

Document of
The World Bank
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Report No: PAD2640

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED GRANT

IN THE AMOUNT OF SDR 27.6 MILLION
(US\$40 MILLION EQUIVALENT)

TO THE

REPUBLIC OF BENIN

FOR A

COMMUNITY AND LOCAL GOVERNMENT BASIC SOCIAL SERVICES PROJECT

June 13, 2018

Social Protection & Labor Global Practice
Africa Region

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CURRENCY EQUIVALENTS
(Exchange Rate Effective March 31, 2018)

Currency Unit = CFA Franc

CFA Franc 532 = US\$1

US\$ 0.688 = SDR 1

FISCAL YEAR
January 1 - December 31

ABBREVIATIONS AND ACRONYMS

ACCESS	Support to Communes and Communities for the Expansion of Social Services (<i>Appui aux Communes et Communautés pour l'Expansion des Services Sociaux</i>)
ACISE	Education Sector Infrastructure Construction Agency (<i>Agence pour la construction des infrastructures du secteur de l'éducation</i>)
ACVDT	Living Conditions and Territorial Development Agency (<i>Agence du Cadre de Vie et du Développement du Territoire</i>)
ANCB	National Association of Communes of Benin (<i>Association Nationale des Communes du Bénin</i>)
APL	Adaptable Program Loan
ARCH	Insurance for Strengthening Human Capital (<i>Assurance pour le Renforcement du Capital Humain</i>)
CDD	Community Driven Development
CeFAL	National Local Government Training Center (<i>Centre de formation pour l'administration locale</i>)
CNSPS	National Social Protection Platform Committee (<i>Comité National Socle de Protection Sociale</i>)
CONAFIL	National Commission for Local Finance (<i>Commission Nationale des Finances Locales</i>)
CPF	Country Partnership Framework
CPS	Country Partnership Strategy
CPS	Social Promotion Center (<i>Centre de Promotion Sociale</i>)
ESMF	Environmental and Social Management Framework
FADeC	Communal Development Support Fund (<i>Fonds d'Appui au Développement des Communes</i>)
FCFA	African Financial Community Franc (<i>Franc de la Communauté Financière Africaine</i>)
GMT	Grassroots Management Training
GRS	Grievance Redress Service
IDA	International Development Association
INSAE	National Institute for Statistics and Economic Analysis (<i>Institut National de la Statistique et de l'Analyse Economique</i>)
M&E	Monitoring and evaluation
MASMF	Ministry of Social Affairs and Microfinance
MDGL	Ministry of Decentralization and Local Government

PAG	Government Action Program (<i>Programme d'Actions du Gouvernement</i>)
PDC	Commune Development Plan (<i>Plan de Développement Communal</i>)
PDO	Project Development Objective
PONADEC	National Policy on Decentralization and Deconcentration (<i>Politique Nationale de Décentralisation et de Déconcentration</i>)
PSDCC	Decentralized Community Driven Services Project (<i>Projet des Services Décentralisées Conduit par les Communautés</i>)
RAVIP	Administrative Census for the Identification of the Population (<i>Recensement Administratif à Vocation d'Identification de la Population</i>)
SCD	Strategic Country Diagnostic
SOP	Series of Projects
SSDCC	Secretariat for Decentralized Community Driven Services
TMIC	Labor-Intensive Community Works Projects (<i>Travaux mobilisateurs d'intérêt collectif</i>)

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BASIC INFORMATION

Country(ies)	Project Name	
Benin	Community and Local Government Basic Social Services Project	
Project ID	Financing Instrument	Environmental Assessment Category
P163560	Investment Project Financing	B-Partial Assessment

Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input checked="" type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Disbursement-linked Indicators (DLIs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	

Expected Approval Date	Expected Closing Date
05-Jul-2018	30-Jun-2022

Bank/IFC Collaboration

No

Proposed Development Objective(s)

The development objective of the project is to improve access to decentralized basic social services and social safety nets, and to strengthen the social protection system.

Components

Component Name	Cost (US\$, millions)
Improving Decentralized Service Delivery	23.80



Social Safety Nets and SP Systems	12.80
Project Management	3.40

Organizations

Borrower: Republic of Benin
 Implementing Agency: Ministry of Decentralization and Local Government

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	40.00
Total Financing	40.00
of which IBRD/IDA	40.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Development Association (IDA)	40.00
IDA Grant	40.00

IDA Resources (in US\$, Millions)

	Credit Amount	Grant Amount	Total Amount
National PBA	40.00	0.00	40.00
Total	40.00	0.00	40.00

Expected Disbursements (in US\$, Millions)

WB Fiscal Year	2018	2019	2020	2021	2022
Annual	1.00	11.00	11.00	11.00	6.00
Cumulative	1.00	12.00	23.00	34.00	40.00



INSTITUTIONAL DATA

Practice Area (Lead)

Social Protection & Labor

Contributing Practice Areas

Education, Governance, Health, Nutrition & Population

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

Gender Tag

Does the project plan to undertake any of the following?

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF

No

b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment

No

c. Include Indicators in results framework to monitor outcomes from actions identified in (b)

No

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category

Rating

1. Political and Governance

● Substantial

2. Macroeconomic

● Moderate

3. Sector Strategies and Policies

● Moderate

4. Technical Design of Project or Program

● Moderate

5. Institutional Capacity for Implementation and Sustainability

● Moderate

6. Fiduciary

● Substantial

7. Environment and Social

● Moderate

8. Stakeholders

● Moderate

9. Other



10. Overall

● Moderate

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

Yes No

Does the project require any waivers of Bank policies?

Yes No

Safeguard Policies Triggered by the Project

	Yes	No
Environmental Assessment OP/BP 4.01	✓	
Performance Standards for Private Sector Activities OP/BP 4.03		✓
Natural Habitats OP/BP 4.04		✓
Forests OP/BP 4.36		✓
Pest Management OP 4.09	✓	
Physical Cultural Resources OP/BP 4.11	✓	
Indigenous Peoples OP/BP 4.10		✓
Involuntary Resettlement OP/BP 4.12	✓	
Safety of Dams OP/BP 4.37		✓
Projects on International Waterways OP/BP 7.50		✓
Projects in Disputed Areas OP/BP 7.60		✓

Legal Covenants

Sections and Description

Schedule 2, section I.2. The Recipient shall no later than (6) six months after the Effective Date, recruit and maintain an external auditor, under terms of reference and with qualifications acceptable to the Association.

Conditions

Type	Description
Effectiveness	The Project Implementation Manual has been prepared and adopted by the Recipient, in



	form and substance satisfactory to the Association.
Type Effectiveness	Description The Recipient has recruited six (6) finance controllers to support the Project, with qualifications and under terms of reference satisfactory to the Association.



**BENIN
COMMUNITY AND LOCAL GOVERNMENT BASIC SOCIAL SERVICES PROJECT**

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I. STRATEGIC CONTEXT

A. Country Context

1. Benin is a small West African country with a per capita income of US\$800 in 2016. Its total population is approximately 10 million and is growing at a rapid rate of 3.5 percent annually. Benin experienced successful and peaceful democratic transitions starting in the early 1990s, but despite political stability, significant agricultural potential, and a favorable geographic location, Benin remains a low-income country.

2. Despite moderate Gross Domestic Product growth of between four and five percent annually over the past two decades, and more robust growth recently, poverty remains widespread. According to the National Institute for Statistics and Economic Analysis (INSAE), national headcount poverty rates have stagnated over the past decade, moving from 37.5 percent in 2006, to 35.2 percent in 2010 and 40.1 percent in 2015. The World Bank's estimate of the US\$1.90 per day poverty rate indicates rates of 61.4 percent in 2006, 48.5 percent in 2010 and 49.5 percent in 2015. Nationally, inequality in the distribution of household consumption has been moderately high but stable, with the Gini coefficient at 0.47 in both 2010 and 2015.

3. While progress has been made in recent years to improve access to basic services, Benin still faces large gaps in service coverage, especially in poor and remote areas. Primary class sizes average 47 students and 33 percent of primary schools do not have toilets. Poor rural roads can significantly raise the time and cost to access health and education services and bring goods to markets.

4. Under President Patrice Talon, elected in March 2016, the Government of Benin has developed a Government Action Program (*Programme d'Actions du Gouvernement* – PAG) for the period 2016-2021. The PAG outlines 45 flagship projects as well as a number of priority projects for each ministry over the five year period. The flagship projects include a major new social protection initiative called Insurance for Strengthening Human Capital (*Assurance pour le Renforcement du Capital Humain* – ARCH). The PAG also aims to construct 6,000 classrooms at all levels of education including maternal, primary, secondary and tertiary and greatly expand access to potable water.

B. Sectoral and Institutional Context

5. **Decentralization and basic service delivery.** Decentralization is enshrined in Benin's constitution adopted in December 1990 and governed by a series of laws adopted in 1999 that define the legal and institutional framework for decentralization. According to these laws, Benin's 77 communes have the responsibility for the delivery of key basic services including primary education, health, water, local roads, and social assistance, among others.¹ Other major developments regarding the decentralization agenda

¹ Responsibilities of communes include: planning, infrastructure (building /maintenance of roads, street lighting), environment, hygiene and sanitation (including drinking water and waste management), literacy, early childhood and primary education (building, equipment and maintenance of schools), health (building, equipment and maintenance of public health centers), social assistance, economic services and investments (building, equipment and maintenance of markets and abattoirs).



took place in 2008 and 2009. Notably, the *Fonds d'Appui au Développement des Communes* (FADeC) and the *Commission Nationale des Finances Locales* (CONAFIL) were set up and the *Politique Nationale de Décentralisation et de Déconcentration* (PONADEC) was finalized in this period. While communes are the sole decentralized entity with legal personality and financial autonomy, they are permitted to expand their ability to fulfill their responsibilities by delegating certain simple activities to community associations.

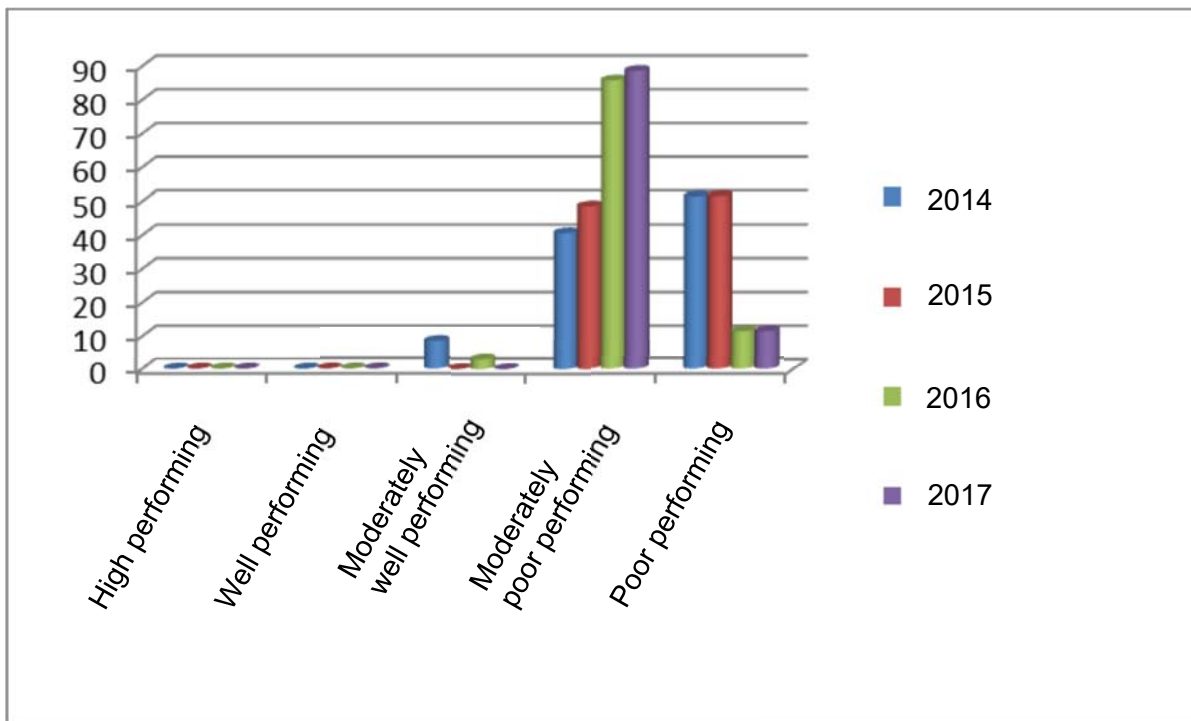
6. Other than a small number of urban communes, most communes have low levels of own revenues with which to finance development activities. FADeC, the Government's mechanism for transferring resources to communes, is therefore highly important in financing decentralized services. Financing for FADeC transfers is one of the priority expenditures in the PAG. FADeC transfers are made up of: (a) an operational allocation to cover recurrent costs of communes' decentralized responsibilities; and (b) an investment allocation to cover costs of capital expenditures related to decentralized services. The investment allocation is further broken down into non-earmarked and earmarked portions; the former determined based on the size of a commune, its population and poverty level, and its performance, and the latter on the basis of specific sectoral needs. CONAFIL is charged with examining the modalities, mechanism, criteria and amount of transfers to communes; setting up monitoring and evaluation of the performance of FADeC; and ensuring the proper functioning of FADeC, especially regarding the swift disbursement of budgeted funds. FADeC's implementation manual describes the modalities for communes to delegate implementation of certain simple activities financed through FADeC to community associations. Indeed, the PONADEC recommends that community-driven approaches be aligned with decentralization, including through delegation of responsibility from communes to communities, in order to select the most efficient implementation modality in terms of cost and quality.²

7. Benin has made significant progress in recent years in increasing the levels of resources flowing to communes through FADeC. From 2010 to 2017, FADEC transfers to communes grew from US\$22.8 million to US\$ 53.6 million. Despite the growing resource flows, the capacity of communes to utilize FADeC funds to fulfill their mandates remains weak. According to the Ministry of Decentralization and Local Government (MDGL), the budget execution rates for communes averaged 50 percent in 2015 and 48 percent in 2016. Furthermore, the procurement capacity of communes has improved in recent years with support from the World Bank (the Bank) and other partners. Still, most communes do not fully adhere to national procurement procedures having improved from "non-performing" to "moderately non-performing" on the ranking scale used in recent procurement audits (see Figure 1).

