbanism, the minister of Industry and Commerce, the minister of the Interior, the minister of Public Works, and the minister of the Environment; (ii) the mayors of Cotonou, Ouidah, and Calavi; and (iii) the president of the CNP and the president of the Chamber of Commerce. The SC will meet every six months.
  - (b) **Technical committee.** A TC will be established under the SC to supervise project implementation (for example, ensuring that implementation is in line with the objectives and scope of the project; ensuring that the annual work plan to achieve the project objectives is within the agreed time frame and budget; and managing risks and issues that arise during the project implementation.) The committee will be chaired by the permanent secretary of the Ministry of Tourism, and will comprise representatives of the ministries and municipalities in the PSC and representatives of the national council of the hotel industry (*Conseil National des Industries hôtelières du Bénin*), the association of tourism operators (*Association des Opérateurs Privés Touristiques du Bénin*), the association of hotel industry professionals (*Association des Professionnels de l'Industrie Hôtelier du Bénin*) and the association of travel agents (*Association des Agences de Tourisme et Voyage*). The TC will meet on a quarterly basis and ad hoc as needed.

### Project Management Unit

3. The PMU will be housed in the MDEAP and will consist of dedicated and competitively recruited staff headed by a PC, a procurement officer, a financial management officer, an accountant, an M&E specialist, a tourism specialist, a private sector development specialist, a civil engineer, an environmental and social expert, and support staff. The PMU will be responsible for all procurement, disbursement, accounting and FM, M&E, and reporting of project progress and for ensuring the auditing of project accounts. The PC will report to the PSC at least once every quarter on the progress achieved, highlight implementation issues and challenges and seek guidance and direction from the PSC on project implementation. The PMU will function as the Secretariat to the PSC. The PC will also report to the TC.

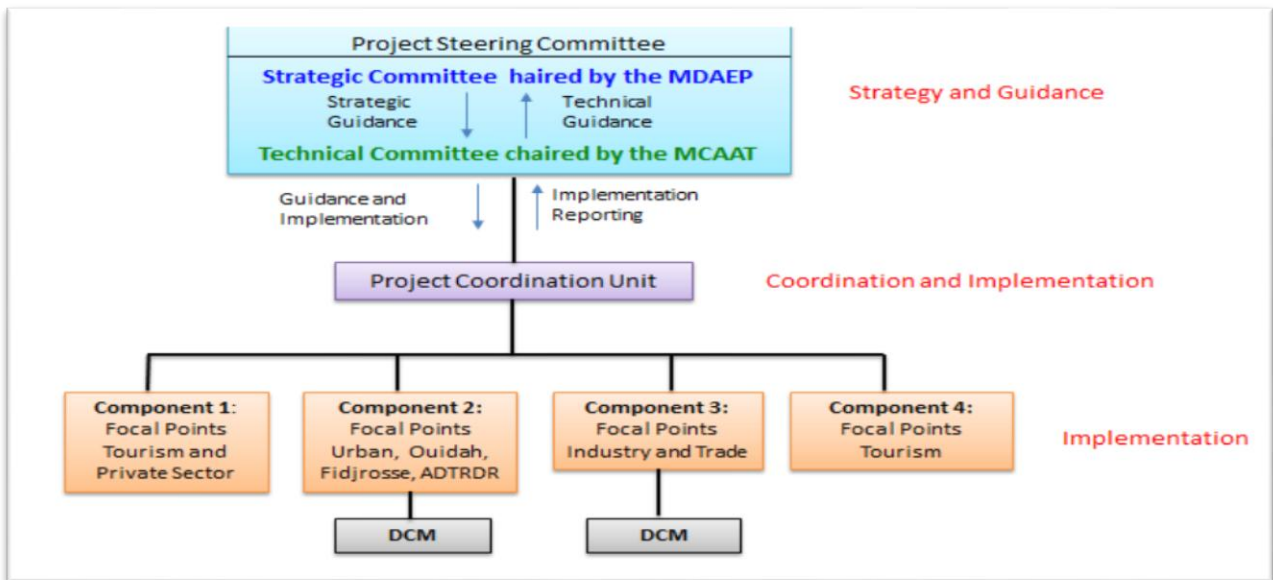
## Implementation Arrangements for the Components

4. The PMU will work in close collaboration with the different ministries and Agencies involved in the project, as well as with private sector representative bodies and other stakeholders (municipalities and so on), through designated focal points. The focal point in each beneficiary ministry or agency will be responsible for the activity. These agencies or ministries and beneficiaries include the Ministry of Tourism; the Ministry of Employment and Promotion of SME; the Ministry of Urbanization; the Agence de la *Route des Pêches*; and the Municipalities of Ouidah, Cotonou, and Abomey Calavi

5. The focal point will be responsible for preparation of the component annual work plan, budget, and results to be achieved including targets; the TOR for hiring TA and technical specification for goods and works to be procured under the component; participation in the procurement process, including updating the procurement plan; M&E of the component; supervision missions; and preparation of periodic reports on component implementation progress.

6. **Delegated Contracting Agencies.** DCA convention could be signed by the PMU to support the implementation of certain activities under Component 2 and 3. The DCA will work under the ministries or agencies responsible for Components 2 and 3 and in close coordination with the PMU.

Figure 3.1. Implementation Structure



## FM, Disbursements, and Procurement

7. The PMU will handle the overall responsibility of FM aspects of the project, including (a) managing the operational account and (b) preparing withdrawal applications and reporting to be submitted to the Bank.

## **Budgeting**

8. The project budgeting process will be clearly defined in the FM Manual and the budget will be reviewed and adopted by the SC before the beginning of the year. Annual draft budgets will be submitted for the Bank's non-objection before adoption and implementation.

## **Funds Flow and Disbursement Arrangements**

### *Designated Account*

9. One designated account (DA) will be opened at the BCEAO. The funds will be released to an operational account to be opened in a reputable commercial bank. The operational account will be managed by the PMU. Cash withdrawal transactions from the operational account will be authorized by the PC and the FM Specialist. The account is set up to fund eligible expenditures based on the approved annual activity plans. The ceiling of the DA will be determined later, about four months of expenditures.

### *Disbursement Methods and Processes*

10. The *Caisse Autonome d'Amortissement* (CAA) is the assigned representative of the recipient for the mobilization of IDA funds. Withdrawal Application requests will be prepared by the project FM specialist, signed by a designated signatory or signatories (the signature authorization letter is signed by the minister of Finance), and sent to the Bank for processing. This procedure applies to all Bank-financed projects in Benin. The project will submit applications using the electronic delivery tool, 'e-Disbursements,' available on the Bank's Client Connection website, a web-based portal. The Authorized Signatory Letter signed by the government will include authorization for the designated signatories to receive secure identification credentials from the WBG for the purpose of delivering such applications by electronic means.

11. Disbursements under the project will be transaction based. In addition to making advances to the DA, other disbursement methods (reimbursement, direct payment, and special commitment) will be available for use under the project. Further instructions on the withdrawal of proceeds will be outlined in the disbursement letter and details on the operation of the DA will be provided in the Project Financial and Accounting Manual.

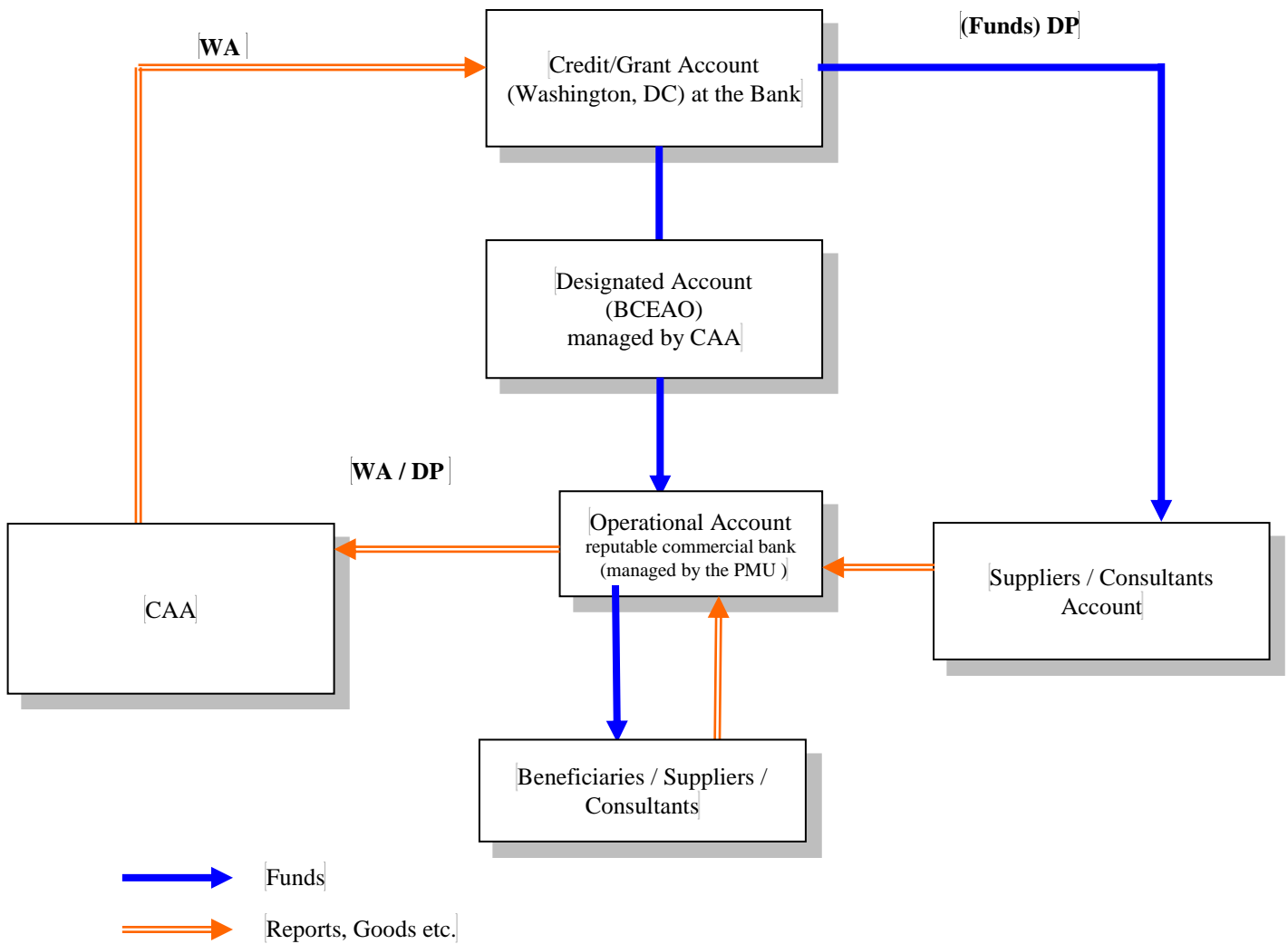
12. Regarding the MSME grants operations (under Component 3) specific predefined financing procedures will be set up to ensure equity and transparency in proposals' treatments and grants awarding. Disbursements under the MSME funds will be subject to the recruitment of a well-experienced private firm (matching grant administrator) that will provide required TA to ensure adequate compliance on agreed procedures. Clear description will also be provided in the project manual on the mechanism of Bank Credit guarantee to be set up under the RSF.

