

Document of  
**The World Bank**

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Report No: PAD4291

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED ADDITIONAL CREDIT

IN THE AMOUNT OF EURO 10.7 MILLION  
(US\$12.5 MILLION EQUIVALENT)

AND A

PROPOSED ADDITIONAL GRANT

IN THE AMOUNT OF SDR 8.9 MILLION  
(US\$12.5 MILLION EQUIVALENT)

TO THE

REPUBLIC OF BENIN

FOR THE

CROSS-BORDER TOURISM AND COMPETITIVENESS PROJECT

APRIL 16, 2021

Finance, Competitiveness And Innovation Global Practice  
Western and Central Africa Region

This document is being made publicly available prior to Board consideration. This does not imply a presumed outcome. This document may be updated following Board consideration and the updated document will be made publicly available in accordance with the Bank's Policy: Access to Information.

## CURRENCY EQUIVALENTS

(Exchange Rate Effective March 31, 2021)

Currency Unit = XOF (West African CFA Franc)

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0.85226062 = US\$1

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SDR 0.7056117 = US\$ 1

## FISCAL YEAR

January 1 - December 31

Regional Vice President: Ousmane Diagana

Country Director: Coralie Gevers

Regional Director: Abebe Adugna Dadi

Practice Manager: Consolate K. Rusagara

Task Team Leader: Magueye Dia

## ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
ANPT	National Agency for the Promotion of Heritage and Development of Tourism ( <i>Agence Nationale de Promotion des Patrimoines et de Développement du Tourisme</i> )
COVID-19	Coronaviris Disease
DA	Designaed Account
DGAE	Economic Affairs Directorate of the Ministry of Finance
FCI	Finance, Competitiveness and Innovation
FM	Financial Management
GDP	Gross Domestic Product
GoB	Government of Benin
IDA	International Development Association
IFC	International Finance Corporation
IFR	Interim Financial Report
IPF	Investment Project Financing
M&E	Monitoring and Evaluation
MSME	Micro, Small and Medium Enterprise
PCTT	Benin Cross-Border Tourism and Competitiveness Support Project ( <i>Projet De Compétitivité Et De Tourisme Transfrontalier</i> )
PDO	Project Development Objective
PIU	Project Implementation Unit
SC	Strategic Committee
SDR	Special Drawing Rights
SMEs	Small and Medium Enterprises
SSA	Sub-Saharan Africa
ToRs	Terms of References
UNOPS	United Nations Office for Project Services
UNWTO	United Nations World Tourism Organization
WB	World Bank
WBG	World Bank Group
XOF	West African CFA Franc

## BENIN

### ADDITIONAL FINANCING FOR COVID-19 RESPONSE UNDER CROSS-BORDER TOURISM AND COMPETITIVENESS PROJECT

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**BASIC INFORMATION – PARENT (Benin Cross Border Tourism and Competitiveness Project - P149117)**

Country	Product Line	Team Leader(s)		
Benin	IBRD/IDA	Magueye Dia		
Project ID	Financing Instrument	Resp CC	Req CC	Practice Area (Lead)
P149117	Investment Project Financing	EAWF1 (9277)	AWCF2 (6551)	Finance, Competitiveness and Innovation

Implementing Agency: Agence Nationale de Promotion des Patrimoines et de Développement du Tourisme (ANPT), Agence de Développement de la Cité Internationale de l'Innovation et du Savoir (Seme City), Seme City

Is this a regionally tagged project?				
No				
Bank/IFC Collaboration	Joint Level			
Yes	Complementary or Interdependent project requiring active coordination			
Approval Date	Closing Date	Expected Guarantee Expiration Date	Original Environmental Assessment Category	Current EA Category
25-Mar-2016	31-Dec-2021		Full Assessment (A)	Partial Assessment (B)

**Financing & Implementation Modalities**

<input type="checkbox"/> Multiphase Programmatic Approach [MPA]	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<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



[ ] Alternate Procurement Arrangements (APA)

[ ] Hands-on, Enhanced Implementation Support (HEIS)

**Development Objective(s)**

The Project Development Objective is to contribute to increased cross-border tourism and private sector investment in selected tourism destinations and value chains, in Recipient’s territory.

**Ratings (from Parent ISR)**

	Implementation					Latest ISR
	09-Mar-2018	26-Sep-2018	07-Jun-2019	02-Jan-2020	02-Oct-2020	14-Apr-2021
Progress towards achievement of PDO	S	MS	MS	MS	MS	MS
Overall Implementation Progress (IP)	S	MS	MS	MS	MS	MS
Overall Safeguards Rating	MS	MS	MS	MS	MS	MS
Overall Risk	S	S	S	S	S	M
Financial Management	S	S	S	S	S	S
Project Management	S	S	S	S	S	S
Procurement	S	S	S	S	S	S
Monitoring and Evaluation	S	S	S	S	S	S

**BASIC INFORMATION – ADDITIONAL FINANCING (Additional Financing for COVID-19 Response under Cross-Border Tourism and Competitiveness - P175085)**

Project ID	Project Name	Additional Financing Type	Urgent Need or Capacity Constraints
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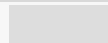

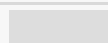


P175085	Additional Financing for COVID-19 Response under Cross-Border Tourism and Competitiveness	Cost Overrun/Financing Gap	Yes
Financing instrument	Product line	Approval Date	
Investment Project Financing	IBRD/IDA	29-Apr-2021	
Projected Date of Full Disbursement	Bank/IFC Collaboration		
31-Dec-2022	No		
Is this a regionally tagged project?			
No			

**Financing & Implementation Modalities**

<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<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 checked="" type="checkbox"/> Responding to Natural or Man-made disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on, Enhanced Implementation Support (HEIS)
<input type="checkbox"/> Contingent Emergency Response Component (CERC)	

**Disbursement Summary (from Parent ISR)**

Source of Funds	Net Commitments	Total Disbursed	Remaining Balance	Disbursed
IBRD				 %
IDA	50.00	18.13	35.55	 34 %
Grants				 %

**PROJECT FINANCING DATA – ADDITIONAL FINANCING (Additional Financing for COVID-19 Response under Cross-Border Tourism and Competitiveness - P175085)**

**FINANCING DATA (US\$, Millions)****SUMMARY (Total Financing)**

	Current Financing	Proposed Additional Financing	Total Proposed Financing
<b>Total Project Cost</b>	50.00	25.00	75.00
<b>Total Financing</b>	50.00	25.00	75.00
<b>of which IBRD/IDA</b>	50.00	25.00	75.00
<b>Financing Gap</b>	0.00	0.00	0.00

**DETAILS - Additional Financing****World Bank Group Financing**

International Development Association (IDA)	25.00
IDA Credit	12.50
IDA Grant	12.50

**IDA Resources (in US\$, Millions)**

	Credit Amount	Grant Amount	Guarantee Amount	Total Amount
<b>Benin</b>	12.50	12.50	0.00	25.00
National PBA	12.50	12.50	0.00	25.00
<b>Total</b>	<b>12.50</b>	<b>12.50</b>	<b>0.00</b>	<b>25.00</b>

**COMPLIANCE****Policy**

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

Yes  No

Does the project require any other Policy waiver(s)?

