

**PROGRAM-FOR-RESULTS INFORMATION DOCUMENT (PID)
CONCEPT STAGE**

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Program Name	Rural Water Supply Universal Access Program
Region	Africa
Country	Benin
Sector	Water Supply
Financing Instrument	PROGRAM-FOR-RESULTS
Program ID	P164186
<i>{If Add. Fin.}</i> Parent Program ID	N/A
Borrower(s)	Government of Benin
Implementing Agency	Agence Nationale d'Approvisionnement en Eau Potable en Milieu Rural
Date PID Prepared	11/07/2017
Estimated Date of Appraisal Completion	03/19/2018
Estimated Date of Board Approval	05/03/2018
Concept Review Decision	Following the review of the concept, the decision was taken to proceed with the preparation of the operation.

I. Introduction and Context

A. Country Context

1. **Despite achieving solid economic growth, Benin has experienced increased poverty especially in rural areas.** During the period 2000-2015, real GDP in Benin grew on average by 4.3 percent annually and accelerated slightly during the last five-year period (2011-2015) to 4.7¹. Meanwhile, the poverty rate increased from 37.5 percent in 2006 to 40.1 percent in 2015². Important disparities between urban and rural poverty persist and tend to increase, with rates estimated at 35.8 percent and 43.6 percent respectively³. Per capita income was US\$820 in 2016 and the Human Development Index was estimated at 0.48 in 2015, with Benin ranking 166th amongst 188 countries⁴. Inequality in the distribution of per capita consumption is moderately high, with a Gini index of 41 in 2015.

2. **Presidential elections in March 2016 marked a transition to new leadership.** Patrice Talon took up office as President of the Republic of Benin in April 2016, vowing to establish a right-sized administration based on competence. The Government's Action Programme for the period 2016-2021 is a significant investment program, including 45 flagship projects in key economic sectors (including 3 in the water sector), many of which are being funded through

¹ Draft Systematic Country Diagnostic (SCD), July 21, 2017

² Draft Systematic Country Diagnostic (SCD), July 21, 2017 & INSAE, EMICoV 2006-15 *National Poverty and Inequality Rates 2006-2015*

³ World Bank. 2016. Benin - Performance and learning review for country partnership strategy for the period FY13-17

⁴ Programme d'Actions du Gouvernement PAG (2016-2021)

public-private partnerships. Some of these flagship projects are led by agencies overseen directly by the President's office⁵. Providing universal access to water supply services is a priority for the Government of Benin (GoB) as expressed in its Action Programme. The GoB aims to provide universal access to water supply in both urban and rural areas by 2021, for a total estimated cost of 456 billion of FCFA (US\$820 million)⁶. In the rural water sector in particular, the GoB is advancing fast, with the preparation of a comprehensive investment plan, the setting up of a dedicated executing agency in charge of delivering on this objective and the definition of new rural water services management models to achieve scale.

B. Sectoral and Institutional Context of the Program

3. ***Access to Water Supply and Sanitation (WSS) services.*** Benin has a population of 10.8 million inhabitants, including 45 percent of its population in urban areas and 55 percent in rural areas⁷. While Benin has met its Millennium Development Goals (MDGs) targets for access to improved water sources, with 81 and 71 percent access rates respectively in urban and rural areas⁸, significant improvements are needed to achieve the higher service levels and targets reflected in the Sustainable Development Goals (SDGs). Access to improved water sources in rural areas is provided through piped water supply systems⁹ or through hand pumps¹⁰. According to JMP figures, in rural areas, only 30 percent of the population has access to piped water, while in urban areas, 57 percent of the population has access to piped water¹¹. Coverage rate in rural areas estimated by the GoB based on an average number of people per water point and per household connection¹² stands as low as 42 percent countrywide with high disparities across districts, ranging between 32.6 percent to 61.6 percent.

4. Access to improved (and not shared) sanitation facilities is notably low with only 25 and 5 percent of the urban and rural population having access to those services¹³. The rate of open defecation is estimated at 55 percent at the national level, ranging from 25 percent in urban areas to 76 percent in rural areas. Sewerage networks are virtually non-existent, with less than 1 percent of households connected to a sewerage network, including through two simplified sewerage networks in the Grand-Nokoué region in urgent need of rehabilitation. Households with improved sanitation facilities rely on simple dry latrines, ventilated pit latrines, flush toilets and septic tanks.