13. The table below sets out the expenditure categories to be financed out of the credit proceeds.

**Table 3.1. Disbursement Categories**

Category	Amount of the Financing Allocated (expressed in EUR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, Works, Non-consulting services, Consultants' services, Operating Costs and Training for the Project	31,600,000	100%
(2) Counter Guarantees under Component 3.2(i) of the Project	4,600,000	100% of amounts disbursed
(3) Grants under the Grant Facility and the Challenge Fund Program	4,200,000	100% of amounts disbursed
(4) Refund of Preparation Advance	1,900,000	Amount payable pursuant to Section 2.07 of the General Conditions
(5) Unallocated	3,600,000	100%
<b>TOTAL AMOUNT</b>	<b>45,900,000</b>	

**Figure 3.2. Flow of Funds**



Note : DP = Direct Payment and WA = Withdrawal Application.

14. **Accounting and reporting.** SYSCOHADA is the assigned accounting system in West African Francophone countries. Project accounts will be maintained on a cash basis, supported by appropriate records and procedures to track commitments and to safeguard assets. Annual financial statements will be prepared by the PMU in accordance with the SYSCOHADA but taking into accounting specificities related to external financed investment projects. Accounting and control procedures will be documented in the FM Manual.

15. The PMU will prepare quarterly Interim Financial Reports reflecting operations of the DA and submitted to the Bank within 45 days after the end of the calendar quarter. The format of Interim Financial Reports was agreed during negotiation and comprises (a) report on the sources and use of funds cumulative (project-to-date; year-to-date) for the period, showing budgeted amounts versus actual expenditures, including a variance analysis, (b) forecast of sources and uses of funds.

16. **Internal control and internal auditing arrangements.** FM and administrative procedures will document the FM and disbursement arrangements including internal controls, budget process, assets safeguards, and clarify roles and responsibilities of all the stakeholders. The internal audit function will be handled by the IGF. The IGF team will complete annual review on the project activities and accounts before the external auditor’s mission. The auditor will ensure that the project manual’s requirements are being properly followed and will make appropriate recommendations to strengthen the internal controls environment.

17. **Annual Financial Audit.** An external independent and qualified private sector auditor will be **recruited** to carry out the audit of the project’s financial statements under the supervision of the supreme audit institution. Therefore, annual audits will be conducted based on TOR agreed with the State Audit Institution and that are satisfactory to the Bank. The Auditor will express an opinion on the Annual Financial Statements, and perform the audit in compliance with International Standards on Auditing (ISAs). The auditor will be required to prepare a management letter detailing observations and comments, providing recommendations for improvements in the accounting system and the internal control environment. The audit report on the annual project financial statements and activities of the DA will be submitted to IDA within six months after the end of each project fiscal year.

### FM Actions Plan

18. The action plan in table 3.2 indicates the actions to be taken for the project to strengthen the project’s FM system.

**Table 3.2. Action Plan**

No.	Activity/Action	Target Completion	Responsibility
1.	Appointment of an FM specialist and an accountant with experience and qualifications satisfactory to the Bank	<b>Before effectiveness</b>	Project Preparation Unit (CIGOP coordination)
2.	Prepare a good draft of the PIM, including acceptable Financial and Accounting Manual	<b>Before effectiveness</b>	Project Preparation Unit (CIGOP coordination)
3	Set up a computerized accounting system to fit project needs and generate useful	Not later than four (4) months after	Project Preparation Unit (CIGOP coordination) and



No.	Activity/Action	Target Completion	Responsibility
	information and financial statements	effectiveness <b>(dated covenant)</b>	the PMU
4	Agreement with the IGF on TOR for annual internal audit missions.	Completed	Project Preparation Unit (CIGOP coordination)
5	Prepare TOR for the external auditor that is satisfactory to IDA.	Completed	Project Preparation Unit (CIGOP coordination)/ <i>Chambre des comptes</i>
6	Appointment of the external auditor acceptable to IDA	Not later than 4 months after effectiveness <b>(dated covenant)</b>	Project Preparation Unit (CIGOP coordination)/ <i>Chambre des comptes</i>
7	Appointment of an experienced private firm as the MSME grants Administrator	<b>Disbursement condition</b> for the MSME grants funds	PMU

## Procurement

19. Procurement of works, goods, and non-consulting services for the proposed project will be carried out in accordance with the Bank's 'Guidelines: Procurement of Goods, Works and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers' dated January 2011 and revised in July 2014 (Procurement Guidelines); and procurement of consultant services will be carried out in accordance with the World Bank's 'Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers' dated January 2011 and revised in July 2014 (Consultant Guidelines) and the provisions stipulated in the Loan Agreement. The Bank's 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants', dated October 15, 2006, and revised in January 2011 (Anti-Corruption Guidelines) will apply to this project.

20. **Advertising.** A comprehensive General Procurement Notice will be prepared by the borrower and published in the United Nations Development Business (UNDB) online following Board approval, to announce major consulting assignments and any International Competitive Bidding (ICB). The General Procurement Notice shall include all ICB for goods, works, and non-consulting services contracts and all large consulting contracts (that is, those estimated to cost US\$100,000 or more). In addition, a specific procurement notice is required for all goods and works to be procured under ICB in the UNDB online. Requests for expressions of interest (EOIs) for consulting services expected to cost more than US\$100,000 shall be advertised in the UNDB online. An EOI is required in the national gazette, a national newspaper, or an electronic portal of free access for all consulting firm services regardless of the contract amount. In the case of NCB, a specific procurement notice will be published in the national gazette, a national newspaper, or an electronic portal of free access. Contract awards will also be published in the UNDB online, in accordance with the Bank's Procurement Guidelines (paragraph 2.60) and Consultant Guidelines (paragraph 2.28).

21. **Procurement of works.** Works contracts expected to be procured under this project will involve contracts for the construction, rehabilitation, and other associated infrastructure. Contracts for works estimated to cost US\$10,000,000 equivalent or more per contract shall be procured through ICB. Contracts estimated to cost less than US\$10,000,000 but greater than

US\$200,000 equivalent may be procured through NCB. Relevant NCB works contracts, which are deemed complex and/or have significant risk levels, will be prior reviewed. Such contracts will be identified in the PPs. Contracts estimated to cost less than US\$200,000 equivalent per contract may be procured using shopping procedures in accordance with paragraph 3.5 of the Bank's Procurement Guidelines and based on a model request for quotations satisfactory to the Bank. At the minimum, this could be achieved by soliciting quotations through written invitations from not less than three qualified contractors. Direct contracting may be used in exceptional circumstances with the prior approval of the Bank, in accordance with paragraphs 3.6 and 3.7 of the Procurement Guidelines.

22. **Procurement of goods.** Goods procured under this project will include, but are not limited to, vehicles, computer equipment, office equipment, and interconnections equipment. Contracts for goods estimated to cost US\$1000,000 equivalent or more per contract shall be procured through ICB. To the extent possible and practicable, goods orders shall be grouped into larger contracts wherever possible to achieve greater economy, at the procuring entity level. Contracts estimated to cost below US\$1000,000 but equal to or above US\$100,000 equivalent per contract may be procured through NCB. Contracts for goods and commodities estimated to cost less than US\$100,000 equivalent per contract and contracts for the purchase of vehicles and fuel estimated to cost less than US\$500,000 equivalent per contract may be procured using shopping procedures in accordance with paragraph 3.5 of the Procurement Guidelines and based on a model request for quotations satisfactory to the Bank. Direct contracting may be used in exceptional circumstances with the prior approval of the Bank, in accordance with paragraphs 3.6 and 3.7 of the Procurement Guidelines.