Yes  No



**Explanation**

A waiver of the Environmental and Social Framework, the Environmental and Social Directive for Investment Project Financing, and the Directive on Addressing Risks and Impacts on Disadvantaged or Vulnerable Individuals or Groups for the exceptional use of safeguards procedures with the COVID-19 specific risk considerations has been approved by OPCS VP.

Has the waiver(s) been endorsed or approved by Bank Management?

Approved by Management []

Endorsed by Management for Board Approval []

No []

**Explanation**

Waiver memo approved by OPCS VP.

**INSTITUTIONAL DATA****Practice Area (Lead)**

Finance, Competitiveness and Innovation

**Contributing Practice Areas****Climate Change and Disaster Screening**

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

**PROJECT TEAM****Bank Staff**

Name	Role	Specialization	Unit
Magueye Dia	Team Leader (ADM Responsible)	Senior Private Sector Specialist	EAEF2
Harouna Djibrilla Djimba	Procurement Specialist (ADM Responsible)	Senior Procurement Specialist	EAWRU
Mathias Gogohounga	Procurement Specialist	Senior Procurement Specialist	EAWRU
Mohamed El Hafedh Hendah	Procurement Specialist	Senior Procurement Specialist	EMNRU
Angelo Donou	Financial Management Specialist (ADM Responsible)	Senior financial Management Specialist	EAWG1
Abdoul Wahabi Seini	Social Specialist (ADM Responsible)	Senior Social Development Specialist	SAWS4



Alphonse Emadak	Environmental Specialist (ADM Responsible)	Senior environmental Specialist	SAWE1
Alex Pio	Procurement Team	Tourism Specialist	EAWF1
Christiane Aichatou Mamosso	Social Specialist	Consultant	HAWH2
Colombe Blandine Yabo Allabi	Procurement Team	Team Assistant	AWMBJ
Ganna Musakova	Team Member	Operations Analyst	EAWF1
Haoua Diallo	Procurement Team	Program Assistant	AWCF2
Irene Marguerite Nnomo Ayinda-Mah	Team Member	Program Assistant	EAWF1
Joan Dessaint Fomi	Team Member	Consultant	SLCUR
Late Felix Lawson	Team Member	Finance Officer	WFACS
Massanvi Benita Mahinou	Team Member	Team Assistant	AWMBJ
Moussibaou Tassou	Environmental Specialist	Environmental Specialist	SAWE1
Nathalie Atakpa	Team Member	Team Assistant	AWMBJ
Naye Anna Bathily	Team Member	Manager	ECRAW
Pepita Hortense C. Olympio	Team Member	Executive Assistant	AWMBJ
Tanangachi Ngwira	Team Member	Operations Analyst	EAWF2
Victoria Ewura Ekuwa Wood	Counsel	Counsel	LEGAM
<b>Extended Team</b>			
<b>Name</b>	<b>Title</b>	<b>Organization</b>	<b>Location</b>



## I. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING AND RESTRUCTURING

### A. Introduction

- This Project Paper seeks the approval from the Board of Executive Directors to provide Additional Financing (AF)** in the form of an International Development Association (IDA) grant in the amount of SDR 17.5 million (US\$25 million equivalent) and an IDA Credit, in the amount of Euro 10.7 million (US\$12.5 million equivalent), to Benin Additional Financing for COVID-19 Response under Cross-Border Tourism and Competitiveness Project (Benin Cross-Border Tourism and Competitiveness Support Project (*Projet De Compétitivité Et De Tourisme Transfrontalier* (PCTT) P175085)).
- The proposed AF would support the government's effort to mitigate the impacts of the coronavirus disease (COVID-19) crisis.** Specifically, the AF would finance liquidity support for micro, small and medium enterprise (MSMEs). The objective of the funding is to keep normally viable businesses alive, provide immediate wage relief to workers and save, to the extent possible, existing jobs and workers' wages. This objective will be met through adding a component dedicated to economic rescue activities totaling US\$35 million, financed by the proposed addition of US\$25 million and the reallocation of US\$10 million from within existing components in the parent project.
- The proposed AF is prepared pursuant to the World Bank Investment Project Financing (IPF) Policy, Section III, paragraph 12 on Situations of Urgent Need of Assistance or Capacity Constraints.** This procedure will rapidly bridge urgent liquidity needs to prevent otherwise viable firms from permanently closing. This support, if not operationalized rapidly, would fundamentally damage future economic recovery prospects. The condensed procedures will be essential for the World Bank to respond to the request of the Government of Benin (GoB) for urgent support in the short term and to address the effects of the COVID-19 pandemic on the private sector. The proposed AF is also in line with the World Bank Group's (WBG) COVID-19 Crisis Response Approach Paper,<sup>1</sup> specifically Pillar 2: to Protect the Poor and Most Vulnerable and Pillar 3: Ensuring Sustainable Business Growth and Job Creation. To save lives and livelihoods, many projects, both regionally and globally, are being similarly restructured to provide rapid economic relief; particularly to assist employment and productivity for informal businesses and micro-enterprises. This AF is a central part of the WBG's response to the COVID crisis, along with parallel interventions in the health sector. As such, the Benin country program has been adjusted accordingly (See Annex 2).
- The proposed AF includes a restructuring of the parent project** which will entail (i) amending of the PDO; (ii) Modifying the Results Framework; (iii) reducing component scope and costs in response to the COVID crisis; (iii) extending the closing date by 12 months; (iv) reallocating funds between disbursement categories, and (v) modifying disbursement arrangements.
- The Proposed AF is aligned with the WBG ongoing strategy Country Partnership Strategy (CPF, FY19-23<sup>2</sup>).

### B. Project Design and Progress

- The original project development objective (PDO) of the parent project is: to contribute to increased cross-

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<sup>1</sup> WBG COVID 19 Crisis Response Paper June 2020.