² PONADEC, page 57.



Figure 1: Evolution of procurement performance of communes, 2014-2017



Source: PSDCC procurement audits

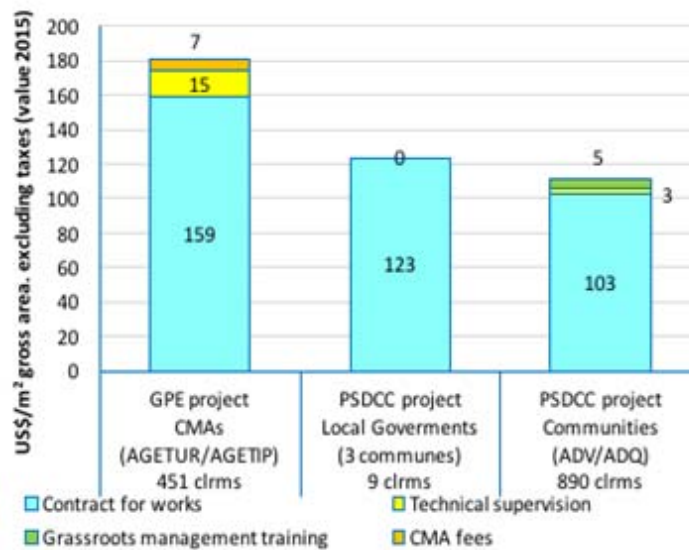
8. **Community Driven Development (CDD).** The CDD approach aims to empower communities to identify and implement small-scale, low complexity development activities. Benin’s experience in using CDD as a means to improve decentralized delivery of basic services is a model for developing countries faced with poor execution performance of capital expenditures for basic services. The Decentralized Community Driven Services Project (*Projet des Services Décentralisées Conduit par les Communautés – PSDCC*), which ended on December 31, 2017, has supported FADeC’s transfers to finance basic infrastructure in the areas of education, health, water, rural roads, and market infrastructure. The large majority of the transfers financed sub-projects implemented by communities under a formal delegation of responsibility from their commune. The communities—targeted on the basis of lack of access to services—identified their local needs, received funds, planned and implemented the projects chosen, and monitored the provision of services that resulted from those projects. For this, they received extensive training from a well-established network of community trainers supported by PSDCC. Communes have retained the responsibility for oversight of implementation by the community and ownership of the completed infrastructure asset.

9. This model has proven successful and resulted in the completion of over 1,000 basic infrastructures executed by delegation to communities on December 31, 2017. In addition, over 230 multi-village infrastructures executed directly by communes have also been completed at the end of the project. Technical and financial evaluations carried out under PSDCC show that the project’s emphasis on delegation to communities was well justified. Infrastructure carried out through delegation to communities was cheaper and of better quality than alternative approaches. For example, primary



classrooms built directly by communes cost 11 percent more than comparable classrooms built by communities, even when taking into account the costs of training communities. Those built by contract management agencies recruited by the Ministry of Primary Education under Global Partnership for Education (GPE) financing cost 63 percent more. In addition, the PSDCC technical audit (2017) showed that community-executed infrastructure was of better quality than that implemented by communes: in communities, 91.1 percent of community infrastructure was of acceptable quality, 8.9 percent was structurally sound but required corrections, and no infrastructures had major structural flaws. In commune-executed projects, 56.7 percent of infrastructure was acceptable, 16.7 percent structurally sound but requiring corrections, and 26.6 percent had major structural flaws. The difference can be attributed to the increased transparency and respect of procurement procedures at the community level. A procurement audit pointed to serious weaknesses in procurement performance in communes, which prompted the Government to take corrective action in the form of temporary freezes of FADeC transfers to certain communes, removal of some commune-level staff, and procurement training for local officials financed by PSDCC.

Figure 2: Benin: Unit cost of classroom construction (m²) (2013-2015)



Source: What drives the unit cost of school construction? Second cost-driver: Implementation arrangements. World Bank, 2017.

10. **Social Protection.** The Government has made significant progress in establishing a new, more inclusive social protection policy and putting in place key elements of a social protection system. The Holistic Social Protection Policy was adopted in 2014, along with important instruments such as: (a) the National Unique Targeting methodology and the establishment of a National Social Registry; (b) the adoption of a national social protection floor³; (c) the piloting of safety nets approaches such as

³ The Benin National Social Protection Floor comprises: (i) promoting universal health coverage; (ii) improving child care; (iii) improving the consumption of households; and (iv) protection and promotion of specific groups, especially those extremely vulnerable.



unconditional cash transfers, and labor intensive public works in twelve communes; and (iv) the establishment of the National Social Protection Platform Committee (*Comité National Socle de Protection Sociale – CNSPS*), as the main coordinating body for implementation of the policy.

11. PSDCC supported a successful pilot of a cash transfer program that built on the CDD approach for identification of beneficiaries and execution of labor intensive public works. While a pilot, this was the largest such program ever implemented in Benin, reaching about 13,000 poor households. The pilot provided unconditional cash transfers of FCFA 3,500 per month over 24 months, as well as additional income for four months per year during the agricultural lean season through labor-intensive community works projects (*Travaux mobilisateurs d'intérêt collectif – TMIC*).

12. The Government of Benin is currently preparing ARCH, a major new social protection initiative that aims to offer health insurance to the entire Beninese population, in particular the poorest households which would receive subsidies for health insurance coverage. The initiative also includes services related to microfinance, training, and pensions. The objective is to provide a package of mutually-reinforcing services that can not only protect households from health shocks and old age, but also help them to improve their livelihoods. While safety nets are not formally a part of the ARCH program, they could have an important role in helping ARCH to succeed in making a sustainable impact on its priority target group of poorest households. The experience of the successful Bangladesh Rural Advancement Committee (BRAC) model for improving livelihoods of the extreme poor⁴ shows that income support through cash transfers is a critical component of packages of interventions that aim to have a sustainable impact on the living conditions of the poor, because these households need to be able to meet their most basic needs before they can use microfinance and training to improve their living standards.

13. This proposed operation, called ACCESS (*Appui aux Communes et Communautés pour l'Expansion des Services Sociaux*), constitutes the next phase of the World Bank support that began with PSDCC and will support the delivery of basic services using the community driven approach, and the expansion of a cash transfer program for the poorest households.⁵ ACCESS marks a shift from PSDCC in that it has been adapted to reflect the priorities of the Government's PAG. Accordingly, ACCESS will support the Government's ARCH initiative and position social safety nets to compliment ARCH. All project activities will be aligned with the Government's reform agenda which aims to ensure the harmonization of different development interventions along the lines of the PAG.

C. Higher Level Objectives to which the Project Contributes

14. A new Country Partnership Framework (CPF) covering FY19-FY23 is expected to be approved in early FY19 building on the Strategic Country Diagnostic (SCD) for Benin. The SCD identified the main constraints that need to be alleviated to enable Benin to achieve the Bank's twin goals of reduced poverty and increased shared prosperity, and to suggest pathways to reduce these constraints. The SCD cited the

⁴ Banerjee, Duflo, et al. A multifaceted program causes lasting progress for the very poor: Evidence from six countries. Science (2015) <http://science.sciencemag.org/content/348/6236/1260799>

⁵ PSDCC was structured as the first phase of a three-phase Adaptable Program Loan (APL) that aimed to improve access to decentralized basic social services and to mainstream the community driven development approach for such services. While the APL instrument is no longer in use by the World Bank, the preparation of this project as the second phase of a Series of Projects (SOP) remains relevant given the need for a continuous engagement over a sustained period to support the original APL objective.



following factors as the main constraints facing Benin: a) political economy issues and governance weaknesses; b) infrastructure services c) competitiveness constraints; d) human capital weaknesses and gender imbalances; e) population growth and demographic pressures; f) lack of adequate social protection; and g) environmental and natural resource management. The SCD identified three main pathways for Benin to alleviate these constraints: i) a more inclusive growth process by creating jobs and livelihoods in Benin’s areas of comparative advantages; ii) building human capital, particularly among the poorest and among women and girls, including strengthening the delivery of public services and improving the coverage and targeting of social safety nets; and iii) strengthening natural resource management. The proposed operation strongly supports the second SCD pathway.

15. The project supports all three of the focus areas of the CPF for FY19-FY23. For Focus Area I on “Structural Transformation for Strengthened Competitiveness and Productivity,” the project supports the objective of improving government capacity for public sector management. For Focus Area II on “Investing in Human Capital,” the project supports improving social protection, health and nutrition systems. For Focus Area III on “Increasing Resilience and Reducing Disaster and Climate-Related Risks,” the project will support building resilience at the community level. The project also strongly supports the Bank’s twin goals of reducing poverty and increasing shared prosperity and the Bank’s priority on strengthening citizen engagement.

II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

16. The development objective of the project is to improve access to decentralized basic social services and social safety nets, and to strengthen the social protection system.

B. Project Beneficiaries

17. The beneficiaries of the project will be individuals in poor communities targeted to receive support for construction of small-scale basic infrastructure (component one) and poor households targeted to benefit from safety net interventions (component two). In the project monitoring framework, beneficiary numbers will be disaggregated by gender.

C. PDO-Level Results Indicators

18. The project’s performance in attaining the Project Development Objective (PDO) will be measured through a set of 5 outcome indicators. Some of these indicators are similar to those used in PSDCC, and therefore will allow comparability and continuity of measurement.

- Students enrolled in schools constructed/rehabilitated under the project (number)
- Communes carrying out community driven investments with non-project financing (number)
- Beneficiaries of social safety net programs; of which female (number)
- Beneficiaries of job-focused interventions; of which female (number)



- Households enrolled in National Social Registry (number)

III. PROJECT DESCRIPTION

A. Project Components

19. The proposed operation, which is the second in a series of three projects, will consist of three components:

Component 1: Improving Decentralized Service Delivery (IDA SDR 16.4 million, US\$23.8 million equivalent)

20. This component aims to continue support for improving the delivery of basic services at the decentralized level in line with the PAG, which foresees continued support for decentralized services through the FADeC, and the PONADEC. It will support fiscal transfers to local governments (communes) to be used for investments that are included in their Commune Development Plan (*Plan de Développement Communal – PDC*), as well as measures to improve their capacity and performance. Eligible expenditures will include investment projects in the areas of education, health, rural roads, and market infrastructure. In so doing, the component will contribute in particular to the PAG’s emphasis on education by supporting classroom construction following the school map under preparation by the Government. The component will be implemented in close collaboration with the Education Sector Infrastructure Construction Agency (*Agence pour la construction des infrastructures du secteur de l’éducation, ACISE*), which is charged with providing technical assistance for the design and construction of education sector infrastructure as an advisor to the contracting authority. In health, the infrastructures supported under the project will follow the norms and standards of the sector, the national health mapping document, and the reforms underway in the sector. The Living Conditions and Territorial Development Agency (*Agence du cadre de vie et du développement du territoire, ACVDT*) will play the same role in regard to market infrastructure. The modalities of this collaboration will be defined through a Memorandum of Understanding.

Subcomponent 1.1: Service Delivery Grants (IDA US\$19.8 million).

21. As shown in Figure 3, this sub-component will transfer resources through the FADeC for two types of activities covering all 77 communes of Benin:

- Eighty percent of resources under this sub-component will fund grants to communes for single-community level investments. In comparison to investments that will be executed by communes (see below), these investments will be of low complexity, covering a single village or urban neighborhood. For these relatively simple community-level investments, the responsibility for implementation would be delegated by the communes to communities to be executed through the CDD approach. This approach has been demonstrated in the PSDCC and previous projects to reduce costs and improve the quality of the infrastructure. The list of eligible investments will be defined in the Project implementation Manual and will include non-complex infrastructure in the



areas of education, health, rural roads, and market infrastructure⁶. Communities will be selected by means of a poverty map and an index measuring access to services and poverty that will be prepared by the National Institute for Statistics and Economic Analysis (*Institut National de la Statistique et de l'Analyse Economique – INSAE*). Community sub-projects are not expected to exceed FCFA 22 million (US\$42,000) except in exceptional circumstances where construction in a village presents exceptional difficulties. This represents an increase from the allocation of FCFA 20 million per community under PSDCC. The component is expected to finance about 360 infrastructures in total.

