

**PROGRAM INFORMATION DOCUMENT (PID)  
APPRAISAL STAGE**

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<b>Operation Name</b>	Tenth Poverty Reduction Support Credit
<b>Region</b>	Africa
<b>Country</b>	Benin
<b>Sector</b>	Central government administration (60%); General agriculture, fishing and forestry sector (20%); Ports, waterways and shipping (20%)
<b>Operation ID</b>	P146665
<b>Lending Instrument</b>	Development Policy Lending
<b>Borrower(s)</b>	Ministry of Finance
	Ministry of Finance and Economy Benin Tel: (229) 2130-0217 gadsoon@hotmail.com
<b>Implementing Agency</b>	
<b>Date PID Prepared</b>	January 12, 2015
<b>Estimated Date of Appraisal</b>	February 5, 2015
<b>Estimated Date of Board Approval</b>	March 17, 2015
<b>Corporate Review Decision</b>	Following the corporate review, the decision was taken to proceed with the preparation of the operation.

## I. Country and Sector Background

Benin is one of the world's least-developed countries, with an annual per capita income of approximately US\$820 in 2014. Despite moderate GDP growth of between 4 and 5 percent annually over the past two decades, poverty remains widespread as per capita GDP has increased little. The national headcount poverty rate was estimated at 37.5 percent in 2006, 35.2 percent in 2009 and 36.2 percent in 2011. There are significant regional disparities in poverty rates, and while female-headed households experience lower levels of poverty (28 percent, compared to 38 percent for male-headed households), women continue to suffer from lack of economic opportunity and are underrepresented in politics and in other high-level decision making positions.

Benin's economy relies heavily on re-export and transit trade with Nigeria and other neighboring countries, and on agricultural production, cotton in particular. Informal re-export trade with Nigeria makes up roughly 20 percent of GDP, leaving the economy vulnerable to trade-policy

changes or economic downturns in neighboring Nigeria. The agricultural sector accounts for over 30 percent of GDP and provides nearly 70 percent of the country's employment.

## **II. Operation Objectives**

The over-riding development objective, in line with Benin's SCRP, is to accelerate real economic growth and reduce the incidence of poverty in Benin by focusing on the following two program objectives or pillars:

- (i) Strengthened public financial management and governance; and
- (ii) Strengthened private sector competitiveness and economic diversification.

## **III. Rationale for Bank Involvement**

Helping Benin capitalize on its comparative advantages in commerce/trade and in agriculture is at the heart of this PRSC series, as in the CPS. Exploiting these advantages systematically by creating a business environment conducive to investment in the most promising sectors will be essential to facilitate the structural transformation necessary to significantly increase per capita GDP.

Effective and efficient delivery of government services and sound management of scarce resources is central to meeting these objectives and the broader objectives noted in the SCRP. Strengthened public sector governance and improved transparency is critical -- in ensuring that the benefits of growth and increased prosperity accrue to a broad cross-section of the population.

Building on Benin's comparative advantage in agriculture by increasing agricultural productivity will require public investment in complementary hard and soft infrastructure, including rural transportation infrastructure, water management and irrigation infrastructure, and a regulatory and organizational structure that facilitates increased productivity and effective input distribution and marketing of both cotton and non-cotton production. There is also ample opportunity for increased value-added in agriculture, in both food and fibre related processing. However, a weak business enabling environment limits private investment and inhibits the creation and expansion of agriculture related processing industries.

In the trade/commerce and services area, increasing productivity and growth will also require improved infrastructure and a strengthened regulatory environment, particularly at the port, in Customs administration and in road, rail and telecommunications services. This will require greater fiscal space to increase the level of public investment as well as better targeted, prioritized and planned public investment in order to increase its efficiency and effectiveness. Again, investment must be accompanied on the regulatory and government services side by effectively managed port, road and rail systems, a transparent customs administration, efficient border crossings, a transportation services regulatory environment that facilitates the safe, rapid and low-cost movement of goods, and an investment climate conducive to private investment in the sector.

Thus, the strategic vision underlying this PRSC operation is to harness Benin’s strategic advantages in trade/commerce and agriculture in order to spur shared, sustainable growth and reduce poverty by strengthening public sector management and governance, and by strengthening the business environment.