<sup>2</sup> Report No. 123031-BJ



border tourism and private sector investment in selected destinations and value chains. The project (in the amount of US\$50 million equivalent) was approved on March 25, 2016 and became effective on December 30, 2016, with a scheduled closing date of December 31, 2021.

7. The project uses a mix of physical, regulatory and value-chain development initiatives to cover two levels of interventions: (i) the upgrading of national systems, policies and tools for effective tourism development; and (ii) destination-specific spatial interventions for catalyzing tourism visitor and enterprise growth and their value-chain linkages, with an emphasis on improving tourism to the cultural heritage city of Ouidah.

8. Despite a slow start due to institutional changes and capacity shortcomings, for the last 10 months the project has demonstrated significant improvements. These improvements are expected to translate into an upgrade in the rating on implementation progress from Moderately Satisfactory to Satisfactory by June 2021. Most of the causes of delays have now been resolved. Together, all key activities are on-schedule to be finalized by project closing. With the signing of new contracts, and reallocation of unutilized funds to the COVID-19 support component, 95 percent of existing project funds have been committed. Remaining proceeds should be committed in Q3 of FY21, and the project will be fully disbursed before project closing.

9. Out of six covenants four were complied with. Legal covenant regarding collaboration with municipalities, agencies, and relevant ministries was partially complied with because the activity involving the Borrower's ministry in charge of urbanization had been dropped. Legal Covenant related to the hiring of a private sector Grant Facility and Challenge Fund Program Manager was not complied with, and GoB and the World Bank agreed to delegate the management of Sub-component 2.3 and 3.1 to Seme City (Government agency for innovation). Despite a return to progress on project inputs, the COVID-19 pandemic has abruptly halted all tourism activity in Benin and shifted priorities to averting economic disaster. Hardest hit sectors are currently tourism, transport, logistics, foodservice, entertainment and retail, with a 90 percent reduction in flights, the main entry-point for visitors. This makes it highly unlikely that the project's original objectives will be met. Indeed, given that tourism movement is currently suspended without a clear indication of when it is to resume, there is low likelihood of meeting the project development objectives such as an increase in cross-border tourism or investments in the tourism sector. Consequently, the Mid Term Review has recommended the realignment of the project.

10. **Progress under each component is as follows:**

11. **Component 1: Improving Benin's Tourism Development Framework (US\$8.0 million equivalent):** This component comprises enabling environment reforms, TVET trainings and destination marketing activities. Currently, 50 percent of this component has been committed, of which 25 percent has been disbursed. With planned reallocations, this component is expected to fully disburse by project closing. The major reform supported by this component, the redesign of the tourism business licensing and classification system, will be implemented by the United Nations World Tourism Organization (UNWTO). A Convention Agreement for technical assistance has been signed and is under implementation. All tourism training contracts have been procured, with a kick-off in December 2020; COVID-19 safety



and health precautions will be enforced with the trainings.

12. **Component 2: Tourism Destination and Product Development (US\$23.5 million equivalent):** Currently, 91 percent of this component has been committed and is expected to fully disburse by the end of 2021. Key activities include:

- a. The rehabilitation of Ouidah's flagship site, the Portuguese Fort (US\$5.2 million); under construction since March 2020, with an expected completion of September 2021.
- b. The construction of the International Museum of the Memory of Slavery (US\$11.5 million); construction is expected to be completed by December 15, 2021.
- c. The upgrading of four heritage sites and monuments along the Slave Route (US\$2.3 million); all work contracts have been signed, and begun and the construction expected to be completed by July 2021.
- d. Urban revitalization of the historic Zoungbodji village and touristic routes (US\$3.0 million);
- e. The Challenge Fund for innovative tourism public good solutions (US\$1 million) which will complete the final call for proposals began in December 2020.

13. **Component 3: Support to MSME upgrading, linkages and expansion (US\$10.0 million equivalent):** The Joint International Finance Corporation (IFC)/IDA Risk Sharing Facility is operational, with the partner bank utilizing the facility up to a level of 70 percent, to extend US\$16.2 million worth of credit to small and medium enterprises (SMEs) in Benin. Several activities of this component have been paused due to the COVID-19 pandemic. The Innovation Forum, set to be held in May 2020, was postponed indefinitely, pending improved conditions. The funds for the Business Plan Competition (US\$5 million) will be reallocated to an additional sub-component under component 3 that will provide financing to MSMEs through the project restructuring.

14. **Component 4: Project Management (US\$4.5 million):** The project implementation unit (PIU) key staff are in place and an additional procurement specialist was brought on to speed up procurement bottlenecks. A Ministry of Tourism focal point has been appointed; all key technical infrastructure studies have been completed and validated. Unfortunately, the consultant charged with the reform of the Tourism Statistics System was unable to complete his assignment. The UNWTO has been brought on to complete the assignment and ensure implementation of the reforms (convention agreement signed October 2020).

### C. Rationale for Additional Financing

15. The COVID-19 pandemic has significantly worsened Benin's economic outlook. The pandemic is creating unprecedented threats to the social and economic progress recently achieved in Sub-Saharan Africa (SSA). The region is expected to face its deepest recession in 25 years.<sup>3</sup> While Western Africa Economic and Monetary Union (WAEMU)<sup>4</sup> countries have shown more resilience than resource-intensive countries, the crisis is still taking a severe toll on recent socioeconomic gains. Benin is impacted through external channels due to disruptions in trade as well as tighter financing

<sup>3</sup> Economic activity in the region is on course to contract by 3.3 percent in 2020 (Africa Pulse, October 2020).

<sup>4</sup> Members of the West African Economic and Monetary Union (also known by its French acronym, UEMOA) are Benin, Burkina Faso, Côte D'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo.



conditions. A notable source of impact is the decline in external demand brought about by a sharp recession in neighboring Nigeria, combined with the protracted border closure which lasted until the end of 2020.

16. Economic growth is projected to drop from 6.9 percent in 2019 to 2.0 percent<sup>5</sup> in 2020 (-1.0 percent in per capita terms), with a gradual recovery thereafter. This represents a substantial downward revision to an expected pre-COVID-19 projection of close to seven percent. On the supply side, all sectors are impacted. Agriculture has suffered from labor shortages, and the services and industry sectors are projected to slow down sharply, contributing a mere 0.2 and 0.8 points to gross domestic product (GDP) growth, respectively. Though short-lived, physical distancing measures adopted in the second quarter hit the retail, hospitality and transport sectors the most. On the demand side, public consumption and investment are expected to support growth (+2.1 ppts), as the government steps in to support the economy. Yet, uncertainty has discouraged investors, with private investment – the main driver of growth of the past three years – in standstill. Net exports are the main drag on growth, as re-export activity with recession-riddled Nigeria remains subdued. The shock will open a negative output gap, yet prices should still rise by 3.0 percent in 2020 on the back of higher transport and food prices. Prospects for the post-2020 period remain clouded in uncertainty, but a slow recovery appears likely, supported by the resumption of growth in the tertiary sector, in exports and in private demand. However, growth is not expected to revert to 2019 levels until 2023.