23. **Selection of consultants.** Consultants' services procured under this project will include, but are not limited to, the following: financial audits, leadership, coaching, and training. Each contract estimated to cost US\$500,000 equivalent or more will be awarded following the procedure of Quality- and Cost-Based Selection (QCBS). Consulting services estimated to cost less than US\$300,000 per contract under the project will be procured following the procedures of Selection Based on the Consultants' Qualifications. Selection under Fixed Budget Selection (FBS) and Least-Cost Selection (LCS) methods will be applied in the circumstances as respectively described under paragraphs 3.5 and 3.6 of the Consultant Guidelines. For all contracts to be awarded following QCBS, LCS, and FBS, the Bank's Standard Request for Proposals will be used. Procedures of Selection of Individual Consultants will be followed for assignments that meet the requirements of paragraphs 5.1 and 5.3 of the Consultant Guidelines. LCS procedures will be used for assignments for selecting the auditors. SSS procedures will be followed for assignments that meet the requirements of paragraphs 3.10–3.12 of the Consultant Guidelines and will always require the Bank's prior review regardless of the amount.

24. **Consultancy assignments** estimated to cost the equivalent of US\$100,000 or more and Engineering design and contract supervisions estimated to cost the equivalent of US\$300,000 or more will be advertised for EOIs in development business (UNDB) and the Bank's external website through the Client Connection and in at least one newspaper of wide national circulation. In addition, requests for EOIs for specialized assignments may be advertised in an international newspaper or magazine. In the case of assignments estimated to cost less than US\$100,000 for consultancy assignments and US\$300,000 for engineering design and contract supervisions, the assignment will be advertised nationally. The shortlist of firms for assignments estimated to cost

less than US\$100,000 for consultancy assignments and US\$300,000 for engineering design and contract supervisions may be made up entirely of national consultants. However, foreign consultants who wish to participate should not be excluded from consideration.

25. **Operational costs.** Operating costs financed by the project are incremental expenses arising under the project and based on annual work plans and budgets approved by the Association. Such costs may include office rent and maintenance, utilities (including electricity, water, and gas), communications (including telephone and internet charges), equipment rent, operation and maintenance, office materials and supplies (stationary and other consumables, but not the purchase of equipment), lease of vehicles, operation, maintenance and repair, and travel and transport cost of the staff associated with project implementation. These items will be procured by using the procedures detailed in the Manual of Procedures, which was reviewed and found acceptable to the Bank.

26. **Capacity building, training programs, workshops, seminars and conferences, and so on.** A number of target trainings and workshops are anticipated under the project to build capacity of implementing agencies to ensure efficient implementation, provide required knowledge, and ensure sustainability. All training and workshop activities will be carried out on the basis of approved annual programs that will identify the general framework of training activities for the year and approved TOR, including (a) the type of training or workshop; (b) the personnel to be trained; (c) the selection methods of institutions or individuals conducting such training; (d) the institutions that will conduct the training; (e) the justification for the training and how it will lead to effective performance and implementation of the project and/or sector; (f) the duration of the proposed training; and (g) the cost estimate of the training. Report by the trainee will be required upon completion of training.

### **Capacity Assessment and Remedial Actions**

27. **Arrangements for implementing procurement activities.** Procurement activities will be carried out by the MDEAP through the PMU for Components 1 and 4. The PMU shall be responsible for the coordination of procurement activities under the project, including the consolidation of PPs and the reporting.

28. IDA and the GoB have agreed to delegate all procurement responsibilities of part of Components 2 and 3 to a DCA. The DCA will be competitively selected before project effectiveness. An agreement will be signed between the PMU and DCA.

29. **Capacity assessment.** The risk assessment rating for the entire project was done through Procurement Risk Assessment and Management System. Identified risks and proposed mitigation measures are described in the following paragraph. The procurement risk is rated as Substantial before mitigation measure and after mitigation measures are implemented, the residual risk will be Moderate.

30. Risk mitigation measures have been discussed and agreed with the GoB. The residual risk is assessed as Moderate after adopting the following measures:

- (a) Recruitment before effectiveness of a qualified procurement specialist to be based at the PMU level to supervise all the procurement activities of the project and to be

responsible for the procurement activities for Components 1, 2, and 4; the procurement specialist's TOR will be agreed by IDA.

- (b) Selection before effectiveness of the DCA for Component 2.
- (c) The creation before negotiation of procurement commission and procurement control in each concerned ministry (Ministry of Planning, Ministry of Tourism, and Ministry of Commerce and Industry) in line with the decree No. 2010-496 of November 26, 2010.
- (d) A manual of administrative, financial, and accounting procedures will be prepared to clarify the role of each team member involved in the procurement process of the project, the maximum delay for each procurement stage, specifically with regard to the review, approval system, and signature of contracts.
- (e) A workshop will be organized at the beginning of the project to train all key stakeholders involved in procurement on Bank procurement procedures and policies.
- (f) A permanent training program and a certification/qualification system for procurement staff will be developed and implemented.
- (g) The PMU staff will be trained in using STEP at the beginning of the project.

### Procurement Prior Review Thresholds

31. The PP shall set forth those contracts that shall be subject to the Bank's prior review. All other contracts shall be subject to the post review by the Bank. However, relevant contracts below prior review thresholds listed in table 3.3 that are deemed complex and/or have significant risk levels will be prior reviewed. Such contracts will also be identified in the PPs. A summary of prior review and procurement method thresholds for the project are indicated in table 3.3. All TORs for consultants' services, regardless of contract value, shall also be subject to the Bank's prior review.

**Table 3.3. Thresholds for Procurement Methods and Prior Review**

Expenditure Category	Contract Value (Threshold) (US\$, thousands)	Procurement Method	Contract Subject to Prior Review (US\$, thousands)
<b>1. Works</b>	≥ 10 000,000	ICB	All contracts
	< 10,000,000	NCB	None
	< 200,000	Shopping	none
	No threshold	Community Contracting	None
<b>2. Goods</b>	≥ 1 000,000	ICB	All contracts
	< 1 000,000	NCB	none
	< 100,000 for goods and commodities	Shopping	none
	< 500,000 for fuel and vehicles	Shopping	none
	No threshold	Direct contracting	All contracts

Expenditure Category	Contract Value (Threshold) (US\$, thousands)	Procurement Method	Contract Subject to Prior Review (US\$, thousands)
3.Consultancy	≥ 500,000	QCBS	All contracts of 500,000 and more
	< 300,000	QCBS; LCS; CQ; Other	none
	≥ 200,000	IC	none
	< 200,000	IC	none
	No threshold	SSS (firms and individuals)	All contracts
4. Training	Annual plan		All training
<b>All TORs regardless of the value of the contract are subject to prior review</b>			

Note: IC = Selection of Individual Consultant; QBS = Quality-Based Selection; and CQS = Selection based on the Consultants' Qualification Selection (for contracts below US\$100 000).

32. **Revision.** The prior review thresholds and other measures to be taken to mitigate procurement risk should be reevaluated once a year with a view to adjusting them to reflect changes in the procurement risk that may have taken place in the meantime and to adapt them to specific situations. In case of failure to comply with the agreed mitigation measures or Bank guidelines, a reevaluation measure of both types of thresholds, ICB and prior review, may be required by IDA.

33. **Procurement Plan.** A PP for the first 18 months of project implementation has been prepared and approved. During implementation, the PP will be updated in agreement with the project team as required, at least annually, to reflect actual project implementation needs and improvements in institutional capacity. It will be available in the project's database and a summary will be disclosed on the Bank's external website once the project is approved by IDA's Board of Directors.

34. **Supervision.** In addition to prior reviews to be carried out from IDA offices, the capacity assessment recommended two field supervision missions and at least one procurement post review per year. The procurement specialist in the Niamey Country Office will provide continuous support to implementing agencies. Independent procurement reviews will be carried out if necessary.

*Environmental and Social (including Safeguards)*

35. The GoB has prepared and disclosed the required safeguard documentation in due time. An ESMF, an RPF, and a PMP have been prepared, consulted upon (July to August 2015), approved (environmental permit of November 2015), and disclosed in-country (November 18, 2015) and at the Bank's InfoShop (November 25, 2015) before appraisal, and 120 days before Board approval date. These instruments provide specific mitigation measures along with their comprehensive implementation mechanisms. The ESMF, the RPF, and the PMP include institutional arrangements, outlining the roles and responsibilities for the various stakeholder groups involved, for screening, review, and approval of subprojects, as well as implementation and monitoring of their mitigation measures. Notwithstanding the reasonable institutional capacity to addressing project safeguard aspects adequately, given the country's track record in environmental assessment, these safeguard instruments, together, include provisions to further strengthen the capacity of the various institutions and actors involved, as well as to promote

coordination and synergy among the various sectors in attending to the potential environmental and social impacts, as summarized in the following paragraphs.