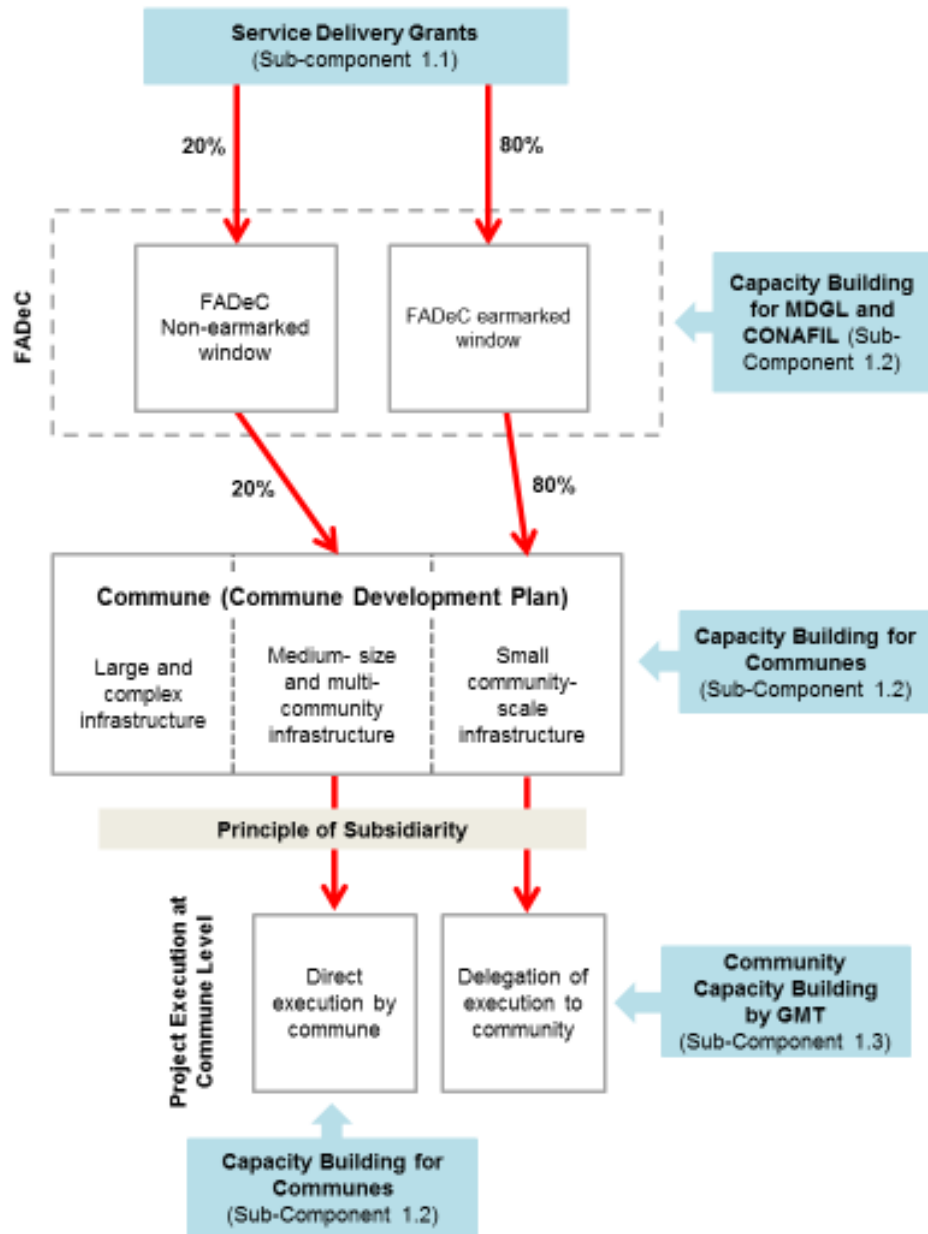
- Twenty percent of the resources under this sub-component will fund grants to communes to support multi-village level infrastructure investments. These investments are expected to be of a higher level of complexity, or cover multi-communities, and as such they would be expected to be implemented more effectively by communes than communities. For more complex investments that deal with multiple villages, communes would retain responsibility for implementation. These resources would be transferred to communes through the non-earmarked investment window (*guichet non-affecté investissement*) of the FADeC, and as such they would follow the procedures for allocation, transfer, management, and reporting for this window. Specifically, this means that allocation among communes would be made on the basis of the FADeC allocation formula administered by CONAFIL, which incorporates population, poverty, and performance. Transfers would take place one time at the beginning of the project, with each commune receiving an average of about FCFA 27 million (approximately US\$51,000). World Bank resources would be linked to specific investments in the PDCs, enabling traceability. Supported expenditures would be limited to certain types of activities (education, health, rural roads, labor intensive public works, and market infrastructure) to ensure compliance with World Bank environmental and social safeguards requirements.

22. To incentivize communes to employ the CDD approach with their own resources, ten percent of the project's community sub-projects will be allocated on a first come, first served basis to communes that opt to delegate responsibility for execution of an investment to communities on their own initiative. This investment could be funded from the communes' own revenues or the resources it receives through the FADeC. The project would offer community training for such projects under component 1.3.

⁶ Urban communities with difficult access to land for construction of infrastructure will also be permitted to select a labor intensive public works sub-project to be implemented according to the procedures set forth under Component 2.



Figure 3: Structure of Component 1



Subcomponent 1.2: Technical Assistance and Capacity Building for Decentralized Service Delivery. (IDA US\$1.7 million).

23. This sub-component will continue the institutional capacity building support to strengthen the performance of the FADeC and to ensure the necessary capacity is in place to supervise and mainstream



decentralized service delivery including through the CDD approach. The main beneficiaries of support under this sub-component will include MDGL, CONAFIL, and communes.

24. Technical assistance and institutional capacity building for MDGL will focus on a) support for targeting community infrastructure projects, b) promoting the CDD approach in decentralization, and c) supervising decentralized service delivery. Regarding the supervision of decentralized service delivery, technical assistance will be given to prefectures, MDGL's deconcentrated level charged with supervising communes, to strengthen their technical and financial capacity to ensure the quality of decentralized investments.

25. Capacity building will be provided for CONAFIL to continue strengthening administration of the FADeC, in particular for the supervision of adherence to national financial management and procurement laws and procedures. Assistance will also be given to key sectoral and cross-cutting Ministries to implement decentralization and deconcentration while incorporating and streamlining the CDD approach into their regular operations.

26. For communes, the main area of focus will be on monitoring and improving communes' adherence to national procurement and financial management regulations. Supporting improved procurement performance at the commune level was a particular focus of PSDCC, since the quality of procurement is one of the key factors that determine the price and quality of infrastructure built by communes. The approach under PSDCC, which will be continued under ACCESS, consisted of: a) a program of procurement training for all 77 communes delivered through the national Local Government Training Center (*Centre de formation pour l'administration locale* - CeFAL); b) annual procurement audits on a sample of communes (as well as communities); and c) development of action plans to correct deficiencies found by the procurement audits in communes, and imposition of sanctions on communes where required. While the procurement performance of communes remains weak, this approach yielded improvements in communes' procurement performance, albeit from very low initial levels (see Figure 1). In addition to the focus on procurement, the sub-component will also strengthen communes' capacity to (a) improve participatory preparation of PDCs, (b) adopt the CDD approach for the implementation of other small-scale community-level investment projects; and (c) implement social protection projects (safety nets).

27. As under PSDCC, institutions receiving capacity building support will prepare capacity-building plans, with measurable final objectives and progress benchmarks. The sub-component will be coordinated with other IDA and donors' activities to ensure complementarity and avoid overlap.

Subcomponent 1.3: Technical assistance and capacity building for community execution of sub-projects (IDA US\$2.3 million).

28. Capacity building of communities to participate in the commune's development planning process and to take on the responsibility for implementing development projects is a key element of the CDD approach. This sub-component will support the carrying out of the Grassroots Management Training (GMT) program in all communities selected under sub-component 1.1. GMT is an eight module training program that covers the entire cycle of implementation of a community sub-project, including: (i) information and communication ; (ii) organization and community dynamics ; (iii) participatory evaluation



of poverty and needs ; (iv) participatory planning ; (v) participatory monitoring and evaluation ; (vi) community procurement ; (vii) community financial management ; and (viii) maintenance. Refresher training will be offered to communities already reached, if selected again based on the updated targeting data. The component will take advantage of the existing large network of trained community development agents and training materials, which will reduce the startup costs for GMT.

Component 2: Social Safety Nets and Social Protection Systems (IDA SDR 8.8 million, US\$12.8 million equivalent)

29. This component will scale up the safety nets pilot initiated under PSDCC and adapt it in order to complement the ARCH initiative by adding accompanying measures (training and micro-entrepreneurial support) to encourage a sustainable improvement in beneficiaries' livelihoods. The component will also support the strengthening of social protection systems, including the national social registry.

Subcomponent 2.1: Safety nets (IDA US\$8.4 million).

30. As under PSDCC, the safety nets program will be composed of two elements: (a) a basic unconditional cash transfer to all targeted poor households, and (b) labor-intensive public works for the same households to provide the opportunity to earn an additional transfer during the agricultural lean season. The cash transfer intervention is intended to increase household income over a sustained period while the public works program seeks to provide a predictable transfer during the lean season to encourage beneficiary households to avoid negative coping decisions, which include selling assets, pulling children out of school and sending children to work. Based on the lessons learned from PSDCC and taking into account increases in costs of living, the basic unconditional transfer amount will be increased from FCFA 3500 (US\$6.1) to FCFA 5000 (US\$8.80) per month and the daily wage in labor intensive public works from FCFA 800 (US\$1.40) to FCFA 1000 (US\$1.75) per day. The component will aim to cover 18,000 households, an increase from the 13,000 covered under PSDCC. It will be implemented under the leadership of the Ministry of Social Affairs and Microfinance in line with national policy on social safety nets.

31. Beneficiaries will be selected from among the poorest households in the national social registry developed under sub-component 2.3. The first step of the targeting process will be geographical with the selection of beneficiary communes and villages⁷ based on national poverty data. At the household level, potential beneficiaries will be ranked by PMT score in the selected villages and selected up to the level of allocated financing.

32. Similar to component 1, communities will play an important role in implementation of component 2, ensuring citizen engagement. Communities will help identify the poorest and most vulnerable households in their community, choose the type of public works sub-project for which they will receive financing from among the menu of eligible sub-project types, and manage the implementation of the sub-project. To do this, they receive GMT (see sub-component 1.3) and undergo a Participatory Poverty Assessment to enable them to identify the factors underlying poverty in their community, carry out a pre-identification of potential beneficiary households (whose eligibility will be verified by a PMT score), and

⁷ Or urban neighborhoods

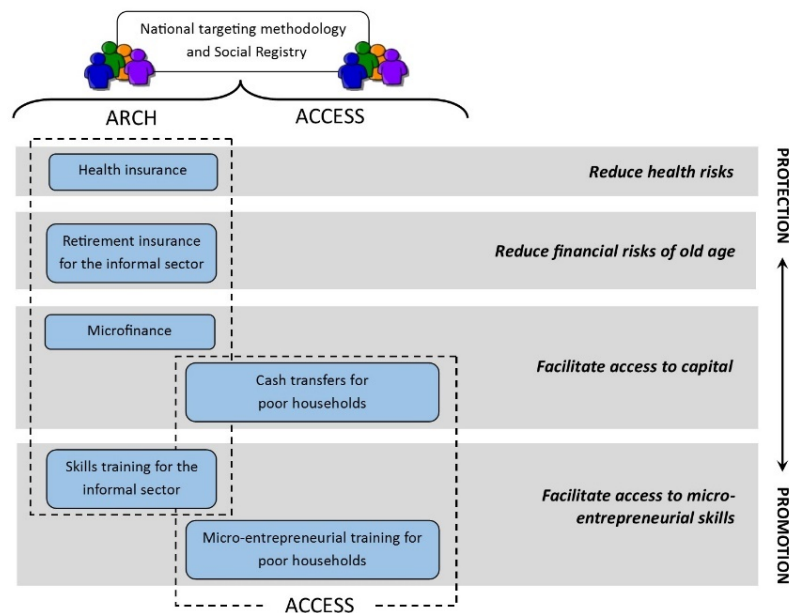


carry out the implementation of the sub-project (including procurement, financial management, and monitoring and evaluation).

Subcomponent 2.2: Training and Microentrepreneurial support (IDA US\$1.0 million).

33. This sub-component will aim to provide training and microentrepreneurial support to produce lasting improvements in the livelihoods of beneficiaries of the ACCESS safety nets program. The microentrepreneurial training will be delivered in collaboration with the ARCH implementation agency. The four services under the ARCH initiative – health insurance, training, microcredit, and retirement pensions – seek to reduce poverty and vulnerability by both protecting and promoting the livelihoods of the population – especially the poor and vulnerable. The emphasis on poor and vulnerable households is justified by the additional efforts that will be required to have the desired impact in their regard. As shown in Figure 3, the safety net program will complement ARCH by bolstering the support provided to poor households to promote improved livelihoods – specifically through cash transfers and micro-entrepreneurial training. This builds on global evidence on the promise of bringing together multiple types of interventions to combat the many factors at the root of poverty.

Figure 3: Complementarity of safety nets and ARCH



Subcomponent 2.3: Technical Assistance and Capacity Building for Social Protection Systems (IDA US\$3.4 million).

34. This sub-component will support the continued development of the National Social Registry that will serve multiple programs, including ARCH and ACCESS, as well as other institutional capacity building for social protection.