17. Protecting the productive assets of viable but vulnerable firms helps to minimize the long-term economic impact of the crisis and ensure a speedier recovery. As underlined in the WBG approach paper “Ensuring Sustainable Business Growth Pillar”, past experience shows that the length of recessions depends in part on the extent to which the productive assets of viable firms are destroyed during times of crises.<sup>6</sup> These productive assets include both tangible assets, i.e., equipment and machinery, that may need to be sold to obtain liquidity; and intangible assets, such as organization and human capital that may be lost if firms need to lay off workers with tacit knowledge about productive processes (human capital that is specific to the firm). Support to viable firms, which entails covering a percentage of their fixed and variable costs for a pre-determined time period, would ensure that these firms do not divest their tangible and intangible productive assets and would preserve jobs, thereby supporting the households that rely on that income.

18. Empirical evidence on support to enterprises during crises also reveals that access to liquidity can fast-track the recovery process. Moreover, global evidence suggests that as compared to medium and larger firms, micro and small firms are particularly negatively affected by the pandemic because they have limited access to financial resources, digital technologies, and management capability to mitigate the impact and plan for recovery.<sup>7</sup> Support to micro and small formal and informal firms would thus be critical for Benin’s economic recovery post-crisis.

19. In Benin, micro and small firms which already have reduced access to formal finance and support programs are struggling to obtain the liquidity needed to keep the lights on during this continued crisis. Most of the relief measures announced by government to mitigate the economic impact of the crisis on the economy went primarily to medium or large enterprises. Hence, despite a general trend to move to recovery stage, the subset of micro and small firms is

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<sup>5</sup> Benin CMU COVID-19 Annex

<sup>6</sup> Organization for Economic Cooperation and Development (OECD). 2016.

<sup>7</sup> World Bank Working Paper “Unmasking the Impact of COVID-19 on Business” (October 2020).



struggling to survive the effects of the pandemic.

20. In line with these findings, the GoB has requested World Bank emergency support to micro and small enterprises, including, if needed, by reallocating existing resources under the portfolio. Recognizing the economic threat posed by COVID-19, the government has introduced a National Response Plan (NRP). The NRP, approved in July 2020 with estimated financing needs of US\$250 million, goes beyond the containment of the health crisis, and aims at mitigating the economic impact of COVID-19 on private consumption and investment through (i) measures in favor of medium and large enterprises in the formal sector including the establishment of zero-interest-rate lines of credit during the COVID-19 emergency;<sup>8</sup> and (ii) direct subsidies to micro and small formal and informal firms. The NRP is steered by the Ministry of Finance and funded by the national budget and donor resources, but the GoB has only been able to contribute US\$10 million as of December 2020. To help close the large financing gap, the GoB requested World Bank support for the micro and small enterprises plank of the NRP, on which the World Bank delivered by cancelling and reallocating US\$35 million from three projects under implementation in the Benin portfolio.<sup>9</sup> The GoB will continue to mobilize additional resources and help reprioritize funds from other partners in order to bridge the NRP financing gap.

21. The cancelled funding has been reallocated to the Benin PCTT to support firms operating in the private sector. The funding will be leveraged to design and implement a new COVID-19 response project subcomponent that would entail liquidity support for viable firms whose operations were disrupted as a result of the COVID-19-related lockdowns and economic slowdown. The additional resources will be solely dedicated to COVID-related economic rescue. Parent project activities will be pared down, as the majority of components remain feasible in the immediate COVID crisis climate and to allow completion of activities of the additional financing and the parent project.

#### **D. Rationale for Restructuring**

22. The proposed AF will include a restructuring of the parent project to: (i) revise the PDO and reflect the impact of the crisis on the likelihood of achieving the development objectives; (ii) streamline the project and reprioritize the corresponding resources to the financing of the proposed new COVID-19 rescue subcomponent;<sup>10</sup> (iii) adjust the results framework in order to operationalize the proposed PDO changes by focusing on upstream-level results while introducing indicators to measure the impact of the new subcomponent; iv) extend the project closing date by 12 months to allow completion of activities of the AF and the parent project.

23. The parent project's PDO-level results indicators need to be scaled back to reflect the direct impact of COVID-19 on firms and sectors. The COVID-19 crisis has reduced the likelihood of meeting the targeted increase in cross-border tourism given that tourism destinations remain largely closed, without a clear timeline for reopening and recovery, thus negatively impacting visitor numbers, firm growth and investment. Recovery will be slow: global UNWTO estimates suggest that, once tourism can resume, it will take two to four years for the sector to recover to its previous level (UNWTO, 2020). Recovery of the tourism sector in Benin is expected to take even longer given that the sector was still

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<sup>8</sup> In keeping with World Bank financial sector policies intended to promote sustainability and long-term access to credit by firms, the World Bank would encourage the government to adjust this zero interest once the COVID-19 effects have been overcome.

<sup>9</sup> Cross-Border Tourism and Competitiveness Project (P149117): internal project reallocation of US\$10 million to COVID-19 rescue; Gazetted Forests Management Project (P167678): cancellation of US\$15 million; Public Investment Management and Governance Project (P147014): cancellation of US\$10 million.

<sup>10</sup> Financed by the reallocation of PCTT funds (US\$10 million), and the addition of US\$25 million in financing, totaling US\$35 million.



at a nascent development stage, with underdeveloped institutions, before the onset of the COVID-19 crisis. Compounded by the potentially high rate of already permanently closed businesses, the risks are for a slow and protracted sector recovery. With the project set to close in December 2021, it is therefore highly unlikely that it will meet the targets set under the original PDO level results indicators of:

- a. PDO1: Number of tourism firms in Benin
- b. PDO2: Additional private investment by firms benefitting from project support
- c. PDO3: Number of international tourist arrivals, including from Nigeria.