5. ***Institutional framework and reforms of the WSS sector.*** The Ministry of Water, Energy and Mines (*Ministère de l'Eau de l'Energie et des Mines – MEEM*) is in charge of formulating the policy of the water supply sector. There is no formal regulation scheme currently in place in the WSS sector. Water service arrangements differ between urban areas (which include one urban district including the major cities of Cotonou and Porto Novo and the 76 towns heading

⁵ Programme d'Actions du Gouvernement PAG (2016-2021)

⁶ Programme d'Actions du Gouvernement : Actions 43 & 44 (PAG 2016-2021)

⁷ Nouvelle Stratégie Nationale d'Approvisionnement en Eau Potable en Milieu Rural (SNAEP_MR) 2017-2030-Annex D page 41

⁸ WHO/UNICEF JMP (2017)

⁹ Approximately 600 piped rural water supply systems have been inventoried in Benin. They are generally made of boreholes pumping to an elevated storage tank connected to a network distribution system supplying individual connections and standpipes. *Plan Directeur de Développement du sous-secteur de l'Approvisionnement en Eau Potable en Milieu Rural – PDDAEPMR* (2017)

¹⁰ Approximately 12,200 hand pumps have been inventoried in Benin. *Plan Directeur de Développement du sous-secteur de l'Approvisionnement en Eau Potable en Milieu Rural – PDDAEPMR* (2017)

¹¹ WHO/UNICEF JMP (2017)

¹² The coverage rate is estimated by the GoB based on 250 people per water point and 24 people per household connection

¹³ WHO/UNICEF JMP (2017)

the other 76 municipalities), and rural areas, which include all other territories. In urban areas, the Benin's National Water Company (*Société Nationale des Eaux du Bénin - SONEB*) is responsible for developing water supply infrastructure and delivering water supply services. The GoB has launched a reform of the urban water supply sector to split SONEB into a publicly-owned asset-holding company, which will operate under a concession contract with the GoB and a privately-owned operator which will operate under an affermage contract. It is estimated this new institutional model for asset development and service delivery will be operational in 2019.

6. In rural areas, municipalities are responsible for providing water supply services¹⁴. Since 2007, sector policy has encouraged municipalities to delegate water supply service delivery to private operators through an affermage contract. In 2017, approximately 55 percent of the 600 rural water supply systems are operated by a private operator. Other systems are either managed by the municipalities directly or by community-based operators. The affermage model has not brought the expected benefits to foster the professionalization and sustainability of service delivery especially due to (i) the difficulties of the municipalities to fulfill their financial obligations to rehabilitate and expand the water supply system as part of the affermage agreement, (ii) the fragmentation of the small-scale private operators. To address identified shortcomings of management contracts and shift more investment responsibilities towards private operators, the Bank supported the implementation of subsidized concessions for 10 water supply systems from 2014 which are currently under operation¹⁵.

7. The GoB created in 2017 the National Agency for Rural Water Supply (*Agence Nationale pour l'Approvisionnement en Eau Potable en Milieu Rural – ANAEPMR*) to consolidate the execution of all rural water supply activities, to expand more rapidly access to water supply services in rural areas and establish service delivery models in coordination with the municipalities for a quality and sustainable operation¹⁶. The ANAEPMR reports to the Presidency.

8. Responsibilities for sanitation are split between several institutions. The National Public Health Directorate (*Direction Nationale de la Santé Publique – DNSP*) is in charge of formulating sector policy for hygiene and sanitation, with a particular focus on on-site sanitation facilities. The DNSP has developed a National Strategy for Hygiene Promotion in Rural Areas and is developing a National Strategy for Hygiene Promotion in Urban Areas. Households are responsible for constructing on-site sanitation facilities and receive no financial assistance for doing so. In urban areas, the Urban Development Directorate (*Direction Générale du Développement de l'Urbanisme – DGDU*) is in charge of formulating policy for the sanitary transport of wastewater and fecal sludge. The DGDU has developed a National Strategy for Wastewater Management that was approved as recently as October 2017, with support from a Bank funded project¹⁷. The collection and disposal of fecal sludge is performed by private sludge emptying trucks, which are poorly regulated. An ongoing Bank project, the PEPRAU (Small Town Water Supply and Urban Septage Management Project - P156738) is financing construction of a fecal sludge treatment plant in the east of the Grand-Nokoué region. The plant

¹⁴ Benin has 77 municipalities (*communes*) spread across 12 districts (*départements*).