36. **Screening process.** Before its commencement and as soon as the implementation site is identified, any eligible activity will systematically be processed through the environmental and social screening procedure detailed in the ESMF. The screening is executed by the environmental safeguard specialist within the PMU. This process will result in the environmental classification of the subprojects in category A, B or C. The results of the screening are shared with the Bank for non-objection, and with the *Agence Béninoise pour l'Environnement* (ABE) for approval. For any category A or B activity, an Environmental and Social Impact Assessment (ESIA), including a comprehensive ESMP will be prepared, processed according to the national procedures, submitted to the Bank's comment and then disclosed in-country and at the Bank's InfoShop. The ESMP's pertinent activities are integrated in the subproject planning, costing (bidding documents) and implementation (contracts, annual work plan and budget structure, and report). With category C activities that are likely to induce minor concerns on environmental or social aspects, a simple ESMP will be prepared and integrated with the implementation activities. For investments that induce involuntary resettlement, a comprehensive, participatory RAP will be prepared, consulted, upon cleared with the Bank, and then approved and executed before the commencement of works.

37. **Implementation of the safeguard measures and recommendations.** The main responsibilities are distributed as follows:

- ***Agence Béninoise pour l'Environnement.*** It is the national institution in charge of enforcement of the environmental assessment procedure. Thus, it has the primary mandate to ensure that the PMU complies with the safeguard issues throughout the preparation and construction phases. As the national Ramsar administrative authority, the ABE will ensure that required due diligence is taken to prevent or avoid threat to the biological diversity of the Ramsar site 1017 and sustainability aspects are integrated in any management tool to develop with the project support. Furthermore, it will receive all the final safeguards implementation supervision and audit reports.
- **Project Management Unit.** On behalf of the Government, the PMU will have the responsibility of the implementation for safeguard instruments and measures. To this end, it will collaborate with (a) the ABE for the follow up of the execution of the mitigation measures by the enterprises; (b) relevant laboratory for the monitoring of water and air quality in the project influence zone; (c) the Cultural Heritage Department (*Direction du Patrimoine Culturel*) for the implementation of the chance find procedure, should any underground relics have been uncovered. The PMU will ensure regular reporting as well as midterm and final audits of the environment and social measures and recommendations. These reports are shared with the ministry in charge of environment in compliance with national rules.
- **Enterprises (contractors).** They will have the responsibility of executing a large part of the environmental and social measures of the construction phase, which has been integrated in the bidding documents. To this end, they will prepare their own ESMP (the Contractor Environmental and Social Management Plan, CESMP), excerpted from the global ESMPs approved through the ESIA reports. The draft CESMPs will

be cleared by the Ministry of Tourism in collaboration with the ABE before the commencement of the civil works, and the approved version will be integrated in their detailed work plan. To carry out a proper implementation of its obligations related to the compliance with environmental and social aspects, any contractor working for the project will recruit environmental and social safeguard specialists who will work closely with principal engineer of the team. The implementation reports must comprise a section on the progress of the execution of the CESMP, and be shared with the ABE and DPC.

- **Works supervisor (firm or engineer).** The supervising engineer will have, in addition to the technical control tasks, to ensure the day-to-day oversight on the compliance to the CESMP by the contractor. Therefore, the recruitment of an environmental safeguard specialist within the team is also required here to help handle the job adequately. A separate CESMP survey report will be periodically produced to the Ministry of Tourism.
- ***Direction du Patrimoine Culturel.*** This entity, in charge of the conservation of heritage and cultural affairs, will be responsible for the execution of any preconstruction cultural resources safeguarding plan, through the collection of above-ground artifacts and the displacement of sacred symbols and rites. It will supervise the ad hoc expert group set up by the PMU. The same actors will collaborate in the execution of the “hance Find Procedure”, especially during the construction, any time a physical cultural wealth is uncovered.

38. **Follow-up and reporting of the mitigation measures.** The environmental and social mitigation measures summarized in the ESMF as well as the specific mitigation measures approved for the subprojects will be executed, monitored and reported in (a) a specific Safeguard Monitoring Report and (b) the Environmental and Social Safeguards section of the overall project periodic report. The responsibility of the oversight is with the Ministry of Tourism, while the ABE will be copied to all related reports. The following indicators below will be monitored as part of the project global monitoring system:

- Percentage of eligible activity processed through the screening procedure
- Effectiveness of the implementation of approved specific ESMPs and/or RAPs
- Number/frequency of safeguard supervision and annual project reviews undertaken
- Number of trainees on the implementation and requirements of the Bank’s safeguard policies
- Section on the safeguards implementation in the project periodic reports

39. Summary of the critical safeguard implementation measures:

**Table 3.4. Safeguards Implementation Measures**

No.	Actions	Responsible
1	Recruitment of the safeguard specialists for the PMU	Government
2	Dissemination of the safeguard documentation (ESMF, RPF, PMP)	PMU
3	Safeguard processing of any eligible activity before its implementation	PMU

4	Inclusion of appropriate environmental and social mitigation activities and measures in the bidding documents and the contracts of the enterprises and civil works supervisors	PMU
5	Approval of the CESMPs and their integration in the contractors' work plan	PMU
6	Capacity building of relevant stakeholders as approved in the safeguard documentation and budget	PMU
7	Midterm and final audits of the implementation of environment and social recommendations and measures	ABE
8	Reporting periodically to the ministry in charge of environment, and other stakeholders, to comply with the national rules	Minister of Tourism

40. Tourism development will create more opportunities for businesses to invest and will increase demand for real estate which will cause real estate and rental values to appreciate. The project is expected to generate positive social impacts by creating employment, building productive capital, and improving infrastructure and transport connections. The negative social impacts are expected to be limited, including some temporary inconvenience to local residents (particularly fishers along the corridors) during construction, and longer-term impacts related to increased visitors may create isolate insecurity with the flux of potential migrants and business around.

41. Temporary impacts include dust, noise, limited access to the areas, and increased safety risks, which will be addressed through the ESMPs to be prepared for during the civil works, as well as the Environmental Management Guidelines for Contractors, both of which will be included in the Operations Manual. These impacts will likely affect residential structures in the immediate vicinity of project sites.

42. Direct long-term impacts include traffic safety due to an increased number of visitors, since the proposed activities are linked with roads leading to sites and other existing infrastructures. The increased traffic and use of facilities may increase the community's risks of traffic accidents, which will need to be addressed with adequate safety measures.

43. Other long-term social impacts may be related to (a) urban gentrification of Fidjrossè and Ouidah, resulting from the increased price of goods/services as well as property values, and (b) a large influx of tourists, investors and migrants attracted by the new opportunities. The project would analyze such issues and suggest mitigation measures.

44. **Resettlement and land acquisition.** The project triggers the Bank Safeguards Policy on Involuntary Resettlement OP 4.12. The resettlement aspects will mainly relate to (a) land expropriation and (b) temporary relocation and/or loss of income or productive assets during civil works. However, there will also be some cases of permanent resettlement, and some local fishers within the corridor will likely be affected, since their activities and houses will be permanently removed for the construction of the visitors' facility. Kiosks located next to the sites will also likely be moved. However, as the exact investment sites are not known either in Djegbadji or Fidjrosse, an RPF has been prepared, consulted upon, and disclosed in-country and at the Bank InfoShop before appraisal. It provides guidance and procedures, including institutional arrangements, for the preparation of RAPs whenever any resettlement issue arises during project implementation.



45. **Public consultation.** Under the ecotourism activities, efforts will be made to increase community participation and involve local authorities and traditional leaders. Opportunities will be given to Project Affected Persons (PAPS) to raise concerns.

46. **Gender.** The project is likely to affect gender issues, such as the increased employment opportunities in tourism/hospitality sectors for men and women. The scale and type of opportunities will differ between men and women, which will be considered in designing the skills development activities. The results of such activities will be monitored, using gender-disaggregated data. Improving the quality of local infrastructures, such as water supply and sewerage connections in the project area, will also have some positive direct effects on women, given their greater role in domestic work. The project will collect gender-disaggregated data to better understand and assess the role of men and women in the tourism economy and its potential impact on both. With regard to participation, the project will ensure that women are adequately represented in public consultations. In assessing the demand for tourism sites and designing the marketing activities, the project will consider different demands/expectations of male and female tourists.

### **Communication and Citizen Engagement**

47. To facilitate and improve access and quality infrastructure and enhance accountability and transparency, the project was based on consultation and participatory planning through meetings, sharing and validating studies, and surveys and field visits with relevant stakeholders and beneficiaries.

48. During project preparation, the MCAAT, in consultation with national, regional, and local stakeholders, has selected four destinations to pilot an integrated tourism development approaches. A study entitled the Opportunities and Roadblocks to Benin's Tourism Sector Competitiveness was shared and validated by 25 key sector stakeholders in Cotonou, including the minister of Culture, Literacy, Crafts, and Tourism. The destination and product development plan for the historic city of Ouidah based on a study outlining the key products and thematic routes to develop into tourism products was formulated with the participation of key stakeholders (list of stakeholders) of the city. In addition, a Visitor Demand and Needs Assessment on the Nigerian market was carried out and surveyed over 3,000 Nigerian travelers and 46 travel agencies and tour operators both in Benin and Nigeria to tap the Nigerian market with regard to market opportunity, products and services, infrastructure, border facilitation, and promotional channels.