24. The parent project's theory of change focused on improving the conditions for the growth and economic impact of a nascent tourism sector. It aimed to do this by (i) strengthening the legal, regulatory and institutional environment for private sector led tourism development; (ii) fostering product and market development; and (iii) providing direct financial and non-financial support to foster investment, jobs, and growth of SMEs in the tourism and related sectors. These inputs would in turn improve the sector's enabling environment and stimulate demand, investment and firm growth. Many of the regulatory, institutional, skills development, and infrastructure activities remain relevant and attainable by the end of the project. However, it will be unfeasible to measure their success in terms of increases in numbers of tourism firms or tourist arrivals, given the ongoing travel and economic disruptions due to the pandemic.

25. As such, the revised PDO will focus on creating the foundations for tourism development while assisting the private sector in weathering the pandemic to emerge better suited for a faster recovery. Results indicators will be modified to operationalize the AF and reflect this change, while introducing indicators to measure the economic rescue impact of the new subcomponent.

26. The process of streamlining and reducing activities was carried out in coordination with the GoB and the Project's key implementing agencies, the ANPT and Seme City. Cost, timeline for completion, likelihood of completion and fit with the new Development Objective were used as criteria for streamlining.

## II. DESCRIPTION OF ADDITIONAL FINANCING AND RESTRUCTURING

### Key Changes under the AF and Restructuring

#### A. Overview and Objective

27. **The proposed new PDO is to support the continued operation of micro and small firms impacted by the COVID-19 crisis and improve selected aspects of the enabling environment for Benin's tourism sector.** The reason for the required change is two-fold. First, the original PDO which sought to increase cross-border tourism and private sector investment in some destinations is unlikely to be met as COVID-19 has brought tourism to a standstill. Second, the new PDO reflects the addition of a new sizeable Economic Rescue subcomponent for micro and small firms

28. **Given that the crisis affected firms across the board, the proposed AF will be geared towards supporting micro and small firms in all sectors.** Support will be provided through the new component to all micro and small firms operating both in the formal and informal sectors, as defined in the Economic Rescue Grants Manual which will be finalized prior to project effectiveness.





## B. Components

29. The components will be restructured in the following manner to reallocate funds for the COVID-19 economic rescue component. The following funding allocation is proposed for the AF (see Table 1).

**Table 1. Funding Allocations for Proposed AF**

Current Component Name	Proposed Component Name	Current Cost (US\$, millions)	Proposed Cost (US\$ million)	Action
Improving Benin's Tourism Development Framework	Unchanged	8.0	6.0	Revised
Tourism Destination and Product Development	Unchanged	27.5	24.5	Revised
Support to MSME upgrading, linkages and expansion	Support to MSME liquidity, upgrading, linkages and expansion	10.0	40.0	Revised
Project Management	Unchanged	4.5	4.5	Unchanged
	<b>Total:</b>	<b>50.0</b>	<b>75.0</b>	

**Component 1: Improving Benin's Tourism Development Framework (US\$8.0 million at approval, US\$6.0 million after restructuring):** US\$2.0 million will be reallocated from this component to the new Subcomponent on *Economic Rescue Grants to Affected Micro and Small firms*. This pertains to activities of Subcomponent 1.1 to be dropped, particularly to the Public-Private Dialogue for reforms, and to institutional strengthening of the Agency (*Fishing Route ADTRP*) in Charge of the *project*, which was eliminated in a GoB restructuring of its Tourism Development Plan.

**Component 2: Tourism Destination and Product Development (US\$27.5 million at approval, US\$24.5 million after restructuring):** Support to the development of beachfront leisure areas in selected destinations and construction of a complex integrating a crafts village, as well as an interpretation center for the slave route will be dropped. US\$3 million will be reallocated to the COVID-19 liquidity support subcomponent of the Subcomponent *Providing Economic Rescue Grants to affected Micro and Small Firms*.

**Component 3: Support to MSME upgrading, linkages and expansion (From US\$10 million to US\$40 million):**

**Subcomponent 3.1:** *Supporting improved MSME product quality and linkages* will be dropped and its resources (US\$5 million) reallocated to the new AF Subcomponent aiming to provide liquidity support to affected Micro and Small firms.

**Subcomponent 3.2:** *Fostering MSME expansion through a joint IDA-IFC Risk Sharing Facility* will remain unchanged. It will be renumbered as Subcomponent 3.1.

30. A new Subcomponent 3.2 will be added to support COVID-19 related economic rescue efforts, entitled *Economic Rescue Grants*. This internal reallocation (US\$10.0 million), along with the AF (US\$25.0 million) will bring this component total to US\$40.0 million (including the initial allocation of US\$5.0 million for the Risk Sharing Facility (RSF)).



**New Subcomponent 3.2: Providing Economic Rescue Grants to Affected Micro and Small Firms** (US\$35.0 million, of which US\$25.0 million from AF).

31. **This subcomponent will provide rapid financial relief in the form of grants for eligible micro and small firms (formal and informal) affected by COVID-19.** The grants will aim to cover a percentage of the eligible firms' fixed costs and a percentage of their employees' salaries. These grants are to be disbursed for a period of four months. Firms eligible for support under the program will be supported through a grant, as opposed to a loan, based on the acknowledgement that offering micro and small firms, especially informal, more credit during the crisis could eventually lead them to insolvency, especially in light of the uncertainty associated with the crisis. Grants under the program will help viable but temporarily distressed firms plug any short-term liquidity gaps in the payment of wages, utilities, rental payments, among other operational costs. In terms of eligibility, grants are only applicable to micro and small enterprises, both in the formal and informal sectors, that employ at least three and not more than 50 workers.<sup>11</sup>

32. **Grant support will be a function of both the size of the firm and its registration/formality status.** Grant support to formal firms will have two parts, a fixed part and a variable part. The fixed part of the grant will be a function of firm size and will be conditional on the formal firm retaining employment. Tranches post the first tranche will be disbursed dependent on whether the firm has maintained employment. Formal firms classified as micro (defined as those with between three-nine employees) will be eligible for a US\$100 grant per month for a period of four months. Small firms (defined as those with between 10-49 employees) will be eligible for a US\$500 grant per month for a period of four months. The second part of the grant support to formal firms is variable and linked to the number of full-time employees of the firm, conditional on the firm and respective workers being registered with the respective government agencies. Eligible firms and their workers will receive wage support through the grants covering only operational costs (utilities, rental payment) equivalent to US\$45 (70 percent of minimum wage) per month for a period of four months for each full-time employee. This wage support will not be directed through the firm but will instead be channeled directly to eligible workers' bank or mobile money accounts. The total notional support for micro formal firms amounts to US\$370/month for a period of four months, while support to small formal firms amounts to US\$1,445/month for a period of four months.<sup>12</sup> Grant support to informal firms will be fixed and will not vary with the size of the firm given the difficulty expected in verifying the size of informal firms based on employment.<sup>13</sup> The support would amount to US\$120 per firm per month for a period of four months. The specific amounts may be adjusted during implementation, and a mechanism to adjust them, if necessary, will be included in the Economic Rescue Grants Manual.