¹⁵ World Bank (2015) *Benin – Innovative public private partnerships for rural water services sustainability – a Case Study*, by Sylvain Adokpo Migan with Trémolet Consulting.

¹⁶ Decree No 2017-039 of January 25, 2017.

¹⁷ Projet d'Urgence de Gestion Environnementale et Milieu Urbain (PUGEMU)

will be commissioned by SONEB and managed by a private operator. Another two fecal sludge treatment plants have been planned in the same metropolitan area, which will be managed in a similar way. The PEPRAU will finance institutional strengthening activities in the urban sanitation sector, with the objective of better structuring the sector, clarifying roles and responsibilities and supporting the development of private sector participation in the sector.

9. ***Quality, sustainability and affordability of Water Supply services.*** In urban areas, the latest performance indicators reported by SONEB in 2013 are claiming an efficient management of the water supply services, with an NRW ratio at 23 percent, collection rate at 93 percent, staff per 1,000 connections at 3.6 and operating cost coverage at 1.50¹⁸. This reported efficiency contrasts with the limited coverage rate in SONEB's service area and low average consumption (38 l /person / day on average), which points to challenges for expanding production and distribution capacities. In rural areas, approximately 26 percent of hand pumps are not functioning¹⁹. Surveys carried out in a sample of 12 municipalities across the country²⁰ show an average price of water sale of FCFA 800 (US\$1.4) per m³. This leads to a monthly cost for water of FCFA 2880 (US\$5) per household, based on an average consumption of 20 l/person/day and an average household of 6 people. This amount represents 2 percent of the monthly monetary poverty threshold of FCFA 140,800 (US\$250) assessed in 2015, which is below the maximum percentage considered acceptable but could affect the poorest households more (limited information is available on water service levels by income quintiles).

10. ***External support for WSS.*** The WSS sector is supported by several Development Partners, including multilateral partners such as the World Bank, UNICEF, the European Investment Bank and the European Union, the Islamic Development Bank, the African Development Bank and bilateral including from the Netherlands, Germany, China and Japan. In December 2016, the Bank approved the PEPRAU, its first lending operation in the WSS sector since the closing of the Rural Water Supply and Sanitation Project (P000121) in December 2000.

C. Relationship to CAS/CPF

11. ***The Program is well aligned with the Country Partnership Strategy (CPS) for FY13-FY17²¹.*** The Program will directly contribute to the CPS's Pillar I "Increasing Sustainable Growth, Competitiveness and Employment" and Pillar II "Improving Service Delivery and Social Inclusion". The design of the Program is also consistent with the conclusions of the performance and learning review of the CPS²².

D. Rationale for Bank Engagement and Choice of Financing Instrument

12. ***Rationale for Bank Engagement.*** The proposed Program is fully aligned with the CPS between the Bank and the GoB. It aims to deliver water services to the poorer rural populations of Benin with multiple impacts on improved living conditions, health, school attendance, productivity and income particularly for women and girls. It responds to a demand of the GoB to support the implementation of one of its priorities, as defined at the highest level by the President

¹⁸ Water Utility Turnaround Framework, World Bank, 2017

¹⁹ *Plan Directeur de Développement du sous-secteur de l'Approvisionnement en Eau Potable en Milieu Rural – PDDAEPMR (2017)*

²⁰ PDDAEPMR (2017)

²¹ Report No. 75774-BJ

²² Report No. 106266

of Benin. The proposed Program constitutes a scale-up of the engagement of the Bank in the WSS sector, which had been initiated through Technical Assistance provided by the Water and Sanitation Program and extended through the PEPRAU under implementation. The Bank is also well positioned to bring added value to the GoB through its relevant experience gained in the rural water supply sector in Western Africa and globally.