#### **IV. Tentative financing**

Source:	(\$m.)
BORROWER/RECIPIENT	0
International Development Association (IDA)	20
Borrower/Recipient	
IBRD	
Total	20

#### **V. Institutional and Implementation Arrangements**

The Ministry of Economy and Finance will be responsible for overall implementation of the proposed PRSC-10. The ministry’s Monitoring Unit for Economic and Financial Programs (Cellule de Suivi des Programmes Economiques et Financiers – CSPEF) will lead the Government's technical team, with additional representatives from sector ministries participating as required.

#### **VI. Risks and Risk Mitigation**

The overall risk level associated with this operation is moderate. Staff believes that the potential benefits of the proposed operation outweigh the risks involved and warrant IDA’s assistance in implementing the critical reforms and policy actions supported by this operation, in coordination with other donors, along with appropriate risk mitigation actions.

Unpredictable political and governance developments pose the most substantial risks. As the next legislative and presidential elections approach, consensus around reforms and the ability to advance and implement ambitious reforms may become increasingly problematic. To help mitigate this risk IDA continues to engage with key stakeholders, including the National Assembly and sector ministries, in an effort to build consensus regarding key reforms. These efforts are complemented by the dissemination of AAA and economic and sector work (ESW) as a means to publicize the advantages of priority structural reforms. This leveraging of AAA and ESW will extend to communications and outreach efforts designed to raise awareness among the general public and build popular support for important reforms. AAA and ESW will increasingly focus on analytical work in areas where stronger reform efforts are needed and where the potential impact of reforms is greatest. This is particularly true in the governance area where AAA and TA work will be disseminated among parliamentarians, government officials and civil society. While building consensus in a competitive multiparty democracy is a continuous process, this operation seeks to reduce both present and future political-economy risks through efforts to support improved governance through anticorruption policies, PPP reforms, open data access, strengthened procurement processes and a more enabling business environment. These

measures will support greater transparency, increased accountability, the leveling of the economic playing field, and a more equitable distribution of opportunities among Benin's citizens.

## **VII. Poverty and Social Impacts and Environment Aspects**

### *Poverty and Social Impacts*

The PRSC series and PRSC-10 specifically are expected to have a positive impact on poverty reduction and growth with equity. Prior actions 1, 2, and 3 and triggers supporting strengthened public-sector management are expected to enhance the efficiency and effectiveness of public resources, not only by facilitating more robust economic performance and greater diversification, but also by improving the delivery of social services. Equitable development is an explicit objective of the SCRP III, and PRSC-10 further advances this goal through actions supported under both of its programmatic axes. Improving access to public services and the quality of services delivered can only be achieved through improved performance in the relevant ministries, better resource utilization, more effective expenditure identification and tracking, and greater transparency, which will result in a more equitable distribution of resources and services. While direct sectoral interventions and investments have proven effective in Benin, the lack of administrative capacity at the central-government level is a common obstacle limiting the effectiveness of programs in all sectors, as are related issues of good-governance and transparency. Many constraints are shared across ministries and require joint solutions; hence the focus on addressing central PFM and governance issues rather than extending support to reforms in specific sectors.

### *Environment Aspects*

The activities supported by the proposed operation are unlikely to have significant negative environmental effects. All of the actions supported throughout the operation are policy-oriented; they do not support direct investment in environmentally impactful investments or involve policy actions with significant environmental consequences.

The prior actions and triggers in the area of PFM are related to budget planning and execution and pose no risk to the environment. Supported actions in the area of public procurement are also process-related and do not affect environmental regulations, environmental assessment processes or environmental safeguards for public procurement. Action and triggers regarding governance and transparency are similarly unrelated to environmental issues.

Prior actions and triggers designed to strengthen economic competitiveness are also largely environmentally neutral. Supported measures at the port and in trade facilitation are primarily administrative and logistical; they do not involve civil works or other activities that might be expected to have an adverse environmental impact. Indeed, measures to speed the transit of cargo trucks both on inland transport corridors and at the Port of Cotonou may have a moderately positive impact on pollution emissions. In the agricultural sector support of the PSRSA is intended to diversify agriculture away from reliance on cotton, with potentially positive environmental effects as agriculture becomes less mono-culture based and increasingly

diversified. The PSRSA strategy, which this operation supports, includes measures to make agriculture more environmentally sustainable and more climate-change resilient.

### **VIII. Contact point**

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