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<sup>11</sup> This size cut-off aims at identifying firms that are large enough to have productive assets in need of protection, but small enough that will not have the means of retaining their 'going concern' status without liquidity support. It is consistent with the official definition of Micro and Small Enterprises in Benin. For firms with less than three employees or individual entrepreneurs, the support should be provided through government social protection component of the GoB's economic rescue program.

<sup>12</sup> The quantum of support has been calculated based on analysis of data from a survey of firms carried out by the Ministry of Finance, in addition to analysis of data from the WBG enterprise survey carried out in 2016. Of the eligible firms in the survey of formal firms carried out by the Ministry of Finance, 75 percent were classified as micro with the rest being classified as small. The fixed part of the grant for micro and small firms was calculated based on data from the ES. The number, which is only indicative, was calculated after deducting costs related to raw materials and intermediates, utilities and wages from the total cost of sales for eligible firms in the Enterprise Surveys dataset. The notional fixed cost amounts to US\$188/month for micro firms and US\$2,416/month for small firms at the median. Grants under the program will support firms in covering only a percentage of this notional fixed cost. For micro formal firms, this coverage amounts to US\$100/month, while for small formal firms it amounts to US\$500/month.

<sup>13</sup> The process of informal firms' identification is described in paragraph 40.



Table 2. Target beneficiary groups and estimated approximate support envelopes

Type of Beneficiary	Number of Beneficiaries (firms)	Monthly liquidity support (US\$) per beneficiary <sup>14</sup>	Duration (months)	Total
Small Formal Firms	994	US\$500+US\$45/employee	4	5,750,000
Micro Formal Firms	11,655	US\$100+US\$45/employee	4	17,250,000
Informal Firms	22,916	\$120	4	11,000,000
<b>TOTAL</b>	<b>35,566</b>			<b>\$34,000,000</b>

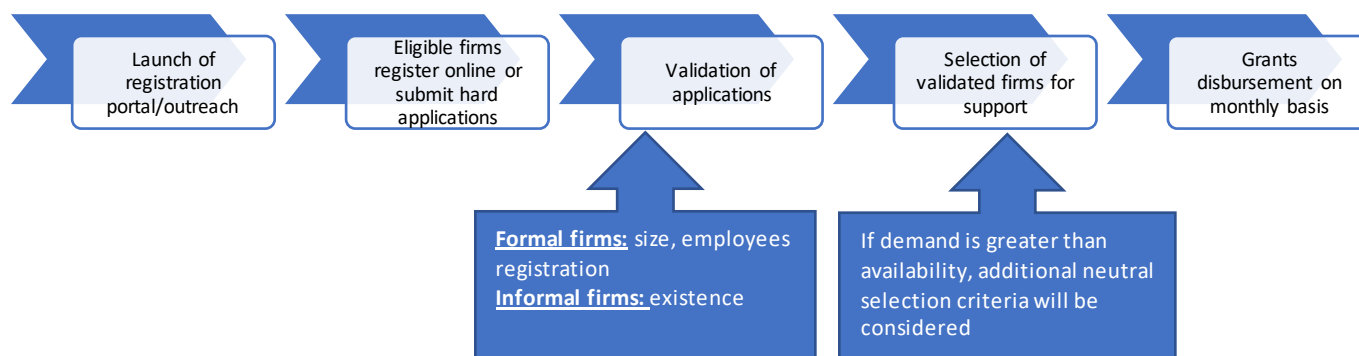
33. Given that formality/informality is not binary and instead falls on a spectrum, the specifics of which firms will be classified as formal and informal will be included in the p Economic Rescue Grants Manual by the PIU.

34. **Funding use.** The variable portion of the grant is to be disbursed directly to workers and as such its use, by design, is earmarked. For formal firms, the fixed support will be tied to working capital and normal operating expenses (for example, utilities, rent, fixed debt payments) to keep businesses from closing. These eligible expenses, as a well as a list of non-eligible expenses (i.e. a “negative list”) will be outlined in the grant agreement and verified ex-post by auditors utilizing random spot-checks. In the case of formal firms with registered employees, the fixed part of the grant will be conditioned on firms retaining employment at baseline level throughout the four-month grant disbursement window.

**Implementation process**

35. The implementation flow of the grants component of the AF is presented in Figure 1 below.

Figure 1: Implementation flow of the new COVID-19 Economic Rescue Subcomponent



36. **Outreach.** Findings from the WBG Business Pulse Survey, implemented in more than 50 countries to understand the impact of COVID-19 on firms, revealed that small and micro-businesses, especially those led by women, are less likely to report access to public support. The main reason why businesses have not received public support is lack of



awareness.<sup>14</sup> Therefore, an outreach strategy is to be rolled out, led by Economic Affairs Directorate of the Ministry of Finance (DGAE) and its partners as well as other regional and local authorities to ensure there is a widespread knowledge about the program and that all eligible firms can enroll. The strategy will also undertake targeted outreach to other vulnerable groups. Given that women-owned microenterprises have little agency and decision making and are likely to display lower levels of digital skills, outreach will entail engagement with non-governmental organizations (NGOs) that support women-owned micro and small enterprises. Result framework indicators on this will be disaggregated by gender, with minimum targets (minimum 30 percent women-owned firms).

37. **Enrollment.** Beneficiaries will enroll by self-declaring their firm through a portal to be established by an external firm under the supervision of DGAE. Firms will be given three weeks to register once the portal has been designed, rolled out and communicated widely. Firms will also have an option to submit hard copies of their application if access to portal is limited due lack of skills or access to internet. When enrolling, they will be requested to provide proof of existence of the firm to minimize inclusion error in the intensive margin. They may do so by furnishing any of the following documents: 1) social security institute (SSI) registration; 2) any municipal or provincial license or any other registration; or 3) suppliers' or clients' official invoice (including, for example, utility bills, or microfinance institutions statements or receipts). A risk-based validation process will be put in place to further confirm the existence of the firm. At enrolment, formal firms will also be required to provide the list of full-time employees. Wage support grants will only be given to formal firms for their employees who are registered with the relevant institutions and whose employment with the firm can be verified.

38. The process of validation, through which both the existence and the size of the qualifying firms would be verified, will be initiated concurrently with the opening of registration. Together, the registration and validation processes are expected to be completed over a period of five weeks, subsequent to which eligible firms will receive liquidity support.