49. Meetings were conducted with over 52 stakeholders at the local, regional, and national levels, comprising the private sector, the public sector, community groups, and civil society and development partners. These meetings contributed to the design and selection of specific investments, modalities, institutional arrangements, participatory mechanisms, operations and maintenance, and sustainability of the project activities to be financed. This has resulted in detailed project sheets for each subcomponent, describing the rationale, expected results, costing, timeline, and economic and financial feasibility.

50. Existing community associations, including women and youth will be organized into CSGs around the selected destinations. Capacity building and just-in-time support will be

provided to the CSGs in participatory planning, implementation, M&E, communications strategies, organization of public meetings, mediation, complaints, and grievance and redress mechanism. To ensure that government, stakeholders and beneficiaries are well informed of the PCTT objectives, processes and procedures, environmental protection, safeguards, and social development monitoring and to get their input and feedback to support project implementation and monitoring, a project start-up workshop will be conducted after project effectiveness. During implementation, the CSGs will be involved in all phases of project implementation around the targeted destinations specifically in oversight, physical audit and the social impact of the infrastructures that will be implemented in the project. Beneficiary feedback will be conducted through various assessments, audits and the use of SMS.

51. A comprehensive communications strategy with a detailed action plan will be developed to support the project implementation and will address the communications needs for both internal and external audiences. Internal communications will help engage all stakeholders involved in the project implementation by providing them with the same level of information, while external communications will help promote a good visibility for the project's actions and results. Specific communications activities will be proposed to support the implementation of the project's specific components, promote beneficiaries participation and support citizen engagement. Various channels (traditional and nontraditional) will be used, as well as social media channels, and various communications products and activities will be proposed, including rolling out posters and media programs disseminating the summary of key project implementation documents, results stories, and so on. A communications specialist will be recruited to help the PMU develop and implement the communications strategy.

### **Monitoring and Evaluation**

52. The PMU, with support from the MCAAT, will be responsible for M&E of the project outcomes against agreed indicators, as described in the Results Framework. The project's institutional strengthening activities include supporting the MCAAT in upgrading its Tourism Information Management System (TIMS), which includes the tracking of indicators relevant to the project's success. An important issue identified early in the project design was the lack of detailed and reliable data on visitation and tourism impacts; and thus the preparatory studies, surveys, and assessments have contributed to building a knowledge base and baseline data for future monitoring, including the performance of sectoral enterprises, visitor satisfaction and expenditure, investments, and sector competitiveness.

53. The GoB and the WBG will evaluate progress on the indicators presented in annex 1 (Results Framework and Monitoring) through regular reporting (quarterly and annually) by the PMU and IS missions. The PMU will collect and present data on project indicators and core sector indicators. The PMU will hire an M&E specialist, who will be responsible for this work and, which will be funded by Component 4 (Project Management). The M&E specialist will support the agencies involved in the project implementation in systematically recording official statistics needed to monitor the project's results framework; coordinate with the TIMS upgrading subcomponent, as well as the MCAAT and evaluation consultants, to produce frequent (quarterly and annual) reports and evaluations to assess implementation and provide feedback to adjust systems and operations, as required.

54. In addition to the PDO-level results indicators specified in section II, progress on each of the components will be measured by intermediate outcomes. Indicators for these intermediate outcomes will be the following WBG core sector indicators and project specific indicators, listed in annex 2. For those indicators that require new monitoring, the PMU will be responsible for gathering information, via the implementing partners.

55. Citizen engagement will be measured via a proxy indicator on ‘beneficiaries satisfied with quality of services of the tourism-related licensing and immigration services’, which will be administered via a yearly survey. The gender impact of the project will be measured via subdividing the two indicators that measure numbers of SMEs and total beneficiaries into male and female proportions.

56. An MTR will be undertaken to track implementation progress against the plan, identify implementation and undertake mid-course correction if needed. Independent consultants will undertake an MTR that will be funded by Component 4. The project team with the inputs of the PMU and the clients will develop a TOR for the MTR.

*Role of Partners (if applicable)*

57. The West African Development Bank (*Banque Ouest Africaine de Développement*, BOAD) has committed to financing the construction of the first 12 km of the coastal road from Cotonou to Ouidah and is in discussions to finance the remainder until Ouidah, opening up the coastline for tourism development.

## **Annex 4: Implementation Support Plan**

### **Benin: Cross-Border Tourism and Competitiveness Project (P149117)**

#### **Strategy and Approach for Implementation Support (IS)**

1. The strategy for IS describes how the WBG and other development partners will support the implementation of the risk mitigation measures and provide the technical advice necessary to achieve the PDO. It was developed based on the nature of the project and its risk profile. Supervision and field visits will be carried out semiannually and focus on the following:

- (a) Strong coordination between the WBG, the implementing agencies, and partners. The WBG task team will bring a comprehensive set of instruments and expertise to advise on project activities and implementation. The team will work closely with the implementing agencies to ensure project success.
- (b) Technical. Review and supervise the execution of the project with partner institutions and the BOAD to ensure that activities are implemented in line with the PDO, and make adjustments to the design and PP when necessary. Ongoing support for M&E to strengthen the Bank's and the PMU's ability to both monitor project progress and assess the impact of interventions.
- (c) Fiduciary. The Bank's FM and procurement specialists will (i) support the PMU in its familiarization with Bank guidelines and procedures; (ii) prepare PMU staff to work with the Procurement Guidelines; (iii) ensure the PMU's capacity to manage flow of funds and accounting procedures, in line with FM guidelines; and (iv) work with PMU in building its overall FM and procurement capacity to improve and facilitate project management. Supervision of the project's FM arrangements would be conducted semiannually. IS will focus primarily on contract management and on improving proficiency and efficiency in implementation, according to the Bank guidelines for reviewing procurement documents; and monitoring procurement progress against the detailed procurement plan.
- (d) M&E. The WBG will review the updated Results Framework submitted quarterly by the PMU during the supervision mission or as a desk review. The task team leader (TTL) will discuss the progress and deviations with the PMU to identify areas where additional help from the WBG is needed. The TTL will facilitate the use of the M&E data to promote awareness of the project results.
- (e) Client relations. The TTL and the team will (i) coordinate Bank supervision to ensure consistent project implementation, as specified in the legal documents (that is, Financing Agreement, Project Operations Manual) and (ii) interact regularly with the client and the PMU to gauge project progress in achieving the PDO and address implementation bottlenecks as they may arise.
- (f) Safeguards. Bank environment and social specialists and consultants will work with the PMU in the implementation of the ESMF and will (i) support the PMU and stakeholders with familiarization of the Bank's instruments; (ii) ensure the PMU capacity to undertake social and gender analysis and develop mitigation approaches;

and (iii) ensure regular and close supervision of progress and implementation of these plans.

## IS Plan

What would be the main focus with regard to support to implementation during:

Time	Focus	Skills Needed	Number of Trips	Resource Estimate (Staff Weeks)
First 12 months	Project management, coordination and supervision	TTL	4	16
	Financial Management experience, knowledge of Bank FM norms, training	FM specialist	0	4
	Procurement experience, knowledge of the Bank's procurement norms, training	Procurement specialist	0	3
	Environmental and safeguards. Knowledge of Bank norms, environmental safeguard	Environmental/safeguards specialist	2	6
	IS and monitoring	Tourism and competitiveness team	6	12
12-48 months	Project management, supervision, coordination	TTL	4 per year	8 per year
	Financial Management (FM reviews and supervision, training and monitoring)	FM specialist	0	4 per year
	Procurement management (reviews and supervision, training as needed)	Procurement specialist	0	4 per year
	Environmental safeguards, supervision and monitoring, training as needed	Environmental/safeguards specialist	2 per year	4 per year
	IS and monitoring	Tourism and competitiveness team	6 per year	12 per year

### *Skills Mix Required*

Skills Needed	Number of Staff Weeks	Number of Trips	Comments
TTL	16	3	Based in Togo
FM specialist	4	0	Based in Benin
Procurement specialist	4	0	Based in Benin
Tourism and competitiveness team	12	4	Based at HQ
Environmental and safeguards specialist	6	2	Based at HQ

*Partners*

<b>Name</b>	<b>Institution/Country</b>	<b>Role</b>
BOAD	Togo	Financing construction of the first 12 km of the coastal road from Cotonou to Ouidah

2. Based on the outcome of the FM risk assessment, the following IS plan is proposed. The objective of the IS plan is to ensure that the project maintains a satisfactory FM system throughout the project's life.

<b>FM Activity</b>	<b>Frequency</b>
<b>Desk Reviews</b>	
Interim financial reports review	Quarterly
Audit report review of the project	Annually
Review of other relevant information such as interim internal control systems reports.	Continuous as they become available
<b>On-Site Visits</b>	
Review of overall operation of the FM system	Twice per year (IS mission)
Monitoring of actions taken on issues highlighted in audit reports, auditors' management letters, internal audit and other reports	As needed
Transaction reviews (if needed)	As needed
<b>Capacity-Building Support</b>	
FM training sessions	During implementation and as and when needed.