13. ***Choice of Financing Instrument.*** The choice of the PforR instrument responds to the GoB's express request to (i) shift the focus towards results rather than investment execution, (ii) progressively consolidate the execution of all rural water supply activities of its sector under harmonized country systems, (iii) take advantage of the preparation of the Program to identify opportunities to strengthen the country systems, (iv) create financial incentives to address bottlenecks for the implementation of the Program. It is considered as an appropriate instrument to support the proposed Program.

II. Program Development Objective(s)

A. Program Development Objective

14. ***The Program Development Objective (PDO)*** is to increase access to sustainable water supply services in selected rural areas. This will be achieved through the construction, rehabilitation and extension of rural water supply systems and through the implementation of professionalized service delivery models.

B. Key Program Results

15. ***Preliminary Indicators.*** Preliminary indicators being considered to measure the achievement of the PDO are:

- People provided with access to water supply services [Number]
- Water supply systems delegated to professional private operators [%]

III. Program Description

A. Concept

16. ***Overview.*** The proposed Program-for-Results is embedded in GoB's priorities to provide universal access to water supply services. The Program will support investments in piped rural water supply systems to expand access at a level not previously experienced in Benin. In addition, it will support the delegation of service delivery to professional private operators to ensure the quality and sustainability of the expanded water supply access. Professionalization of the water supply service delivery in rural areas will build on a decade of experience of Benin in private sector participation for rural water supply services. Investments will be complemented by institutional strengthening of the ANAEPMR to enable the newly-created institution to fully discharge its functions, in terms of developing new water schemes, as well as recruiting and supervising private water operators in charge of delivering services in a sustainable manner.

17. ***The Program complements other government-led investments to increase access to***

improved sanitation and to water supply services in rural and urban areas and builds on past World Bank engagements in the rural water sector. Between 2013 and 2016, the Water and Sanitation Program (WSP) conducted a pilot project to demonstrate that the mobilization of the private sector through subsidized PPP schemes could improve access to water supply services in rural areas. This assistance was provided through multiple WSP-funded interventions, including the preparation of a digital inventory of local water assets and service management platform, letting of results-based contracts for small scale private operators, training of these operators, support to the municipalities for contract preparation and transaction and assistance with the establishment of a guarantee mechanism to mobilize local financing. This assistance led to the implementation of four 8-year subsidized concession contracts for 10 water schemes, in three municipalities with three operators which will build approximately 1,100 household connections and reach an estimated 48,500 people. Private operators contributed 27 percent of the total investment of USD 1 million.

18. Support for sanitation and hygiene services in rural areas is provided to the Ministry of Health for by the Dutch cooperation, GiZ and UNICEF. The PEPRAU is also supporting the urban sanitation sector through the development of a National Strategy for Hygiene Promotion in Urban Areas and will increase access to sanitation in the Grand-Nokoué region, which is Benin's largest urban area. The Bank is also supporting the reform of the urban water supply sector through the PEPRAU to implement the Government's decision to break-up SONEB into an asset-holding company and an operating company, to be managed through a PPP contract. This strategic support builds on the experience and added value of the Bank in comparable reforms implemented in Western Africa and complement investments in SONEB's infrastructure supported by KfW, the European Investment Bank, the European Union, Chinese cooperation, the African Development Bank, the Islamic Development Bank and JICA.

IV. Initial Environmental and Social Screening

19. *Environmental and social impacts of the Program.* An initial screening of the Program shows that it should not include activities that pose a risk of potential significant and irreversible adverse impacts on the environment (e.g. Category A type projects). Actually, the expected environmental and social impacts associated with the Program's activities are considered to be within the range of weak to average in accordance to Bank's OP 9.00. Those impacts are expected to be not very harmful, easily controllable, manageable, and easy to prevent and minimize with simple practices and effective measurements of mitigation.

20. *Environmental and Social Systems Assessment (ESSA).* The ESSA will assess the relevant systems of the GoB, the capacity of the ANAEPMR in environmental and social management, the procedures for environmental and social management and those for land acquisition and resettlement, the environmental and social risks and to determine the environmental and social actions of the Program Action Plan.

V. Tentative financing

Source:	(\$m.)
Borrower/Recipient	-
IBRD	-
IDA	50
IDA Scale-Up Facility	170
Banque Islamique de Developpement	10
Total	230

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