39. The process for validation and verification of small formal and informal firms will include:<sup>15</sup>

- a. Verification of the existence of beneficiaries with city hall registries
- b. Verification of the authenticity of taxpayer number (IFU) numbers of beneficiaries, through cross-checking the IFU database from the Tax Directorate
- c. Confirmation of personal information by the National Agency of Identification of Persons
- d. Comparison of names and phone numbers with mobile money databases from key cellular operators (MTN and Moov).

40. DGAE will work with the Tax Authority to verify the applications and their financial statements with submitted tax records for formal firms. For informal firms, DGAE will process claims, comparing them to sector-specific lists supplied by city halls, sector associations, census' and line ministries.

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<sup>14</sup> <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/399751602248069405/unmasking-the-impact-of-covid-19-on-businesses-firm-level-evidence-from-across-the-world>

<sup>15</sup> This verification mechanism is already in place and processing requests regularly.



41. **Allocation.** The enrollment/selection into the program will be carried out as follows. In a first stage, data provided by firms would be verified to determine their eligibility. Minimum criteria are to be detailed in the Economic Rescue Grants Manual, but among other things, would entail firms having a minimum of three and a maximum of 50 employees, in addition to the firms being able to prove their existence prior to the onset of the crisis. Thirty percent of all the grants under this component will be reserved for women-owned businesses. A negative list of non-eligible low value-added activities (e.g., trading) will be outlined in the Economic Recue Grants Manual. If the demand for the grants exceeds supply and availability of funding, firms that meet the eligibility criteria would be included in a pool from which they would be selected through a lottery to ensure transparency and fairness.

42. The period of financing support is initially set for four months and may be extended by mutual agreement between the WBG and GoB through no-objection, based on COVID-19 circumstances and budgetary availability.

### Disbursement and Oversight

43. **Disbursement mechanism.** The disbursement of the grant support will take place through digital finance platforms. These could be done through (1) digital wallets; (2) mobile money; or (3) direct deposits.

44. Once verified, formal firms will receive financial support in the following manners: i) wage payments will be disbursed directly to the employees accounts each month, with following tranches conditional on updated proof of maintaining employment levels; and 2) fixed-cost grants will be directly transferred to a firm's account(s) in tranches.

45. Unless their employees are registered with respective social security institutions, Informal firms will receive only a fixed grant. Disbursements will be made through digital means: mobile money accounts, bank accounts (if available).

46. **Accountability and transparency:** To ensure transparency and allow citizen control, the list of beneficiaries and amounts received will be published on the portal. **The entire process will be guided by the Economic Recue Grants Manual and verified by an independent auditor.** Audit and validation will involve a detailed review of the data submitted and in-depth verification of a random, but representative sample of beneficiaries (spot-checks). Outliers, for example firms receiving substantially more support than on average, will be selected and reviewed on a case-by-case basis. The auditor will review the reliability and quality of the information, the adherence to procedures and conditions both by the GoB and the beneficiaries. The auditor may request field visits and access the entirety of the information and grant management system. A summary payment report and evaluation report for the disbursement will be submitted to the World Bank for approval. The auditor will closely monitor disbursements throughout the active period and produce interim reports upon the completion of every one-month period of active disbursements. The auditor will flag any irregularities or non-eligible expenses in both interim and final reports.

47. **M&E.** The firm in charge of implementing of subcomponent 3.3 will develop and populate an M&E dashboard for the subcomponent. This dashboard will monitor all indicators related to the results indicator and the verification criteria. It will track the number of applicants, approved request and amounts disbursed. Beneficiaries will be disaggregated by formal/informal, number of employees, gender, amount received, geographic location and other relevant datapoints. It will be regularly updated and shared with the DGAE, the Strategic Committee (SC) and the World Bank. Once the grants are fully disbursed, the firm will be charged with providing a report on subcomponent metrics and indicators, as well as tracking the results framework indicators linked to the subcomponent. Specifically, they will



aggregate reported data from beneficiary firms and government datasets (Social security registrars, for example) to measure i) the percentage of firms supported by the COVID-19 subcomponent that survive past the first six months after receipt of the cash grant; ii) number and percentage of which are women-owned, and iii) the number of employees retained by formal firms in the first six months after receipt of the cash grant. M&E processes will be further detailed in the subcomponent's Economic Rescue Grants Manual.

48. **Implementation support.** US\$1 million of funding under this subcomponent will finance the administrative, setup, communication, management, verification, audit and closing costs for the economic rescue efforts. Activities will support the operation of the financing through the financing of equipment, consultant compensation, operating costs, organizational budgets, M&E, systems development, and communication. Specifically, this will include communications to raise awareness of the program and application systems, improving digital procedures and verification processes, particularly for entities not filing tax returns digitally and informal entities.

### C. Implementation Arrangements

49. **No changes will be made to the project implementation arrangements:** ANPT will remain responsible for the overall supervision of the project, the Chairman of the Board of ANPT chairs the SC of the Project Steering Committee and its General Manager still chair the Technical Committee which will include the Ministry of Tourism as one of the members. Management and implementation of the Challenge Fund remains with Seme City (*L'Agence de Développement de la Cité Internationale de l'Innovation et du Savoir*). Fiduciary or safeguards arrangements of the project as a result of the AF or restructuring will not change.

50. Technical responsibility of the implementation of the new component (new Subcomponent 3.2) will be under the responsibility of the DGAE. The new subcomponent will build on the existing procedures and systems established by GoB to provide emergency support to firms, while strengthening the process with additional support and audit assistance.

#### **Specific description of implementation of new Subcomponent 3.2.**

##### **COVID-19 Strategic Committee.**

51. **A state-level inter-ministerial Strategic Committee (SC)** led by the Minister of Planning will be formed. The SC will comprise the following Ministers or their representatives:

- Minister of Finance
- Minister of Social Affairs and Microfinance
- Minister of SMEs
- Minister of Tourism

52. The SC will be responsible for the overall oversight and policy guidance to the implementing agency and monitoring progress of implementation. Specifically, the Committee will be responsible for validation of the results of



eligible firms' selection for the economic rescue program. It will also facilitate coordination with other authorities/government organizations in case the coordination is needed and facilitate resolution of disputes.

### ***COVID-19 Response Implementation Unit***

53. **The DGAE, the technical arm of the government's COVID-19 response, will be the implementation agency for the new Subcomponent 3.2.** It will be responsible for the implementation of all stages of the economic rescue program, including outreach, registration, validation, selection of eligible firms, M&E and will report to the state-level Steering Committee. The DGAE will be supported by a Technical Committee comprising the permanent secretary of ministries represented at the SC, one representative of ANPT and one representative of Seme City.