## **Annex 5: Detailed Economic and Financial Analysis**

### **Benin: Cross-Border Tourism and Competitiveness Project (P149117)**

#### **Project's Objective**

1. The objective of the project is to contribute to increased cross-border tourism and private sector investment in Selected Tourism Destinations and value chains in Recipient's territory. The project will have four components: (a) Improving Benin's Tourism Development Framework; (b) Tourism Destination and Product Development; (c) Support to MSME Upgrading, Linkages and Expansion; and (d) Project Management.

#### **Rationale for Public Intervention**

2. Benin's tourism industry is hampered by important elements of the current business environment that seem to deter private investment in the sector and hold back its growth over the long term. These include problems in existing rules and regulations, many of which are outdated and may be inhibiting the functioning of markets in the sector. For example, current business licensing rule and procedures are creating critical bottlenecks that need to be tackled to make interventions aimed at promoting the industry from the 'demand' side effective.

3. To be internationally competitive, the private sector needs to have access to good physical infrastructure, including good transport and communication lines, reliable power supply, and public sanitation facilities irrespective of the nature of goods and services that are being produced. Over and above these needs, a vibrant tourist industry requires additional facilities for maintaining historic, artistic, or cultural assets and attractions as well as a *mise en scène* of these assets 'packaging' as readily recognizable as the name of a tour destination. These are all elements of the hard and soft infrastructure that cross-border tourism needs to expand in Benin at the moment but also happen to be public or semi-public goods the market cannot provide.

4. A second major instance of market failure that the project aims to address is the lack of access to credit that investors with potentially good project ideas will come up against. This is a problem companies in Benin, as well as in West Africa more generally, single out as the single-most important obstacle to business investment. A third but related area of intervention under the project concerns the challenge of bridging the information gap between potential lenders (banks) and potential borrowers (businesses). Even when they are creditworthy, SMEs often do not have the capacity to present a solid business plan to banks. There is, therefore, a need for complementing initiatives for improving SME access to finance through interventions aimed at improving planning and management practices by providing professional BDS, which is very much in its infancy in Benin.

5. In the short term, institutions need to be in place to implement the project in an effective, transparent, and efficient manner, which the project seeks to address by providing assistance to the PMU. However, for this arrangement to be effective for sustainable results, there is a need to include a component that is explicitly mandated to more broadly help strengthen public sector agencies overseeing policy-related developments affecting the tourist industry directly.

## Value Added of the WBG

6. It is doubtful that the GoB would have technical or financial wherewithal to implement the project without the WBG's involvement as envisaged in the project proposal.

7. The WBG has extensive and recognized experience in supporting developing countries' tourism development strategies. It also has the unique benefit of worldwide experience and lessons for the design and implementation of targeted infrastructure as well as matching grants and access to finance components to sustain the competitiveness of sectors, including those considered here as linkages to tourism, such as agribusiness and crafts.

8. The WBG is also already supporting the GoB on improving the business environment and competitiveness, as well as on supporting agricultural value chains. It can therefore leverage these existing interventions as well as unique support from the IFC (being explored, market conditions permitting). This is also consistent with donor priorities, which are being coordinated.

## Methodology

9. Cost-benefit analyses of the project were conducted according to methods and principles laid out in the Bank's OP 10.04 for the Economic Analysis of Investment Project Financing operations. The discount rate used is five percent and benefits are calculated up to 20 years, according to the new guidelines.

10. The economic analysis of this type of private sector development project faces some difficulties particularly where there is sometimes indirect relationship between the TA provided under the project on its stream of benefits. Therefore, in keeping with common practices, the analysis is seeking to identify all major quantifiable (in monetary terms) and nonquantifiable benefits and costs of the project as a whole and of its individual components separately, based on which the expected NPV and ERR of the project are being estimated as a summary of the monetary value of the project to be presented against the background of a qualitative description and assessment of the nonquantifiable benefits and costs.

## Expected Value of the Project

### *Project Costs*

11. The distribution of project costs is reported by component/subcomponent in table 5.1:

**Table 5.1: Distribution of Project Costs by Component and Subcomponent**

Component and Subcomponents	Cost (US\$, millions)
<b>Component 1: Improving Benin's Tourism Development Framework</b>	<b>8.0</b>
<i>1.1: Strengthening the Enabling Environment for Tourism Enterprise Creation and Growth</i>	4.0
<i>1.2: Upgrading the Institutions and Programs for Skills Development in Tourism</i>	1.5
<i>1.3: Improving Marketing Processes and Tools for Selected Tourism Destination</i>	2.5



<b>Component 2: Tourism Destination and Product Development</b>	<b>23.5</b>
<i>2.1: Upgrading Urban Infrastructure and Services in Ouidah's Historic Core</i>	10.6
<i>2.2: Creating Flagship Cultural and Heritage Products</i>	10.3
<i>2.3: Structuring the Tourism Events Offer to Improve the Competitiveness of the Selected Tourism Destinations</i>	2.6
<b>Component 3: Support to MSME Upgrading, Expansion, and Linkages</b>	<b>10.0</b>
<i>3.1: Improving MSME Product Quality and Linkages</i>	5.0
<i>3.2: Fostering MSME Expansion through a Joint IDA-IFC Risk-Sharing Facility</i>	5.0
<b>Component 4: Project Management</b>	<b>4.5</b>
<i>4.1: Establishment of and support to a Project Management Unit</i>	4.0
<i>4.2: Upgrading Benin's Tourism Statistics Systems</i>	0.5
<b>Contingency</b>	<b>4.0</b>
<b>TOTAL</b>	<b>50.0</b>

### ***Project Value***

12. The project is expected to generate two kinds of benefits. The first type is that of quantifiable benefits that are normally priced by the market and can therefore be readily evaluated in monetary terms and consequently figure in the calculation of the project's NPV. The second type of benefits are those that cannot be quantified in monetary terms for lack of a market-based yardstick and those that are readily quantifiable as public goods or quasi-public goods that do not have market prices and cannot be readily evaluated from the point of view of targeted or direct beneficiaries of the project. It is also noted that second-round effects ('multiplier') have not been incorporated in the analysis, again understating the true value to the economy.

13. With regard to the project evaluated here, monetary benefits of project Components 2 and 3 were calculated, whereas benefits from Components 1 and 4 have been qualitatively evaluated in section VI, together with other nonmonetary benefits and externalities.

14. Table 5.2 shows the project costs and benefits by component and for the project as a whole. The estimated NPV and ERR of the project and their respective breakdowns are stated here based on measurement of benefits and costs against the status quo or the 'do nothing' alternative to the project. The table understates the true project value and the true ERR but without necessarily affecting the outcome of the decisions based on the comparative value of the project.

**Table 5.2. Distribution Project Value by Component**

	<b>Cost (US\$, millions)</b>	<b>Share (%)</b>	<b>NPV (US\$, millions)</b>	<b>ERR</b>
Component 1	8.0	16	(7.38)	n.a.
Component2	23.5	47	46.81	14.6%
Component3	10.0	20	1.55	8.4%
Component4	4.5	9	(4.18)	n.a.
Contingency	4.0	8	0	n.a.

	<b>Cost (US\$, millions)</b>	<b>Share (%)</b>	<b>NPV (US\$, millions)</b>	<b>ERR</b>
<b>Total</b>	<b>50</b>	<b>100</b>	<b>36.81</b>	<b>10.8%</b>

## *Details of Monetary Benefits*

### *Intended Beneficiaries*

15. The main intended direct beneficiaries of the project are Beninese households, firms, and establishments within the project area and beyond. The project areas include Ouidah, Zoungbodji, Djegbaji, and Cotonou. Actual beneficiaries will be households, firms, and establishments in the area that will be affected by the jobs directly created in the course of implementation of the project or by those additionally provided by employers across the value chain linked to the destinations that would not have been forthcoming in the absence of the project or by the increases in net business incomes and tax revenue that would not have materialized without the project.

16. Among enterprises, the target is to have 20 percent led by female owners. These include: (a) firms and associations supported by the project through the provision of nonfinancial BDS as well as financial support; (b) enterprises involved in selected agricultural value chains; and (c) the business consulting sector with an improvement of availability and efficiency of business services. A large number of private sector firms are also estimated to directly benefit from an improved investment climate, though this is harder to quantify.

17. The project will also provide economic and social welfare to the beneficiaries in the Ouidah area and more generally to the national economy.

### *Benefits from Component 2*

18. Table 5.3 shows the breakdown of project costs and benefits for Component 2, by source and category of beneficiary. Benefits are presented in two parts: the benefits that directly accrue from the absorption of project money into the local economy to execute the activities of the component ('benefits from activities') and those that are induced by these activities ('benefits induced by activities'). An impactful project is one that has strong induced effects compared to the project money absorbed—which is highly correlated to the project size. However, these absorbed funds should not be ignored.

**Table 5.3. Breakdown of Project Cost and Benefits for Component 2**

	<b>ERR</b>	<b>NPV (US\$, thousands)</b>
<b>Costs</b>		<b>-35,596</b>
Resettlement		-2,463
Land development		-488
Buildings and facilities		-23,881
Operating costs		-3,878
Other costs		-4,886
<b>Benefits from activities</b>		<b>15,055</b>
Terminal value of infrastructure investments		1,120
Government revenue		6,721
Employee earnings		5,543

	<b>ERR</b>	<b>NPV (US\$, thousands)</b>
Firm profits		1,671
<b>Benefits induced by activities</b>		<b>65,304</b>
Additional tourism spending in project area		65,304
<b>Net Direct Benefits</b>		<b>44,350</b>
<b>Externalities</b>		<b>2,050</b>
Social		2,050
Environmental		0
<b>Benefit to Society</b>	<b>14.6%</b>	<b>46,813</b>

19. Beyond direct costs from activities, resettlement (even temporary) will cost an estimated US\$2.5 million to society, given that compensation from resettled population will have to be shared by the rest of society, and net social benefits to displaced populations are estimated to zero.