35. The main activity will be supported by ACCESS for the targeting of poor and extreme poor households through a national household data collection exercise to populate the National Social Registry. This exercise will follow the national methodology for identifying poor households. Once such households are pre-identified by trained Community Identification Committees, household and proxy means data will be collected and housed in the social registry managed by the Ministry of Social Affairs and Microfinance for use by ARCH, this project, and other programs. The grievance mechanism established under PSDCC will provide a means to resolve cases of possible exclusion during the community identification process and other complaints about project implementation. To ensure the National Social Registry is strengthened to enable its use for ARCH and ACCESS as soon as possible, financing to support data collection and the registry will be made available retroactively and through a Project Preparation Advance.⁸

36. The component will also include a) support for refinement of the already-established national targeting methodology for poor and extreme poor households; b) support for the strengthening the administration, IT infrastructure and procedures of the social registry; c) support for other aspects of social protection systems including the link with the new national identification system (RAVIP), grievance redress, and payment. The collection of data for the National Social Registry will include RAVIP information in order to ensure the interconnection of the two databases (RAVIP and National Social Registry), so that beneficiaries will need to hold the RAVIP card in order to benefit from different social protection services.

37. The sub-component will also aim to strengthen the institutional capacity of the Ministry of Social Affairs and Microfinance (MASMF), which will have the responsibility for implementing the safety nets component, with technical and fiduciary support from the Secretariat for Decentralized Community Driven Services (SSDCC). In this regard, the MASMF and SSDCC will sign a Memorandum of Understanding that will lay out the conditions for providing human resources, equipment, and financing to MASMF. More than in the past, the deconcentrated staff in the *Centres de Promotion Sociale* (CPS) in each selected commune will perform key functions relating to the safety nets program in component two, and will receive training and capacity building support. The component will also support the functioning of the National Social Protection Platform Committee (*Comité National Socle de Protection Sociale – CNSPS*).

Component 3: Project Management (IDA SDR 2.4 million, US\$3.4 million equivalent)

38. The objective of this component is to support activities related to project management and coordination through the SSDCC. This includes staff-related costs, equipment, vehicles, fuel, office space, and communications costs, and operating costs related to the procurement, supervision, auditing and evaluation of project activities.

⁸ A Project Preparation Advance of US\$2.0 million was made available on September 6, 2017.



B. Project Cost and Financing (US\$ millions)⁹

Project Components	Project cost	IBRD or IDA Financing	Trust Funds	Counterpart Funding
Component 1: Improving Decentralized Service Delivery	23.8	23.8	0.0	0.0
Component 2: Social Safety Nets and SP Systems	12.8	12.8	0.0	0.0
Component 3: Project Management	3.4	3.4	0.0	0.0
Total Costs	40.0	40.0	0.0	0.0
Total Project Costs	40.0	40.0	0.0	0.0
Front End Fees	-	-	-	-
Total Financing Required	40.0	40.0	0.0	0.0

C. Lessons Learned and Reflected in the Project Design

39. A number of lessons from the PSDCC, the first phase of this series of projects, and global experience have informed the design of the project, including:

40. **Community-driven approach in urban areas.** The PSDCC often encountered difficulties in urban areas where the priorities expressed by neighborhood communities were often difficult to realize because of the lack of available land. This occasionally meant that the first priority of the community had to be rejected, or that the desired infrastructure was built in a nearby neighborhood instead of the targeted neighborhood. For this reason, the project will include labor intensive public works in the menu of eligible community activities under component 1. If selected by the community, the labor intensive public works sub-project would be conducted according to the same procedures as under component 2.

41. **Need for a package of monitoring, training and sanctions to improve local government’s compliance with fiduciary standards.** The PSDCC recognized the need to build the procurement capacity of communes, and required communes to meet certain capacity requirements prior to procuring goods and services under the project. Still, during the implementation of PSDCC, it became clear that more support than initially envisioned would be required to improve procurement performance at the commune level. Eventually, the PSDCC’s support for commune fiduciary performance developed into a package with three pillars: a) regular financial and procurement audits of communes, b) procurement training for all 77 communes through the CeFAL, and c) the commitment of the MDGL and CONAFIL to impose corrective measures on communes with serious deficiencies in fiduciary performance. This approach that has evolved out of the PSDCC experience will continue under ACCESS.

⁹ A Project Preparation Advance of US\$2.0 million has been provided for preparatory activities across the three components.



42. **Amounts of transfers to safety net beneficiaries.** The transfer amount for the unconditional cash transfers and the daily wage for the labor intensive public works were set in 2012 based on 2009 household survey data. At present, using 2015 data, the unconditional transfers (FCFA 3500, or US\$6.6 per month) and public works wage (FCFA 800, or US\$1.50 per day) represent only 11 percent of household consumption of a poor household of average size (five persons). In order to provide a meaningful transfer amount, this project proposes to raise the unconditional transfer amount to FCFA 5000 (US\$9.40) per month and the daily wage in labor intensive public works to FCFA 1000 (US\$1.90) per day. Combined, these amounts will be equivalent to 15 percent of consumption for a poor household with five people.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

43. The different components of the project will be implemented according to the sectoral policies of the Government, under the leadership of the Ministries concerned. The MDGL will retain the responsibility for the overall supervision of the Project, and the SSDCC will coordinate all project activities, manage financial resources, ensure the respect of national and World Bank procedures, and be responsible for project monitoring and evaluation.

44. The CONAFIL, which is charged with administering FADeC and which operates under the aegis of MDGL, will take responsibility for transferring the grants to communes under sub-component 1.1 CONAFIL will be responsible for (a) setting grant allocations for communes in line with criteria agreed between CONAFIL and the Bank; (b) ensuring the timeliness, transparency and predictability of transfers from the Treasury to communes; (c) signing sub-grant agreements with communes based on the template to be included in the Project Implementation Manual (PIM) to ensure that eligibility criteria for communes are met ; and (d) monitoring and reporting on the execution of funds by communes. CONAFIL's monitoring oversight of the funds transferred to communes will be bolstered by periodic technical, procurement and financial audits to verify the appropriate use of funds, and by financial controllers to be placed in each of the six pairs of prefectures in the country. As the project steering committee, CONAFIL will also approve the project's annual work plan and budget.

45. The activities of the social safety nets program (component 2) will be implemented through a coordinated approach to promote the complementarity of actions and coordination with other interventions for the same beneficiaries, all in line with the national social protection strategy. In this approach, the MASMF will implement the program with the technical and fiduciary support of the SSDCC. Capacity building will be provided to MASMF, especially for its agents in CPS.

46. The SSDCC, under the oversight of MDGL, will continue to take responsibility for financial management of the project and for all procurement except for activities for which procurement is to be undertaken by communes and communities. It will ensure the financial management of the resources for the social safety nets program. The secretariat will monitor the implementation and the quality of infrastructure sub-projects (component 1), safety nets (component 2) and project management (component 3). The infrastructures foreseen in component 1 will be implemented in close collaboration with the ACISE for schools, the Ministry of Health for health infrastructure, and the ACVDT for market infrastructure. At the prefectural level, staff will assist prefectural officials to supervise project activities.



Through sub-component 1.3, it will oversee community training and will provide support to communities through its network of community development agents. The SSDCC will support the MDGL to mainstream CDD, particularly in regard to training communities to engage in the CDD approach, and helping Ministries and communes to mainstream CDD in their operations. In addition to its Executive Secretary, the SSDCC will include financial management and procurement experts, grassroots management training expertise, expertise in safety nets, and monitoring and evaluation, civil engineering, safeguards, and communications functions. Well-performing staff from PSDCC will remain to ensure continuity; any vacancies will be filled competitively.

47. Due to its multi-sectoral nature, the project will have a Steering Committee composed of actors from all sectors concerned. It will include representatives from CONAFIL and the ministries in charge of (i) social affairs and microfinance; (ii) maternal and primary education; (iii) health; and (iv) infrastructure and transportation. The Steering Committee will set the strategic direction of the project. In this regard, it will approve annual budgets and work plans as well as periodic reports on project implementation.

B. Results Monitoring and Evaluation

48. The results monitoring framework assesses progress towards the PDO through key indicators, focusing on improving community access to basic socio-economic infrastructure and increasing access to safety nets. In addition, intermediate indicators will be used to monitor the progress of each component over the life of the project. Monitoring and evaluation (M&E) arrangements will be centralized at the level of the SSDCC, which will establish a dedicated M&E system for the Project. This system will include an exhaustive database that will be regularly updated based on the M&E strategy that is being developed. Through this strategy, the field-based agents of SSDCC will be expected to share a specific set of data with the SSDCC on a regular basis, using the smartphone-based monitoring tool developed under PSDCC. Monitoring will occur at each stage of project implementation, in order to identify arising problems and issues and to promptly consider and adopt corrective measures.

49. The project will conduct a number of mid-term and end of the project evaluations to gauge progress towards the PDO, to assess the impact of the project on the beneficiaries, to assess the quality of the works carried out, as well as overall project efficiency. These evaluations will include: technical audits of infrastructures built under component 1 (at mid-term and end of project), audits of adherence to environmental and social safeguards (at mid-term and end of project), and audits of procurement performance of communities and local governments (annually).

C. Sustainability

50. **Sustainability of the community driven approach.** PSDCC, as the first phase of a planned three-phase approach, aimed to begin the mainstreaming of the community driven approach into country systems by channeling resources for community sub-projects to communes through the FADeC. This approach was expected to demonstrate the value-added of the CDD approach in terms of reduced costs, improved quality, and high citizen engagement. The PSDCC also supported the revision of procedures to facilitate the use of the CDD approach; for example the FADeC manual was revised to explicitly discuss procedures for communes to delegate implementation of activities to communities. Still, few communes took the initiative to employ the CDD approach with resources outside the PSDCC, demonstrating that



there is still more work to be done before the CDD approach is fully mainstreamed. The incentive structure in component 1 to encourage communes to opt to utilize the CDD approach with unearmarked resources is expected to provide additional encouragement in this regard.

51. **Sustainability of safety nets and social protection system.** The implementation of the social safety nets component will be assured by the MASMF, which will play a more important role in this project as compared to PSDCC, which will promote the program's sustainability. The Government has agreed that the flagship ARCH program would use the social registry and targeting mechanism initially developed under PSDCC, and that these systems would continue to be strengthened in a collaborative effort between the Presidency, the National Social Protection Platform Committee, and the project. While the Government has not yet allocated funding to the PSDCC or ACCESS safety nets programs, the Bank will continue to advocate for greater ownership of the programs so that it can become a permanent part of the national social protection landscape.

D. Role of Partners

52. **Ministry of Social Affairs and Microfinance (MASMF).** The MASMF will be responsible for the implementation of Component 2, with technical and fiduciary support from the SSDCC. The local CPS in each commune will be key players in facilitating community identification of poor and extreme poor households and in the carrying out of the cash transfers and labor intensive public works. At the national level, the MASMF will manage the national social registry and participate in the monitoring and supervision of component 2.

53. **ARCH project unit.** The Government's flagship ARCH program is currently managed by a project coordination unit (UCP-ARCH). The project will work closely with the unit in the data collection on households for the national social registry and micro-entrepreneurship training under Component 2.

54. **National Social Protection Platform Committee.** The Committee, chaired by the General Director for Development Policy in the Ministry of Planning and Development, has the mandate of coordinating social protection activities in Benin. The project will provide support to the committee to build its capacity to fulfill this role.

55. **Donors.** The project will coordinate closely with donors supporting decentralization, including GiZ, KfW, the European Union, AFD, Swiss Cooperation, Belgian cooperation and others on the provision of capacity building support to MDGL, CONAFIL, and communes to ensure a common approach and avoid duplication. The project will also work closely with UNICEF and others to coordinate support for strengthening the national social protection system.

56. **Government agencies and other relevant sectoral ministries (e.g., education, health, etc.).** Agencies and sectoral ministries will be involved in the project at the national and at the commune level to ensure that sub-projects are consistent with sectoral policies, regulations and plans. The agencies have the mandate to provide advice and technical assistance for the design and construction of infrastructures in each sector, as an advisor to the contracting authority (commune). Local representatives of the ministry concerned will have to approve each sub-project prior to its start in order to ensure that it adheres to



sectoral policy and has the commitment of the ministry concerned to put in place the human resources and materials required for the sub-project to function.

57. **The National Association of Communes of Benin (ANCB).** In the past, the collaboration with the ANCB has not been as active as hoped. It will be reinforced under ACCESS. The ANCB will be particularly involved in all activities aiming to improve communes' procurement performance and to promote the CDD approach.

V. KEY RISKS

A. Overall Risk Rating and Explanation of Key Risks

58. The overall risk level is judged to be moderate. Implementation arrangements are expected to remain the same as in PSDCC. The project implementing unit, the SSDCC, has performed well in terms of project implementation, procurement, and financial management. Key staff having good performance are expected to be retained from the first phase of the project. The Bank has built a solid history of working with the Ministry of Decentralization and Local Government (MDGL) and the project's steering committee, the National Commission for Local Finances (CONAFIL). Governance risks are rated substantial given the risks involved in financing activities with Benin's 77 communes, which have varying levels of performance on measures of good governance, transparency, and accountability. Similarly, fiduciary risks are judged as substantial given the weak procurement performance of communes in PSDCC. Local-level governance and procurement risks will be mitigated by training of commune officials, financial and procurement audits, and Government's commitment to sanction communes that do not respect good governance and national procurement regulations. As needed, the Bank will also provide capacity building and training on fiduciary aspects and management for PIU, MDGL and CONAFIL staff. As under PSDCC, the Bank will provide technical assistance for targeting and beneficiary identification to ensure that resources are received by the intended population.