20. The main activities for Component 2 are to rehabilitate Benin's tourism infrastructure and services in the targeted sites. Therefore, the main direct revenues from these activities are from local construction companies' increased profits from executing part of these contracts, additional employee earnings from day or wage workers working on construction sites, and government taxes earned on those profits and earnings. However, there will also be a positive externality from the social infrastructure provided, especially in Zoungbodji where access to water and improved sanitation for 200 households will provide sustainable gains in health and in time available for productive work.

21. The activities from this component are meant to be the main draw for additional tourists, especially from Nigeria to the sites considered. Irrespective of improvements in regulations, SME services, and government management (corresponding to Components 1, 3, and 4, respectively), tourists will come in large numbers only if the tourism sites are attractive. The increase in international tourists due to the project will bring revenues to a range of tourism-related service providers (accommodation, food, guides, crafts), which will have a sizeable impact on the overall local economy: firm revenues, employee earnings, and government tax.

### *Benefits from Component 3*

22. Table 5.4 shows the breakdown of project costs and benefits for Component 3, by source and category of beneficiary. Benefits are broken down in the same way as for Component 2.

**Table 5.4. Breakdown of Project Cost and Benefits for Component 3**

	<b>ERR</b>	<b>NPV (US\$, thousands)</b>
<b>Costs</b>		<b>-9,364</b>
MSME support (nonfinancial and financial)		-9,364
<b>Benefits from Activities</b>		<b>1,630</b>
Government revenue		183

Firm profits		1,448
<b>Benefits Induced by Activities</b>		<b>9,282</b>
Government revenue		659
Employee earnings		1,538
Firm profits		7,085
<b>Benefit to Society</b>	<b>8,4%</b>	<b>1,549</b>

23. Component 3 activities support MSME upgrading, linkages, and growth. Beyond revenues earned by local BDS providers and banks to execute or manage the activities, the main expected effects are: (a) on jobs created in firms newly formalized because of the project and in formal SMEs growing from improved practices and higher investment supported through financial and nonfinancial services provided by the project and (b) on increased firm profits from improved efficiency of the targeted firms, which will represent a large share of tourism-related firms in the targeted areas and value chains (in particular food and accommodation), for which this benefit will accrue for services rendered in these sectors to all tourists served in these areas, not just the additional ones brought by the project.

### ***Assumptions Used in the Calculation of the NPV and ERR***

#### *General Assumptions*

24. Table 5.5 lists the general assumptions used in estimating the NPV and ERR of both components as reported in tables 5.2 through A5.4. All monetary values in these tables are at a constant price in U.S. dollars where applicable and at a common official discount rate listed among the assumptions as applied to all cost and benefit streams in getting NPVs over the life span of the project counting from the assumed starting date. Among the remaining listed general assumption are the average pay rate that will apply to project-related labor costs and average personal income tax and corporate income tax rates.

**Table 5.5. Assumptions Common to All Components**

<b>Base Year: 2015</b>	<b>Unit</b>	<b>CFA thousand equivalent</b>	<b>Value</b>	
Inflation rate			1.3%	
NPV discount rate			5.0%	
Construction start year			2017	
Construction duration	Years		3	
Project revenues start year			2018	
Currency	XOF/US\$		580	
Corporation tax			35%	
Corporation tax (SMEs)			2%	
Income tax			30%	
Minimum wage	US\$, thousands/year	480	0.83	

#### *Assumptions Specific to Components*

25. Table 5.6 lists the main additional assumptions made about flows, prices, and the technology of production relating to Component 2 only. Assumptions made on increased growth in total international arrivals derive from the projected progressive increase in Nigerian arrivals if the project is implemented in the demand survey realized for the preparation of the project,<sup>28</sup> and the current share of Nigerians in arrivals. Similarly, average daily spending and length of stay is derived from the survey and assumed to be constant (non-Nigerian international spending is currently higher).

26. More specifically, the study identified as high-potential target market a ‘middle-class’ defined as (by looking at the core 40–50 percent of its income distribution) earning between US\$1,000 and US\$3,000 per month, which is one that is already traveling in large numbers to destinations such as Ghana, the most direct and relevant competition to Benin. Within that market, tourists on business or combining business and leisure were assessed as the most relevant and attractive. Though current daily spending in that potential market is assessed at between US\$149 and US\$190 per day, projections in the economic analysis were made conservatively with the average figure for current Nigerian travelers to Benin, that is, US\$134 per day. The study further estimated that if required interventions were carried out to attract that potential market (and those are mostly covered by the project, if not beyond), the growth rate of Nigerian arrivals to Benin could be expected to reach 20 percent per year (an increase of 6 percentage points), as a median scenario, versus the current rate of around 14 percent. Given that Nigerians currently represent 12 percent of international arrivals, this alone will mean an increase of zero point six percent of the growth rate of those arrivals. The projection made in the economic analysis instead is of an increase of zero point five percent of that growth rate from 2018 onwards, then one percent from 2020, and one point five percent from 2025. It was estimated that the project would have at least some spillovers to non-Nigerian international arrivals (the growth rate of the 88 percent of international arrivals not from Nigeria would only need to increase by zero point five percentage points by 2020 and again zero point five percent by 2025 due to the project to bridge the gap). Finally, even in the case of a relatively restrictive understanding of the existing ‘middle class’ in Nigeria, defined in some recent estimates to encompass only zero point five percent of the Nigerian population, this would still mean around 900,000 people—still a large market (and mostly close-by in Lagos) compared to the current 25,000 Nigerian visitors a year to Benin.

**Table 5.6. Assumptions Specific to Component 2**

	Unit	CFA thousand equivalent	Value	
Current rate of growth of international arrivals	%		2	
Projected growth hypotheses (due to the project)				
From 2018	%		2.5	
Between 2020 and 2025	%		3.0	
From 2025	%		3.5	
Average duration of stay in a year	Days		5	
Average daily spending per visitor	US\$		134	

<sup>28</sup> Solimar International. 2015. *Analyse de la Demande du Tourisme Nigérian et l'évaluation des Besoins au Bénin. Rapport Final*. Commissioned by the PCCI. Unpublished.

	Unit	CFA thousand equivalent	Value	
Percentage of local SMEs involved in the construction work	%		30	
Local construction companies profit margin	%		25	
Average room occupancy rate	%		20	
Average daily wage per guide	US\$	5,000	8.6	

27. Table 5.7 summarizes the main additional assumptions made in calculating the value of Component 3. The key here is the number of SME beneficiaries, the corresponding increase in number of jobs created, and the increase in profit margin from the combined support provided.

**Table 5.7. Assumptions Specific to Component 3**

	Unit	CFA thousand equivalent	Value	
Number of SME beneficiaries	Number		1,500	
New jobs to be created	Number		5,000	
Cost of formalization per SME	US\$	10,000	17.2	
Man/hour rate of BDS providers	US\$	10,000	17.2	
Increase in profit margin for SMEs targeted by financial and nonfinancial support	%		20	

### *Risk and Sensitivity Analysis*

28. The assumptions listed in tables 5.5 through 5.7 about cost and benefit parameters are all based on expert opinions and statistical data and are therefore liable to error. Computations of the ERR and the NPV, as reported in table 5.2, will therefore be subjected to a sensitivity analysis designed to assess the potential effect of errors in the assumed cost parameters on the reliability of the calculations. The analysis will be in the form of identifying the switching values of the variables of interest—the switching value of a cost parameter being the percentage change (relative to the assumed value) that is needed to occur to make the NPV of the project equal to zero or to equate the internal rate of return to the discount rate used to calculate the NPV. The smaller the switching value or percentage the more sensitive is the project's value to assumptions made about the variable of interest.

29. The main cost variable is construction costs, which is part of Component 2. Given the strong benefits expected from the investments made, it will require multiplying the cost by 2.5 to eliminate the net benefit (switching value of 150 percent).

30. On the benefit side, the model is mostly sensitive to changes in assumptions about international tourist arrivals growth, as well as on their average length of stay and spending per day. A uniform decrease of 0.46 percentage point of projected growth rates will give the project zero NPV. Alternatively, it would take to delay to 2025 an expected increase in the growth due to the project, from the current trend of two percent per year to three point five percent per year, to roughly equate the internal rate of return to the discount rate. Halving the average length of stay from 5 to 2.5 days or reducing spending from US\$134 per day to US\$58 per day (for additional arrivals generated by the project) will produce the same effect.

## **Nonmonetary Benefits, Externalities, and Provision of Public Goods**

31. It is important to stress that the project will generate important nonmonetary benefits (for example, in the form of quasi-public goods) and could also generate significant non-environmental externalities, which need to be borne in mind in making decisions based on NPV and ERR estimates reported in table 5.2.