VI. APPRAISAL SUMMARY

A. Economic and Financial (if applicable) Analysis

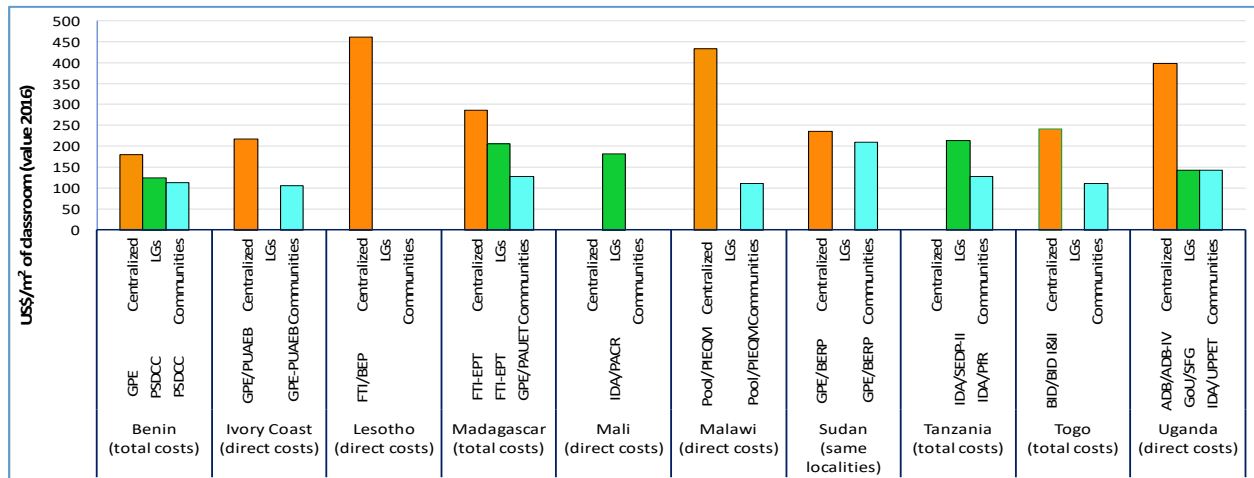
59. The project is expected to make an important contribution toward improving the living conditions of targeted communities and individual beneficiaries.

60. The commune and community infrastructure to be supported under Component 1 will address major deficits in basic services infrastructure (primary schools, health posts, market infrastructure, and rural roads). While the exact investments under the community infrastructure component depend on community priorities, prior evidence shows that the CDD approach is the most cost-effective means of constructing such infrastructure. As shown in Figure 4, infrastructure built by delegation to communities costs significantly less than those built through any other approach. While more expensive than that built by delegation to communities, infrastructure built under the direct contracting by communes similarly costs less than when contracting is done by sectoral ministries. The economic benefits that will accrue



from the activities financed by the project will include improved access to education, health, and transport for poor rural communities – as well as creating local construction jobs.

Figure 4. Unit-cost per m² of classrooms in 20 selected projects in 10 countries, by type of implementation arrangement: centralized vs. local government (LG) vs. communities (2010-16)



61. The safety nets component will provide support to poor households to increase their income and consumption and improve their ability to cope with shocks. Empirical evidence indicates that cash transfers can have a significant development impact, leading for example to increased spending on health, education and food security, as well as to economic investment, e.g., under Ethiopia’s Productive Safety Nets Project III at least 25 percent of household cash transfers were used for productive purposes. The targeting criterion applied will ensure benefits reach those most in need, while a monitoring mechanism will assure compliance with fiduciary requirements.

B. Technical

62. Much of the literature on CDD speaks of the potential benefits of linking the approach closely with decentralization (Guggenheim and Wong, 2005; Serrano, 2005). This literature has highlighted CDD’s potential role in improving the quality of decentralization by promoting greater civic participation, voice, and accountability in local governance; delivering cost-effective and timely services within a decentralized context; and CDD’s possible role in informing and formulating decentralization regulations. However, in practice, many attempts to exploit the potential synergies between the two approaches have fallen short of the ideal. Funding for CDD has rarely been channeled to local governments through intergovernmental transfer systems for eventual delegation to community organizations. CDD activities are often not integrated in local or central government planning, and communities are often reduced to being objects of procedural consultation, rather than truly empowered actors in their own development.

63. The project will continue the heavy emphasis placed by the PSDCC on GMT. GMT, which was initially developed by the World Bank Institute in 1997, is designed such that: (a) the low levels of literacy in many communities are not a constraint; (b) control of the project is protected against elite capture; and



(c) women and vulnerable groups (including the handicapped) participate heavily in local management arrangements. The GMT modules comprise: (a) information and communication; (b) community organization and dynamics; (c) participatory poverty and needs assessments; (d) participatory planning; (e) participatory monitoring and evaluation; (f) community procurement; (g) community financial management; and (h) maintenance of infrastructure assets.

64. Social safety nets are also an important public service whose delivery can benefit significantly from the involvement of communes and communities, and the GMT process will also be extended to help in the delivery of social safety nets. For those communities participating in the safety nets program (component 2), the community associations trained in the CDD approach will be trained and empowered to target beneficiaries for public works and cash transfers, to prioritize different types of public works interventions, to procure contractors, and to monitor the implementation of public works projects.

C. Financial Management

65. A Financial Management (FM) assessment was undertaken in order to evaluate the adequacy of the FM arrangements for the Community and Local Government Basic Social Services Project. The assessment covered the proposed implementing agency, the Secretariat for Decentralized Community Driven Services (SSDCC in French) in Ministry of Decentralization and Local Government (MDGL). The SSDCC is familiar with the Bank FM requirements and has managed the now-closed Decentralized Community Driven Services Project (IDA/R2012-0101) funded by the World Bank. The project's FM performance was rated Satisfactory following the last SPN mission of January 2017. The SSDCC will be responsible for coordinating the day-to-day implementation of Community and Local Government Basic Social Services Project, including financial management, organizational aspects and monitoring and evaluation. Based on the assessment carried out in accordance with the FM Manual for World Bank Investment Project Financing Operations that became effective on March 1, 2010 and re-issued on February 10, 2017, it was established that the SSDCC has acceptable financial management capacity to implement the project.

66. Going forward and in order to mitigate the fiduciary risk to the extent possible, the following actions will need to be implemented (i) the recruitment at SSDCC level of an experienced and qualified Accountant and Internal Auditor under terms of reference acceptable to IDA and at departmental level of six (6) Finance Controllers who will support Public Treasury agents located at commune level by ensuring compliance with agreed time limits for funds transfers, adequate budget executing and expenditures recording, (ii) the update of the PSDCC's project implementation manual and manual of administrative, financial and accounting procedures to include the new project specificities; (iii) the revisiting of the project software parameters to take into consideration the specificity of the new Project, and (iv) the recruitment of an independent external auditor based on acceptable terms of reference.

67. The overall financial management risk for the Community and Local Government Basic Social Services Project is rated **Substantial** taking into account the country context, the multiplicity of actors and beneficiaries who are located in remote and dispersed areas around the country combined with the nature of activities supported by the project and the Bank's minimum requirements under Bank Policy and Directive – IPF which describes the overall FM Bank policies and procedures. The proposed risks mitigation measures will strengthen the internal control environment and maintain the continuous timely



and reliability of information produced by the SSDCC and an adequate segregation of duties. These mitigation measures have been incorporated into the design of the project FM arrangements. It is considered that the financial management will satisfy the Bank's minimum requirements under Bank Policy and Directive – IPF once the proposed mitigation measures are met. The proposed financial management arrangements including the mitigation measures for this project are considered adequate to meet the Bank's minimum financial management requirements under Bank Policy and Directive – IPF. [Detailed FM arrangements are provided in Annex 1].

D. Procurement

68. The Borrowers will carry out procurement for the proposed project in accordance with the World Bank's "Procurement Regulations for IPF Borrowers" (Procurement Regulations) dated July 2016 and revised in November 2017 under the "New Procurement Framework (NPF)", and the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated July 1, 2016, and other provisions stipulated in the Financing Agreements.

69. Procurement shall be carried out by:

(i) the SSDCC at the national level: The SSDCC will be responsible for all procurement activities envisaged under the Project, including those of the communes and communities. The coordination of procurement activities of the project will be ensured by the recruited Procurement Specialist of the Project. All project procurement prior review documents should be submitted to IDA by the SSDCC;

(ii) the communes: Works, goods, non-consulting services and services to be procured by the communes for the implementation of their sub-projects, will be procured by the procurement commission of communes (*Commission de Passation des Marchés Publics* in French) in line with application decree of the new procurement law no 2017-04 of October 19, 2017 according to rules of transparency, economy, efficiency, equality judged acceptable by the IDA. The Project will build procurement capacity in communes. All procurement prior review documents should be submitted to IDA through the SSDCC;

(iii) the Community Associations: Communities will implement sub-projects according to simplified procedures (procurement with community participation) accepted by IDA. As part of the overall Grassroots Management Training program for communities, the SSDCC will empower communities to manage procurement of contractors and site supervisors for the implementation of sub-projects. Communities will award contracts of up to a maximum of US\$42,000 Equivalent for each sub-project, following the simplified procurement procedures with community participation developed under PSDCC. The communities' management units that will carry out the implementation of sub-projects will be assisted by technical service of Commune and supervised by the recruited facilitator ("animateur") in Community Development in each Commune.

70. All procuring entities as well as bidders, and service providers, i.e. suppliers, contractors and consultants will observe the highest standard of ethics during the procurement and execution of contracts



financed under the project in accordance with paragraph 3.32 and Annex IV of the Procurement Regulations.

71. The Borrower (with assistance from the WB) has prepared a Project Procurement Strategy for Development (PPSD) which describes how procurement activities will support project operations for the achievement of project development objectives and deliver Value for Money (VfM). The procurement strategy is linked to the project implementation strategy ensuring proper sequencing of the activities. It details consider institutional arrangements for procurement; roles and responsibilities; thresholds, procurement methods, and prior review, and the requirements for carrying out procurement. It also includes a detailed assessment and description of state government capacity for carrying out procurement and managing contract implementation, within an acceptable governance structure and accountability framework. Other issues taken into account include the behaviors, trends and capabilities of the market (i.e. Market Analysis) to respond to the procurement plan.

72. Project design provides a window to enable the Borrower to carry out Advance Contracting and Retroactive Financing in accordance with Section V (5.1&5.2) of the WB Procurement Regulations for IPF Borrowers. Retroactive financing is expected to cover (i) the targeting of poor and extreme poor households through a national household data collection exercise to populate the National Social Registry as well as (ii) unpaid expenses incurred under PSDCC not to exceed FCFA 105 million (US\$200,000). This exercise will follow the national methodology for identifying poor households. The retroactive financing will be allowed up to 10% of the credit covering the expenditures incurred after October 1, 2017.

73. A detailed procurement description and institutional arrangements can be found in Annex 2, Implementation Arrangements.

E. Social (including Safeguards)

74. Social impacts of the community sub-projects are expected to be mainly positive, as the implementation approach aims at building self-reliance and strengthening social capital in addition to providing better access to a range of social services. This is ensured by the Grassroots Management Training approach that will be used in identifying community sub-projects. Experience with sub-project implementation under the PSDCC suggests the risk of only very marginal negative impacts on local populations.

75. Under component 1, the commune and community sub-projects will support the rehabilitation and construction of social and economic infrastructure such as schools, markets, rural roads and health centers. These activities could lead to restriction of access to assets or sources of livelihood and they could also entail some acquisition of land and/or losses of assets and thus the OP 4.12 is triggered. Although the project will be implemented in all 77 communes, the selection of communities will only be known after the start of the project following selection on the basis of an index created by the national statistics institute. Therefore, the project has built upon the Resettlement Policy Framework (RPF) of the PSDCC, which has been updated, consulted upon and disclosed by the World Bank on March 23, 2018 and in Benin on March 26, 2018. During project implementation, the policy framework will provide the roadmap for preparing Resettlement Action Plans as necessary.



F. Environment (including Safeguards)

76. The environmental category of the Project is B; consequently OP/BP 4.01 (Environmental Assessment) is triggered. For the infrastructure component it is estimated that the majority of the financing of sub-projects will be for the construction and rehabilitation of physical infrastructures and other tangible assets such as schools, markets, rural roads and health centers. These interventions have the possibility to trigger small scale and site specific environmental impacts that are manageable. The locations of these interventions are not known. The safety nets component on cash transfers and school feeding is expected to have no environmental impact.

77. To address the possible impacts mentioned above, an Environmental and Social Management Framework (ESMF) which builds on the experience of the implementation of similar activities under PSDCC has been prepared and disclosed by the World Bank on March 23, 2018 and in Benin on March 26, 2018. During implementation, these environmental screening and risk mitigation tools will be used by communities in project implementation and will be the object of training for Government and commune officials, the SSDCC, Community Development Associations, and other stakeholders.

78. The project was screened for climate change and disaster risks and no significant risks were identified.

G. Other Safeguard Policies (if applicable)

79. OP/BP 4.11 on Physical Cultural Resources is triggered because of the digging that will occur during the civil works. The ESMF states that if cultural resources are found during civil work a "chance find procedure" will apply in accordance with national regulation and OP/BP 4.11.

H. World Bank Grievance Redress

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



VII. RESULTS FRAMEWORK AND MONITORING

Results Framework

Project Development Objective(s)

The development objective of the project is to improve access to decentralized basic social services and social safety nets, and to strengthen the social protection system.

PDO Indicators by Objectives / Outcomes	DLI	CRI	Unit of Measure	Baseline	End Target
Improve access to decentralized basic social services					
Students enrolled in schools constructed/rehabilitated under the project			Number	0.00	21,000.00
Number of communes carrying out community driven investments with non-project financing			Number	0.00	20.00
Improve access to social safety nets					
Beneficiaries of social safety net programs		Yes	Number	12,983.00	18,000.00
Beneficiaries of social safety net programs - Female		Yes	Number	0.00	9,000.00
Beneficiaries of Safety Nets programs - Unconditional cash transfers (number)		Yes	Number	12,983.00	18,000.00
Beneficiaries of Safety Nets programs - Cash-for-work, food-for-work and public works (number)		Yes	Number	0.00	16,200.00
Beneficiaries of job-focused interventions		Yes	Number	0.00	9,000.00



PDO Indicators by Objectives / Outcomes	DLI	CRI	Unit of Measure	Baseline	End Target
Beneficiaries of job-focused interventions - Female		Yes	Number	0.00	6,300.00
Strengthen the social protection system					
Households enrolled in National Social Registry			Number	170,000.00	500,000.00

Intermediate Results Indicators by Components	DLI	CRI	Unit of Measure	Baseline	End Target
Component 1: Improving Decentralized Service Delivery					
Socio-economic infrastructure subprojects executed by communities through delegation of responsibility from communes			Number	0.00	360.00
Communes having executed at least one subproject			Number	0.00	77.00
Number of additional classrooms built or rehabilitated at the primary level resulting from project interventions			Number	0.00	400.00
Health facilities constructed, renovated, and/or equipped (number)			Number	0.00	20.00
Local government officials trained on procurement			Number	0.00	500.00
Communes showing improvement by the end of the project on the annual procurement audit			Percentage	0.00	20.00
Communes with up to date financial audits with published action plans to correct any revealed deficiencies			Percentage	0.00	90.00
Communities that have received Grassroots Management Training			Number	0.00	360.00



(GMT)					
Women in leadership positions in community associations			Percentage	0.00	40.00
Beneficiaries of citizen engagement activities (Grassroots Management Training)			Number	0.00	70,000.00
Percent of domestic revenues transferred by Government to communes through the FADeC			Percentage	4.60	4.60
Component 2: Social Safety Nets and Social Protection Systems					
Cash transfer payments made within 5 days of when they are due, according to the annual payment calendar			Percentage	0.00	90.00
Proportion of total safety nets transfers received by households ranked as poor or extreme poor by PMT			Percentage	0.00	90.00
Public works schemes completed with satisfactory technical quality			Percentage	0.00	90.00
Proportion of total cost of public works sub-projects allocated to wages			Percentage	0.00	70.00
Roads rehabilitated	Yes		Kilometers	0.00	1,500.00

**Monitoring & Evaluation Plan: PDO Indicators**

Monitoring & Evaluation Plan: PDO Indicators	
Indicator Name	Students enrolled in schools constructed/rehabilitated under the project
Definition/Description	Number of students
Frequency	Biannual
Data Source	School attendance records
Methodology for Data Collection	Collected from school records by SSDCC
Responsibility for Data Collection	SSDCC
Indicator Name	Number of communes carrying out community driven investments with non-project financing
Definition/Description	This will measure the number of communes that opt to delegate responsibility for execution of an investment to communities on their own initiative. This investment could be funded from the communes' own revenues or the resources it receives through the FADeC, including resources dedicated to commune-executed sub-projects in the Project.
Frequency	Biannual
Data Source	Project M&E system
Methodology for Data Collection	Project M&E system
Responsibility for Data Collection	SSDCC



Indicator Name	Beneficiaries of social safety net programs
Definition/Description	
Frequency	Monthly
Data Source	Project M&E system
Methodology for Data Collection	Project M&E system
Responsibility for Data Collection	SSDCC
Indicator Name	Beneficiaries of social safety net programs - Female
Definition/Description	
Frequency	Monthly
Data Source	Project M&E system
Methodology for Data Collection	Project M&E system
Responsibility for Data Collection	SSDCC



Indicator Name	Beneficiaries of Safety Nets programs - Unconditional cash transfers (number)
Definition/Description	
Frequency	Monthly
Data Source	Project M&E system
Methodology for Data Collection	Project M&E system
Responsibility for Data Collection	SSDCC
Indicator Name	Beneficiaries of Safety Nets programs - Cash-for-work, food-for-work and public works (number)
Definition/Description	
Frequency	Monthly
Data Source	Project M&E system
Methodology for Data Collection	Project M&E system
Responsibility for Data Collection	SSDCC



Indicator Name	Beneficiaries of job-focused interventions
Definition/Description	
Frequency	Monthly
Data Source	Project M&E system
Methodology for Data Collection	Project M&E system
Responsibility for Data Collection	SSDCC
Indicator Name	Beneficiaries of job-focused interventions - Female
Definition/Description	
Frequency	Monthly
Data Source	Project M&E system
Methodology for Data Collection	Project M&E system
Responsibility for Data Collection	SSDCC



Indicator Name	Households enrolled in National Social Registry
Definition/Description	Number of households enrolled in National Social Registry
Frequency	Biannual
Data Source	National Social Registry
Methodology for Data Collection	Analysis of National Social Registry data
Responsibility for Data Collection	SSDCC

Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Socio-economic infrastructure subprojects executed by communities through delegation of responsibility from communes
Definition/Description	Number of community sub-projects completed
Frequency	Monthly
Data Source	Project M&E system
Methodology for Data Collection	Project M&E system
Responsibility for Data Collection	SSDCC



Indicator Name	Communes having executed at least one subproject
Definition/Description	Number of communes with at least one completed sub-project financed by the window for commune sub-projects under component 1
Frequency	Monthly
Data Source	Project M&E system
Methodology for Data Collection	Project M&E system
Responsibility for Data Collection	SSDCC
Indicator Name	Number of additional classrooms built or rehabilitated at the primary level resulting from project interventions
Definition/Description	Number of classrooms
Frequency	Monthly
Data Source	Project M&E system
Methodology for Data Collection	Project M&E system
Responsibility for Data Collection	SSDCC



Indicator Name	Health facilities constructed, renovated, and/or equipped (number)
Definition/Description	Number of health facilities
Frequency	Monthly
Data Source	Project M&E system
Methodology for Data Collection	Project M&E system
Responsibility for Data Collection	SSDCC
Indicator Name	Local government officials trained on procurement
Definition/Description	Officials trained through project partnership with CeFAL
Frequency	Biannual
Data Source	CeFAL training reports
Methodology for Data Collection	CeFAL training reports
Responsibility for Data Collection	SSDCC and CeFAL



Indicator Name	Communes showing improvement by the end of the project on the annual procurement audit
Definition/Description	Net number of communes showing improvement minus any showing declining performance
Frequency	Annual
Data Source	Procurement audit report
Methodology for Data Collection	Generated through annual procurement audit
Responsibility for Data Collection	SSDCC
Indicator Name	Communes with up to date financial audits with published action plans to correct any revealed deficiencies
Definition/Description	Communes with up to date financial audits
Frequency	Annual
Data Source	FADEC audit reports
Methodology for Data Collection	provided by FADEC audit reports
Responsibility for Data Collection	SSDCC



Indicator Name	Communities that have received Grassroots Management Training (GMT)
Definition/Description	Communities that have received Grassroots Management Training (GMT)
Frequency	Monthly
Data Source	Project M&E system
Methodology for Data Collection	Project M&E system
Responsibility for Data Collection	SSDCC
Indicator Name	Women in leadership positions in community associations
Definition/Description	Women in one of three leadership positions (president, secretary, or treasurer) as a percentage of the total number of people in these positions
Frequency	Monthly
Data Source	Project M&E system
Methodology for Data Collection	Project M&E system
Responsibility for Data Collection	SSDCC



Indicator Name	Beneficiaries of citizen engagement activities (Grassroots Management Training)
Definition/Description	People participating in a classroom or community restitution session
Frequency	Biannual
Data Source	Project M&E system
Methodology for Data Collection	Project M&E system
Responsibility for Data Collection	SSDCC
Indicator Name	Percent of domestic revenues transferred by Government to communes through the FADeC
Definition/Description	Measures the volume of Government financing of FADeC as a share of domestic revenues
Frequency	Annual
Data Source	Government budget documents
Methodology for Data Collection	Calculation based on Government budget documents
Responsibility for Data Collection	SSDCC



Indicator Name	Cash transfer payments made within 5 days of when they are due, according to the annual payment calendar
Definition/Description	Measure of predictability of cash transfers
Frequency	Monthly
Data Source	Payment agency payment reports
Methodology for Data Collection	Comparison of payment agency reports with scheduled transfer dates
Responsibility for Data Collection	SSDCC
Indicator Name	Proportion of total safety nets transfers received by households ranked as poor or extreme poor by PMT
Definition/Description	Proportion of total safety nets transfers received by households ranked as poor or extreme poor by PMT
Frequency	Annual
Data Source	Project beneficiary database and social registry
Methodology for Data Collection	Analysis of project beneficiary database and social registry
Responsibility for Data Collection	SSDCC



Indicator Name	Public works schemes completed with satisfactory technical quality
Definition/Description	Public works schemes completed with satisfactory technical quality
Frequency	Twice during project
Data Source	Project technical audits
Methodology for Data Collection	Technical audit of sub-projects
Responsibility for Data Collection	SSDCC
Indicator Name	Proportion of total cost of public works sub-projects allocated to wages
Definition/Description	Proportion of total cost of public works sub-projects allocated to wages
Frequency	Biannual
Data Source	Project M&E system
Methodology for Data Collection	Calculation based on Project M&E data
Responsibility for Data Collection	SSDCC



Indicator Name	Roads rehabilitated
Definition/Description	
Frequency	Monthly
Data Source	Project M&E system
Methodology for Data Collection	Project M&E system
Responsibility for Data Collection	SSDCC



ANNEX 1: FINANCIAL MANAGEMENT

Financial Management and Disbursements arrangements

- 1. A Financial Management (FM) assessment was undertaken in order to evaluate the adequacy of the FM arrangements for the Community and Local Government Basic Social Services Project.** The assessment covered the proposed implementing agency, the Secretariat for Decentralized Community Driven Services (SSDCC in French) in Ministry of Decentralization and Local Government (MDGL). The SSDCC is familiar with the Bank FM requirements and has managed the now-closed Decentralized Community Driven Services Project (IDA/R2012-0101) funded by the World Bank. The project's FM performance was rated Satisfactory following the last SPN mission of January 2017. The SSDCC will be responsible for coordinating the day-to-day implementation of Community and Local Government Basic Social Services Project, including financial management, organizational aspects and monitoring and evaluation. Based on the assessment carried out in accordance with the FM Manual for World Bank Investment Project Financing Operations that became effective on March 1, 2010 and re-issued on February 10, 2017, it was established that the SSDCC has acceptable financial management capacity to implement the project.
2. The SSDCC will be responsible for coordinating the day-to-day implementation of Community and Local Government Basic Social Services Project, including financial management, organizational aspects and monitoring and evaluation. These include budgeting, disbursement, financial management, reporting, supervision, management of the Designated Account, and auditing.
- 3. Budgeting Arrangements:** The manual of procedures the SSDCC had used for the Decentralized Community Driven Services Project (IDA/R2012-0101) already includes detailed budgeting procedures, the preparation of annual work plan. It will be revised to incorporate the new project specifics. The budgeting arrangements for the project will follow the government's budgeting system especially regarding the FADEC component. Annual work plans and the budgets will be submitted to the World Bank for no-objection not later than November 30 of each year preceding the year the work plan should be implemented. The budgeting system under the SSDCC will build on lessons learned. The budgetary discussions will begin at least six months before the fiscal year of implementation and will consider the procurement plan as the starting point. Once the budget is approved, it will be integrated in the computerized accounting system to serve as a basis for a budget execution monthly follow-up, based on variance analysis.

Accounting and Reporting Arrangements

- 4. Accounting policies and procedures:** The manual of procedures the SSDCC had used for the PSDCC details the accounting systems, policies, and administrative and financial procedures which is acceptable to the Bank. It will be updated to include specific procedures related to this operation.
- 5. Accounting staff:** The SSDCC should retain staffing resources that are adequate for the level of project operations and activities and are sufficient to maintain accounting records relating to project financed transactions, and to prepare the project's financial reports. The FM function will be carried out by a team composed of: (i) a qualified and experienced Financial Management Specialist already in charge of the supervision of all project's FM activities; and a qualified and experienced Accountant to be



recruited at SSDCC level; (ii) six (6) regional Finance Controllers who will support Public Treasury agents located at commune level by ensuring compliance with agreed time limits for funds transfers, adequate budget executing and expenditures recording. This staff will be recruited through a competitive process in compliance with the World Bank's Procurement Regulations. The team will have the overall FM responsibility over budgeting, accounting, financial reporting, flow of funds, internal control, and auditing. The FM staff's capacity will be reinforced over the project implementation period through the rolling out of a training plan that includes sessions on IDA disbursement procedures and financial reporting arrangements, among others.