### ***Quasi-Public Good Provision under Component 1 and Component 4***

32. The most likely nonmonetary benefits of the project flow from Components 1 and 4. These aim to increase the productivity and scale of the tourism industry through improved regulations and access to skills and marketing services to operators within the industry (Component 1) and to enhance government implementation and monitoring capacity (Component 4).

33. The development of effective training and skills development programs and the establishment of marketing tools and platforms under Component 1 are designed to reinforce a broader initiative for improving the investment climate in the tourism sector in Benin through improved regulatory and public service delivery schemes, as well as through support to the *Route des Pêches* agency. The anticipated benefit from the component is an easier start and expansion of firms in the sector. Notably, improved supply of skills to the industry is expected to help improve the quality of services offered to tourists. It is also expected to help cut costs as improved marketing helps operators achieve economies of scale by attracting more tourists from across the border. However, while the generation of these benefits will be necessary for the success of the project, the benefits are not internal or restricted to the project or its targeted (or direct) beneficiaries as they will naturally accrue to all Beninese firms and households potentially participating in the value chain of the tourism industry and in that sense are quasi-public goods that the NPV and ERR calculations presented here do not take into account.

34. Component 4 likewise contributes to the benefits of the project as its intended outcomes are necessary for the successful implementation of the other three components but also generate quasi-public goods over and above that contribution, which is not taken into account in the NPV and ERR reported here. The outcome in question here is improved government capacity to implement and monitor (through support to improved statistical systems and in particular satellite accounts for macroeconomic piloting) tourism development projects in the coming years (in combination with Component 1), especially along the *Route des Pêches*, and more generally countrywide, which will bring substantial but hard-to-quantify benefits in the medium term.

### ***Spillovers: Cost of Living, Consumer Surplus, and Competitiveness***

35. The most direct externalities will come from the improved water supply in the poor communities of Ouidah (Djoungbodji), in the form of time gained from fetching water and reduction in health costs. Similar but more diffused benefits will come from improved sanitation in areas targeted by the project. Some consumer surplus is expected to arise from improved capabilities of MSMEs in the tourism sector, with, for example, lower food losses from improved systems and practices, as well as better FM, leading to increased supply from local sources at lower cost and better quality.



36. Resettlement of populations will be generally limited because of the inclusive design of the project. Associated costs to society have already been taken into account in the analysis. Improved sites will likely incur increases in land prices, which could positively affect owners not displaced by the project but also render acquisition or rental more difficult for others. This may not be a net loss to society but is likely to be a regressive distributive effect. This is most likely for Ouidah, where the core city center will be substantially improved, and for the small area targeted for potential developments in Fidjrossè as well as its surroundings if the project is proved effective in Ouidah.

### **Alternatives**

37. Alternatives were considered that could have altered the economic costs and benefits of the project.

### ***Location***

38. Discussions of alternative locations mainly concerned the Fidjrossè site. The trade-off was between proximity to the city center—and therefore higher potential with regard to number of tourist visits to the targeted site—and the scale of resettlement that would be necessary to implement the project.

39. The solution chosen focused on a site that had least cost to society with regard to resettlement, in line with the inclusive nature of the project. It was also judged that the chosen site, though further away from the city, was still close enough to attract large numbers. Finally it was considered that choosing a less disruptive site may substantially decrease the chances of delays to project implementation, which would bring important costs.

### ***Sectoral Focus***

40. The discussion on the sectoral focus revolved mainly around the inclusion of sectors linked to tourism, the scope and depth of related support, and the sector specificity. It was decided that the strongest potential linkages of tourism to the broader economy should be supported directly, with a sector focus, for example, on food and crafts (which have most local production potential but need most specific support), while broader support to services would allow the growth of a local tourism ecosystem and avoid the alternative (as observed in other tourism projects and developments) of an ‘enclave’ development model.

### ***Type of Intervention***

41. The balance between hard (infrastructural) and soft (investment climate, financing, and TA) interventions was decided based on the assessment of Benin’s tourism sites on the one hand and identified demand from the primarily targeted Nigerian market on the other hand. This led to a significant focus on infrastructure developments, as it was concluded that the core of the attraction for new tourists (especially, but not only, Nigerian) would be the improvement of the rich Beninese sites and associated services, which are currently in bad shape.

42. Within soft support, investment climate support was judged to be a priority despite diffused and hard-to-attribute benefits (compared to financial and TA support to SMEs), because

of the especially dire state of current regulations, which would constitute a strong impediment to the effect of other interventions (especially with regard to new hotel and services creation).

## **Annex 6: Details on Lessons Learned and Reflected in the Project Design**

### **Benin: Cross-Border Tourism and Competitiveness Project (P149117)**

1. This project builds on the WBG's extensive international, regional, and national experience in private sector development, tourism development, and value chain linkages. Lessons learned and integrated into the project design are described in the following paragraphs.
2. **Tourism, if properly structured and managed, can be an effective means of holistic development, with the ability to reduce poverty, create jobs, conserve nature and heritage, and improve livability and access to services in a durable manner.** Tourism has the potential to increase both the economic and noneconomic net benefits for the poorest sectors of society. Among the world's poorest countries, an estimated 25 percent of tourist revenue is captured by those living on less than US\$1.25 a day. Tourism is a labor-intensive industry generating a wide range of jobs and is responsible for 1 in 11 jobs globally, 70 percent of which are women-help and 50 percent of which employ youth. In 2013, tourism generated 4.7 million new jobs and accounted for 266 million jobs globally.<sup>29</sup>
3. **Extensive WBG experience.** Globally, the WBG currently counts over 100 projects in more than 50 countries that include tourism activities, making up a tourism portfolio estimated at US\$3.6 billion. This experience dates back to its first reconstruction loan to France and includes decades of experience in catalyzing national and regional tourism sectors, with a total of over 600 projects committing over US\$10 billion. Specifically for the preparation of this project, the team has sourced relevant examples from similar low-capacity, low-income countries at emerging stages of tourism development, as well as best practices on aspects of (a) tourism training and skills development from Togo, Rwanda, Madagascar, and the Gambia; (b) marketing and travel facilitation from Kenya, the Gambia, Ghana, and South Africa; (c) environment reforms from Rwanda, France, and Morocco; (d) destination development approaches from Georgia, India, Indonesia, France, and South Africa; and (e) models for increasing enterprise competitiveness from Guatemala, the Gambia, and other West African contexts.
4. **Integrated approach to tourism development.** To create lasting impact, a wide variety of interventions are required, especially for countries at the emerging stage of tourism development where most aspects of their tourism sector remain underdeveloped. To have a catalytic effect, investments must be made in crosscutting areas, including tourism assets and infrastructure, skills enhancement, information systems, business environment, and firm competitiveness. This approach, rather than isolated outputs, is the foundation for meaningful outcomes. Cross-sectoral project teams that combine experts in tourism and private sector development, agribusiness, and urban development are a key success factor.
5. **Undertaking clustered spatial investments in tourism infrastructure.** Experience demonstrates the importance of concentrating investments to create tourism clusters, which transforms destinations into growth zones. For example, the Lebanon Cultural Heritage and Urban Development project showed a 105 percent increase in employment in cultural or tourism

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<sup>29</sup> World Travel and Tourism Council. 2014. *Travel and Tourism Economic Impact 2014*.

industries and a 90 percent increase in businesses around the historic core of a target city after upgrades core and its cultural heritage. At the site level, it is important to give attention to the appropriate scale and materials used, conceiving strategies to integrate intangible heritage and create sites with multiuse appeal to residents and different segments.

**6. Tourism projects in environments with low implementing capacity.** A 2010 Portfolio review of all WBG Africa tourism projects highlighted the importance of investing substantially in building government capacity and systems, especially in emerging tourism sectors. Such capacities and systems are often critically weak. A substantial focus is required on building these capacities and systems, as well as integrating various government ministries, given tourism's multisectoral nature. The selection of pilot destinations and demonstration projects, and phasing of interventions, have been shown to ensure that capacity is gradually built to undertake larger and more complex project elements over time.

**7. Demand-driven interventions and linkages.** Tourism development must be a private sector-led and market-based activity. As such, there is a critical importance to understanding the demand conditions, and integrating enterprises in multiple project aspects, from enabling environment reforms to destination development. Specifically, facilitating effective PPD has been demonstrated to increase the likelihood of successful reforms and ownership in such programs. The key principles of developing successful private sector development programs are (a) being demand driven, (b) requiring cost sharing, and (c) based on realistic business development plans. The packaging of interventions to address interrelated issues is critical, such as concurrently supporting (a) increased access to financing, (b) BDS, and (c) improvements in the business environment.

**8. Developing a market-driven and diversified sector:** It is important to plan for the diversification of a tourism sector to multiple segments early on in a sector's development to ensure its competitiveness as it matures. This includes segments such as historical, diaspora tourism, and cultural studies in addition to the conventional leisure and wildlife tourism. This is especially relevant in less established destinations that will depend on a number of niche segments in the early development of its sector. In the decision to first focus on the Nigerian market, the project team has drawn from examples of capitalizing on a large potential demand base from (a) Uruguay, where 62 percent of its tourists are residents of neighboring Buenos Aires, and (b) the Gambia, where Nigerian arrivals rose by 22 percent between 2012 and 2013 after actively targeting this market segment, and 50 percent of all produce used in its tourism sector is locally sourced, with linkages programs that are set to increase this to 75 percent.

# Annex 7: MAP