6. **Accounting information systems software:** The accounting software acquired under the PSDCC financing will be used for the new project. This accounting software has multi-projects, multi-sites and multi-donors features, and is customized to generate its financial reports.
7. **Accounting standards:** The prevailing accounting policies and procedures in line with the West African Francophone countries accounting standards – SYSCOHADA - currently in use in Benin for on-going Bank-financed operations will apply.

Internal Control and Internal Audit Arrangements

8. **Internal controls.** The manual of procedures used under the Decentralized Community Driven Services Project (IDA/R2012-0101) will be updated to include the specificities of the new project with specific sections on anti-corruption aspects and the existing internal control arrangements will be applied.
9. **Internal audit.** An Internal Audit Unit will be established within the SSDCC and will implement the Project's internal audit annual work-program with special attention to operations costs, including per diems and other soft expenditures, to ensure they are used in an economical manner and for the purposes intended. This internal audit unit needs to ensure that the audits are done semi-annually using a risk based approach. These semi-annual internal audit reports need to be submitted to the World Bank within 45 days after the end of the semi-annual period. In line with the Benin Use of Country System (UCS) Report, the project's internal control system could be strengthened by establishing a close collaboration between Inspection Générale des Finances (IGF) and the project's internal audit unit for conducting periodical internal audit review on the project activities.
10. All the operations executed at commune level (the recording system as well as the entire transactions on each local FADEC account) will be subject to at least a quarterly regularity review by the regional Treasury agent (Receveur des finances de la préfecture) in order to prevent possible diversion of funds. The regional Finance Controllers, each covering two of the twelve Departments of Benin will be supporting local treasury agents and the communities in bookkeeping and in preventing any non-compliance on agreed fiduciary procedures—especially adherence with predefined fund transfers time from central level to commune level, and from commune level to communities. Mechanisms to increase social accountability, such as a grievance redress mechanism (GRM) designed to receive complaints including allegations of misuse of funds, will be developed during the project implementation based on the GRM of PSDCC.



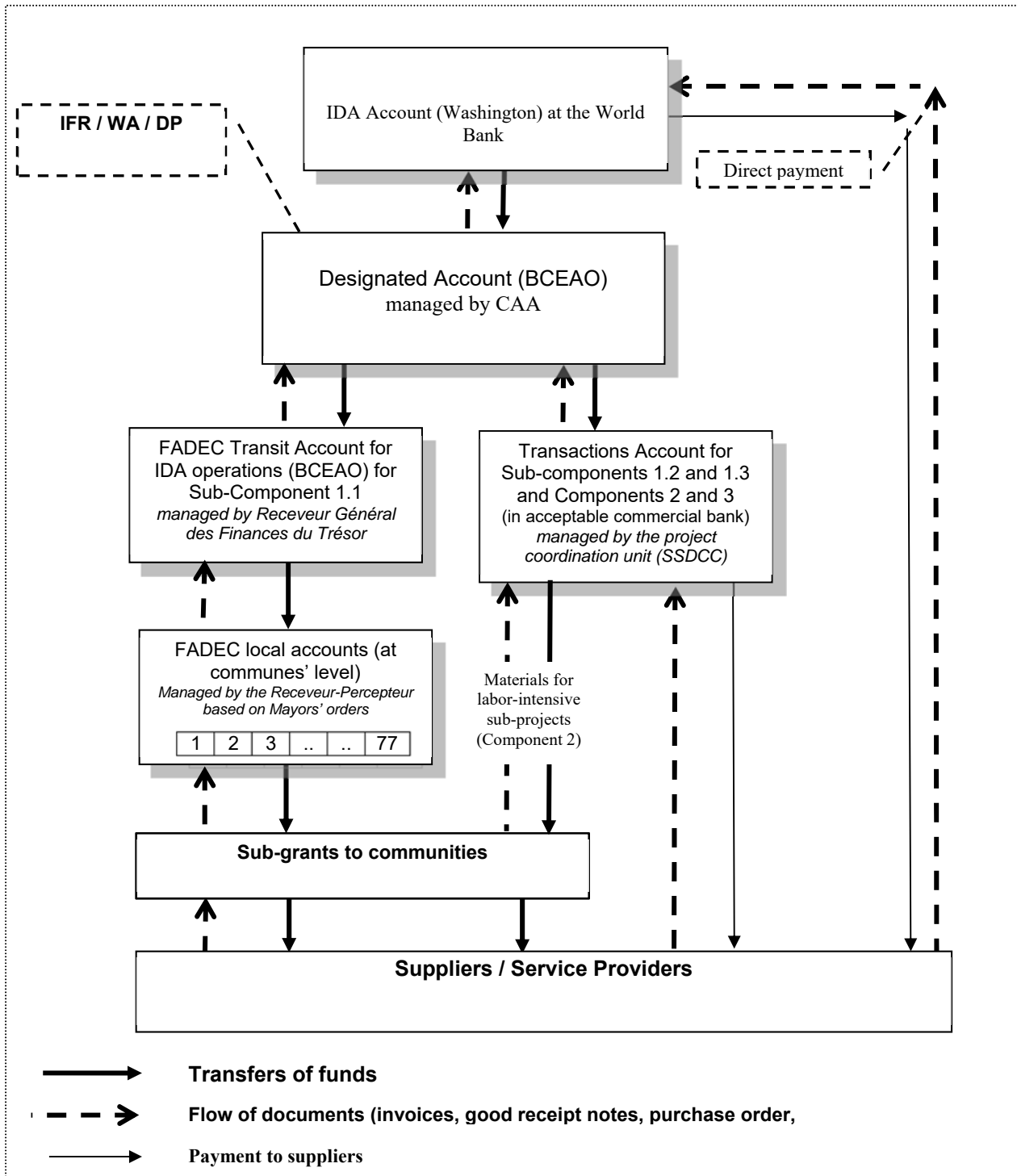
11. **Governance and Anti-corruption arrangements.** To enhance transparency and accountability, the SSDCC will have to deal with fraud and anti-corruption in accordance with the World Bank Anti-Corruption Guidelines referred to in the Financing Agreement will apply.

Funds Flow Arrangements

12. **Designated Account.** The SSDCC will open a Designated Account (DA) at the Central Bank of West African States (Banque Centrale des Etats de l'Afrique de l'Ouest - 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 SSDCC. Cash withdrawal transactions from the Operational Account will be authorized respectively by the Project Coordinator and the Project's FM Specialist. The account is set up to fund eligible expenditures based on the approved annual activity plans. The DA's ceiling, for approximately four months of expenditures, has been determined.



Figure A1: Funds Flow





Disbursement Arrangements

13. Disbursements will be made in accordance with the Disbursement Guidelines for Investment Project Financing dated February 2017. The Autonomous Amortization Fund (*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's 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 at the Bank's Client Connection website/web-based portal. The Authorized Signatory Letter signed by the GoB will include authorization for the designated signatories to receive Secure Identification Credentials (SIDC) from the World Bank for delivering such applications by electronic means.
14. Funds will flow from the Credit Account through the Designated Account to be opened at the Central Bank of Benin (BCEAO). The funds would be released in: one transit account to be opened at the Central Bank of Benin for the transfers to communes through the FADEC mechanism and one transactions account to be opened in a reputable commercial bank for the other activities of the project. The FADEC transit account for IDA operations will be managed in compliance with FADEC procedures. Payments orders from the transactions Account would be jointly signed by the Project coordinator and the project FMS. The accounts are set up to fund eligible expenditures based on the approved annual activity plans.
15. The ceiling of the Designated Account will be based on the six-month forecast for disbursements as stated in the quarterly Interim Financial Report (IFR). Detailed supporting documentation for IFRs will be retained by the Project coordination unit, which has the primary responsibility for maintaining all documentation. Payments from the transit account to local FADEC accounts will comply with FADEC procedures and will be based on approved communes' annual activity plans and the level of justification of previous advances.
16. Given the government procedures used for channeling funds to the municipalities and arrangements agreed to strengthen the FM system of the project, the project will use a quarterly report-based disbursement mechanism. Not later than 45 days following the end of the quarter, the SSDCC will elaborate and transmit to IDA an IFR that will serve as basis for disbursement. IFRs will be supplemented by (i) Bank reconciliation statements of the designated account; (ii) cash-flow forecast for the following year; and (iii) the list of payments against contracts that are subject to Bank prior review, and (iv) a list of payments against contracts that are not subject to prior review.
17. The designated account will be replenished through IFRs on a quarterly basis after an initial advance equivalent to the cash forecast for six months is made. In addition to advances to the designated account, other disbursement methods will be available for use under the project, such as direct, reimbursement, and special commitment methods. Further instructions on the withdrawal of proceeds will be outlined in the disbursement letter and details on the operations of the designated account will be provided in financial and accounting section of the PIM.



18. Under the FADEC transfer mechanism, the transit account opened at central level for IDA operations will function in the same manner as the common account opened for other donors partners. From the IDA transit account for commune grants, funds will flow to the FADEC accounts at commune level managed by local Treasury agents based on appropriate instructions received from the CONAFIL in compliance with the FADEC procedures and IDA project implementation manual. The communes will be responsible for the physical implementation of the project with the support of the communities. An appropriate expenditure recording system will be put in place by each local Treasury agent about IDA operations to facilitate collection of information on budget execution for financial reporting purpose. The project will finance the recruitment of twelve finance Controllers located in each Department of the country, who will support Treasury agents located at the commune level by ensuring compliance with agreed time limits for funds transfers, adequate budget execution and expenditure recording. In addition to that support, the recording system as well as all transactions on each local FADEC account will be subject at least to one quarterly regularity review by the Departmental Treasury agent (Receveur des finances de la préfecture) in order to prevent possible diversion of funds. It is clearly accepted that provision of funds from FADEC should only be utilized for activities agreed with the donors. Local Treasury Agents will pay all the expenditures specifically related to commune sub-projects, and will transfer to communities the installments of approved sub-grants based on the progress in the implementation of the sub-project and in accordance with the sub-grant agreement stipulations.

19. Payments to beneficiaries under the Social Safety Net Program will be managed by the Secretariat for Decentralized Community Driven Services but outsourced to one or more financial institutions (likely to be microfinance institutions and/or mobile money providers). In addition to the necessary financial, operational and technological capacity, financial institutions will also have to demonstrate a well performing representation in the rural areas capable of making direct payments to the beneficiaries. The payment procedures will be detailed in the PIM. Resources to cover equipment and inputs for the labor-intensive public works under the safety net component will transit from the designated account to the transactions account, and from there directly to communities.

20. The table below specifies the categories of eligible expenditures to be financed out of the proceeds of the Credit, the amounts under each category, and the percentage of expenditures to be financed for eligible expenditures in each category.

**Table A1: Categories of Eligible Expenditures**

Category	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Community Sub-projects under Component 1 of the Project	10,900,000	100% of amounts disbursed under Local Community Grants
(2) Commune Sub-projects under Component 1 of the Project	2,700,000	100% of amounts disbursed under Communal Grants
(3) Cash Transfers under Component 2 of the Project	3,000,000	100% of amounts disbursed under the respective Cash Transfers.
(4) Cash for Work (CFW) Transfers under Component 2 of the Project	2,100,000	100% of amounts disbursed under the respective CFW Transfers.
(5) Goods, works, non-consulting services, consulting services and Training under the Project except for community and commune sub-projects, cash transfers, and CFW transfers	7,500,000	100%
(5) Refund of Preparation Advance	1,400,000	Amount payable pursuant to Section 2.07 of the General Conditions
TOTAL AMOUNT	27,600,000	

Financial Reporting Arrangements

21. **The SSDCC will be responsible for coordinating and submitting the quarterly un-audited Interim Financial Reports (IFRs) in form and content satisfactory to the World Bank, which will reflect operations of the Designated Account and will be submitted to the World Bank within 45 days after the end of the reporting period.** The local treasury agents (Receveur percepteur) with the support of the finance Controllers will report every two months to the SSDCC within 15 days following the end of the related period. The formats and contents of the IFR will be agreed during negotiations.



External Audit Arrangements

22. 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, the annual audits will be conducted based on ToR agreed with the supreme audit institution and that are satisfactory to the World Bank. The Auditor will express an opinion on the Annual Financial Statements and perform his audit in compliance with International Standards on Auditing issued by IFAC. The auditor will be required to prepare a Management Letter detailing observations and comments and 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.

Table A2: Financial Management Action Plan

Issue	Remedial action recommended	Responsible entity	Completion	Effectiveness conditions
Staffing	Recruit a Financial Management team comprising (i) an experienced and qualified Accountant at SSDCC level under terms of reference acceptable to IDA, (ii) six (6) regional Finance Controllers at departmental level who will support Public Treasure agents located at communes’ level by ensuring compliance with agreed time limits for funds transfers, adequate budget executing and expenditures recording.	SSDCC	Before effectiveness	Y (for the six (6) regional Finance Controllers)
Information system accounting software	Revisit PSDCC’s software parameters to take into consideration the specificity of the new Project	SSDCC	Before effectiveness	N
Financial reporting: IFR	Format, content, and frequency of the IFR were discussed during project negotiation	SSDCC	Completed during negotiations	N
Administrative, Accounting and Financial Manual of procedures	Update the PSDCC’s Administrative, Accounting and Financial Manual of procedures (as part of the PIM) that also includes detailed procedures describing the system to pay	SSDCC	Before effectiveness	N



	recurrent expenditure with specific sections on anti-corruption aspects.			
Internal audit	Recruit a qualified and experienced internal auditor who will have to submit semi-annual internal audit reports to the Bank within 45 days after the end of the audit period.	SSDCC	Six months after effectiveness	N
External financial auditing	Appoint an external auditor acceptable to IDA	PCU	Six months after effectiveness	N

23. **Financial covenants.** Financial covenants are the standard ones as stated in the Financing Agreement Schedule 2, Section II (B) on FM, Financial Reports and Audits and Section 4.09 of the General Conditions and the DFIL.

24. **Implementation Support Plan.** FM implementation support missions will be carried out twice a year based on the Substantial FM residual risk rating. Implementation Support will also include desk reviews such as the review of the IFRs and audit reports. In-depth reviews and forensic reviews may be done when and where deemed necessary. The FM implementation support will be an integrated part of the project’s implementation reviews.

25. **Conclusion.** Overall, the residual financial management (FM) risk for the project is rated as **Substantial**. It is however considered that the financial management will satisfy the Bank Policy and Directive – IPF once the mitigation measures mentioned in the FM action plan above have been implemented.



ANNEX 2: PROCUREMENT

1. The Borrowers will carry out procurement under the proposed project in accordance with the World Bank's "Procurement Regulations for IPF Borrowers" (Procurement Regulations) dated July 2016 and revised in November 2017 under the "New Procurement Framework (NPF), and the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated July 1, 2016, and other provisions stipulated in the Financing Agreements.
2. All procuring entities as well as bidders, and service providers, i.e. suppliers, contractors and consultants shall observe the highest standard of ethics during the procurement and execution of contracts financed under the project in accordance with paragraph 3.32 and Annex IV of the Procurement Regulations.
3. The Borrowers shall prepare and submit to the Bank a General Procurement Notice (GPN) and the Bank will arrange for publication of GPN in United Nations Development Business (UNDB) online and on the Bank's external website. The Borrowers may also publish it in at least one national newspaper.
4. The Borrowers shall publish the Specific Procurement Notices (SPN) for all goods, works, non-consulting services, and the Requests for Expressions of Interest (REOIs) on their free-access websites, if available, and in at least one newspaper of national circulation in the Borrower's country, and in the official gazette. For open international procurement selection of consultants using an international shortlist, the Borrower shall also publish the SPN in UNDB online and, if possible, in an international newspaper of wide circulation; and the Bank arranges for the simultaneous publication of the SPN on its external website.
5. Project design provides a window to enable the Borrower to carry out Advance Contracting and Retroactive Financing in accordance with Section V (5.1&5.2) of the WB Procurement Regulations for IPF Borrowers. Retroactive financing is expected to cover (i) the targeting of poor and extreme poor households through a national household data collection exercise to populate the National Social Registry as well as (ii) unpaid expenses incurred under PSDCC not to exceed FCFA 105 million (US\$200,000). This exercise will follow the national methodology for identifying poor households. The retroactive financing will be allowed up to 10% of the credit covering the expenditures incurred after October 1, 2017.

Institutional Arrangements for Procurement:

6. Procurement shall be carried out by:
 - (i) the SSDCC at the national level: The SSDCC will be responsible for procurement process under the SSDCC and will be responsible of the coordination of all procurement activities envisaged under the Project, including those of the communes and communities.
 - (ii) the communes: Works, goods, non-consulting services and services to be procured by the communes for the implementation of their sub-projects, will be procured by the procurement



commission of communes (Commission de Passation des Marchés Publics in French) in line with application decree of the new procurement law no 2017-04 of October 19, 2017 according to rules of transparency, economy, efficiency, equality judged acceptable by the IDA. The Project will build procurement capacity in communes. All procurement prior review documents should be submitted to IDA through the SSDCC;

- (iii) the Community Associations: Communities will implement sub-projects according to simplified procedures (procurement with community participation) accepted by IDA. As part of the overall Grassroots Management Training program for communities, the SSDCC will empower communities to manage procurement of contractors and supervisors for sub-projects. Communities will award contracts of up to a maximum of US\$42,000 equivalent for each sub-project (except in the cases of difficult locations upon prior approval of the Bank), following the simplified procurement procedures with community participation developed under PSDCC. The communities' management units that will carry out the implementation of sub-projects will be assisted by the technical service of the Commune and supervised by the recruited facilitator ("animateur") in Community Development in each Commune.
7. The coordination of procurement activities in the project will be ensured by the recruited Procurement Specialist of the Project. All project procurement prior review documents should be submitted to IDA by the SSDCC.
 8. *Filing and record keeping:* The Procurement Procedures Manual will set out detailed procedures for maintaining and providing readily available access to project procurement records, in compliance with the Loan Agreement. Implementing Agencies will assign one person responsible for maintaining the records. The logbook of the contracts with unique numbering system shall be maintained.
 9. The signed contracts as in the logbook shall be reflected in the commitment control system of the Borrower's accounting system or books of accounts as commitments whose payments should be updated with reference made to the payment voucher. This will put in place a complete record system whereby the contracts and related payments can be corroborated.
 10. *Project Procurement Strategy for Development:* As part of the preparation of the project, the Borrower (with support from the World Bank) has prepared a Project Procurement Strategy for Development (PPSD) which describes how fit-for-purpose procurement activities will support project operations for the achievement of project development objectives and deliver Value for Money (VfM). The procurement strategy is linked to the project implementation strategy ensuring proper sequencing of the activities. It considers institutional arrangements for procurement; roles and responsibilities; thresholds, procurement methods, and prior review, and the requirements for carrying out procurement. It also includes a detailed assessment and description of state government capacity for carrying out procurement and managing contract implementation, within an acceptable governance structure and accountability framework. Other issues taken into account include behaviors, trends and capabilities of the market (i.e. Market Analysis) to inform the procurement plan. The activities also require strong technical capability to prepare proper technical specifications in order to avert lack of, or inadequate, market response. This capability – or a plan to enhance it – is considered in the strategy. Special arrangements like direct contracting, use of SOEs, local NGOs,



Force Account, or civil servants needs, results based arrangements, need for prequalification, if any, have been considered.

11. The recruitment of civil servants as individual consultants or as part of the team of consulting firms will abide by the provisions of paragraph 3.23 (d) of the Procurement Regulations.
12. *Procurement Plan*: The Borrower and his Implementing Agency is preparing a detailed 18-month procurement plan which will be agreed by the Government and the Bank during the credit negotiations. The Procurement Plan will be updated in agreement with the Bank Team annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.
13. The scope of procurement is described in the Project Procurement Strategy for Development and the Procurement Plan agreed by the Bank, and summarized below.
14. *Training, Workshops, Study Tours, and Conferences*: Workshops, Seminars and Conferences. Training activities would comprise workshops and training, based on individual needs, as well as group requirements, on-the-job training, and hiring consultants for developing training materials and conducting training. Selection of consultants for training services follows the requirements for selection of consultants above. All training and workshop activities (other than consulting services) would be carried out on the basis of approved Annual Work Plans / Training Plans that would identify the general framework of training activities for the year, including: (i) the type of training or workshop; (ii) the personnel to be trained; (iii) the institutions which would conduct the training and reason for selection of this particular institution; (iv) the justification for the training, how it would lead to effective performance and implementation of the project and or sector; (v) the duration of the proposed training; and (vi) the cost estimate of the training. Report by the trainee(s), including completion certificate/diploma upon completion of training, shall be provided to the Project Coordinator and will be kept as part of the records, and will be shared with the Bank if required.
15. A detailed training and workshops' plan giving the nature of training/workshop, number of trainees/participants, duration, staff months, timing and estimated cost will be submitted to IDA for review and approval prior to initiating the process. The selection methods will derive from the activity requirement, schedule and circumstance. After the training, the beneficiaries will be requested to submit a brief report indicating what skills have been acquired and how these skills will contribute to enhance their performance and contribute to the attainment of the project objective.
16. *Operational Costs*: Operational costs financed by the Project would be incremental expenses, including office supplies, vehicles operation and maintenance cost, maintenance of equipment, communication costs, rental expenses, utilities expenses, consumables, transport and accommodation, per diem, supervision costs, and salaries of locally contracted support staff. Such services' needs will be procured using the procurement procedures specified in the Project Implementation Manual (PIM) accepted and approved by the Bank.
17. *Procurement Manual*: Procurement arrangements, roles and responsibilities, methods and requirements for carrying out procurement shall be elaborated in detail in the Procurement Manual



which may be a section of the PIM. The PIM shall be prepared by the Borrowers and agreed with the Bank prior to effectiveness.

- 18. Procurement methods: The Borrowers will use the procurement methods and market approach in accordance with the Procurement Regulations.
- 19. Open National Market Approach is a competitive bidding procedure normally used for public procurement in the country of the Borrower and may be used to procure goods, works, or non-consultant services provided it meets the requirements of paragraphs 5.3 to 5.6 of the Procurement Regulations.
- 20. The thresholds for particular market approaches and procurement methods are indicated in the below table. The thresholds for the Bank’s prior review requirements are also provided in the table below:

Table A3: Thresholds for Procurement Methods, and Prior Review

Note: The thresholds are for all countries unless indicated otherwise for specific items.

No	Expenditure Category	Contract (C) Value Threshold* [eq. USD]	Procurement Method	Contracts Subject to Prior Review / [eq. US\$]
1	Works	$C \geq 10,000,000$	Open Competition International Market Approach and Direct Contracting	$\geq 10,000,000$
		$200,000 < C < 10,000,000$	Open Competition National Market Approach	None
		$C \leq 200,000$	RfQ	None
2	Goods, IT and non-consulting services	$C \geq 1,000,000$	Open Competition International Market Approach and Direct Contracting	$\geq 2,000,000$
		$100,000 < C < 1,000,000$	Open Competition National Market Approach	None
		$C \leq 100,000$	RfQ	None
3	National shortlist for selection of consultant firms	$C < 100,000$	for Consulting Services	None
		$C \leq 300,000$	for Engineering and Construction Supervision	None



No	Expenditure Category	Contract (C) Value Threshold* [eq. USD]	Procurement Method	Contracts Subject to Prior Review / [eq. US\$]
4	International shortlist for selection of consultant firms	C ≥ 100,000	for Consulting Services	≥ 1,000,000
		C > 300,00	for Engineering and Construction Supervision	≥ 1,000,000
5	Selection of Individual consultants	All Values	All Approaches	≥ 300,000
6	Direct contracting	All Values		As agreed in the Procurement Plan
7	Training, Workshops, Study Tours	All Values	Based on approved Annual Work Plan & Budgets (AWPB)	Annual Work Plan & Budgets (AWPB)

Note: The thresholds in the above Table are for the purposes of the initial procurement plan for the first 18 months. The thresholds will be revised periodically based on re-assessment of risks. All contracts not subject to prior review will be post-reviewed.

21. **Procurement Risk Rating:** The project procurement risk prior to the mitigation measures is “Substantial”. The risk can be reduced to a residual rating of “Moderate” upon consideration of successful implementation of the mitigation measures.

22. The risks and mitigation measures are provided in the table below.



Table 1: Procurement Risk Assessment and Mitigation Action Plan

Procurement Risk	Mitigation measure	Responsibility and Deadline
SSDCC		
Non-designation of the person in charge of procurement and non-establishment of the procurement commission and the procurement control commission	Nominate the person in charge of procurement and establish the procurement commission and the procurement control commission with accordance articles 10 to 17 of the new procurement code No 2017-04 dated of October 19, 2017	SSDCC/ARMP Within 3 Months after signing of the Financing Agreement
Weak capacity of the procurement specialist, the procurement commission, the procurement control, the National procurement control directorate in NPF procedures	Capacity building will be provided by the Bank on NPF procurement. Organize a workshop to update staff on current changes in Bank procurement procedures	SSDCC and WB During project implementation
Absence of a manual of procedures	Preparation of Project Implementation Manual with section on procurement detailing out all applicable procedures, instructions and guidance for handling procurement, the SBDs and other standard procurement documents to be used. The PIM will outline the interaction between the project’s staff responsible for procurement, the communes, communities and MDGL	SSDCC Before effectiveness
Lack of Procurement Plan	Carry out the elaboration of the Project Procurement Strategy for Development in order to get a realistic procurement plan	SSDCC Before negotiation - completed
6-Political interference/Fraud and Corruption	Adherence to the implementation arrangements as provided for in the project Legal Agreement and Project Implementation Manual (PIM) will be enforced. Project launch will be organized before effectiveness to brief all stakeholders on their roles and responsibilities as provided for in the PIM The Regulation Authority (ARMP) will have to play his role to ensure good governance and limit the opportunities for undue influence by anyone	SSDCC Throughout project implementation CONAFIL, ARMP, IDA/ Throughout project



	Apply sanctions following any governance issues to actors, bidders and consultant	implementation
8-Lack of a dedicated archiving space in communes with a trained staff for its management	Provide in communes adequate space and equipment for the procurement archive and set up an adequate filing system for project records to ensure easy retrieval of information/data. Designate or recruit an officer to be responsible for data management	SSDCC/Communes No later than six months after the beginning of the project implementation
Regular procurement audit	Pursue the annual procurement audit with the selected consultant of PSDCC to ensure that the procurement activities are conducted in communes and communities in accordance with the PIM	SSDCC/ Throughout project implementation