54. **An external firm will be hired to provide additional support to the implementing agency to carry out the operational implementation of the economic rescue program under the new Subcomponent 3.2.** The management firm will assist in implementing outreach, due diligence and selection of applying firms during the program implementation, as well as will design and carry out capacity building activities to support the firms in business continuity and adaptation planning.

**D. Change in Closing Date:** The project closing date will be extended from December 31, 2021 to December 31, 2022.

### **E. Results Framework**

55. **Updating the results framework.** Revision of the results framework will operationalize the proposed PDO changes, by focusing on upstream-level results while introducing indicators to measure the economic rescue impact of the new subcomponent. A summary of these changes is presented below, while Section VIII, results framework and monitoring (see Annex: Results Framework and Monitoring P. 35).

#### ***Proposed modifications to PDO indicators***

56. **PDO Indicators 1, 2 and 3 will be removed** given the severe impact of COVID-19 on Benin's tourism sector, which has seen numerous tourism firms close temporarily as well as permanently, therefore reducing the number of firms in the sector, and investment amounts of those firms. Furthermore, tourism currently halted in the country, and an uncertain end to travel restrictions, as well as a protracted recovery likely lasting past the Project closing date, means that the number of international tourists (PDO indicator 3) is no longer a viable indicator.

57. **A new PDO indicator is added to capture the success of providing firms liquidity support in light of the economic impacts due to COVID-19.** This indicator will evaluate the "Percentage of firms supported by the COVID-19 subcomponent that survive past the first six months after receipt of the cash grant (End Target= 70 percent)"<sup>16</sup>. The indicator is designed to capture the results of the COVID-19 response activities for firms and is complemented by a new intermediate indicator measuring the total number of beneficiaries of COVID-19 Economic Rescue Financing (formal and

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<sup>16</sup> During the pre-global financial crisis period, data for Organization for Economic Cooperation and Development (OECD) countries reveal one-year survival rates for micro-enterprises (between four-nine employees) of 92.8 percent. It is likely that survival rates for micro and small firms in developing countries are lower than for OECD countries. For example, in Ethiopia, Woldehanna, T. et al (2018) estimate two-year survival rates of micro-enterprises to be at 88 percent



informal firms).

58. **The following two PDO indicators are added to capture the effect of ongoing project activities aiming to develop Benin as a tourism destination and establish an enabling business environment.** These activities are already underway and expected to be completed by project closing.

- a. “Number of tourism sites upgraded and professionally managed: End target = 5 (Portuguese Fort, Maison du Brésil, Place aux Enchères, Zoungbodji, Door of No Return, Old Customs House)”
- b. “Number of persons trained and certified in tourism sector and related activities: End target = 700”

***Proposed modifications to intermediate indicators***

59. Some indicator definitions are revised to improve or clarify measurement methodologies (e.g., “Percentage of tourism business licensing requests approved” will be changed to “New tourism business licensing system operational”). Annual and end targets are revised where relevant to reflect changes in scope of activities, and/or the impact of the COVID-19 crisis on the sectors and expected timing of recovery (e.g., Number of visitors to the Portuguese fort will be retained, but expected increase will be reduced down to 30 percent instead of the initial 60 percent; Number of MSMEs receiving technical support will be reduced to 300, from 1,000 previously).

***Proposed deletion of intermediate indicators***

60. It is proposed to delete the indicator “Value of locally produced goods sourced by tourism enterprises in target areas” given the reduction of the MSME support program to focus on immediate economic rescue needs.

61. Similarly, the indicator “Number of direct beneficiaries of subcomponent” will be removed.

***Proposed addition of intermediate indicators***

62. Two new intermediate indicators are proposed for addition to the results framework. They are designed to capture the results of the COVID-19 response activities for beneficiaries: “Total number of beneficiaries of COVID-19 Economic Rescue Financing (formal and informal firms) and of which 30 percent women-owned firms” and “Percentage of formal firms which have maintained at least a constant total number of employees six months after receiving the last tranche of support.”

### III. KEY RISKS

63. **Conforming to the spring 2020 WBG-wide risk realignment exercise, the risk ratings from five categories have been reevaluated downwards.** They are i) Political and governance; ii) Sector strategies and policies; iii) Institutional Capacity for Implementation and Sustainability; iv) Environmental and Social; and v) Stakeholders, due to strengthened stakeholder consultations mechanism. Concurrently, three risk categories (Technical design, Fiduciary and Others) have been maintained as Substantial due to the COVID-19 pandemic focusing on implementation of the following mitigation measures: (i) recent project restructuring dated January 16, 2021 re-aligned the technical design with COVID-19 needs;







(ii) fiduciary controls put in place to ensure the COVID-19 Economic Rescue component; and (iii) COVID-19 specific Occupational Safety and Health (OSH) plans elaborated and under implementation on all project funded construction sites. The volatile nature of the pandemic and its timeline to resolution makes recovery difficult to plan for and is reflected in the project risk profile.

64. **With the addition of the economic rescue subcomponent, a number of risk mitigation measures have been added. Consequently, the overall risk rating is moderate.** Various checks and balances will be implemented to address potential political capture and fiduciary risks of the new subcomponent, this includes i) the reliance on an experienced third-party firm that will facilitate the implementation of the subcomponent, including the identification, validation and selection of beneficiaries; ii) the approval by the World Bank of the final list of economic- rescue beneficiaries; and iii) the monitoring of all activities by an independent audit to ensure conformity.



**Table 3: Changes to risk ratings and mitigation measures**

Risk items	Identified/Inherent risks	Mitigation measures	Residual risks	Rating
<b>Political and governance</b>	Initial risks identified at parent project were derived from the 2016 elections as a substantial risk to PDO. The new administration has improved stability and governance.	Increase transparency measures and improved grievance redress mechanism.		Low 
<b>Sector strategies and policies</b>	GoB national development strategy prioritizes tourism and is more aligned with PDO than previous administration. Despite national-level policies, an aligned sector strategy or master plan does not exist. Sector policies remain outdated and unresponsive.  Crises (such as 2019 tourism abductions in Pendjari) can disproportionately impact the tourism sector. Nigerian and other country cross-border policies can affect the sector.	Provide technical assistance and capacity building for sector strategy and policy improvements, including updating laws and regulatory texts.  Support increased sector resilience measures.  Diversify source markets in order to reduce vulnerability to crises. Targeting the Nigerian market reduces crisis recovery timespan given regional markets recover faster than international ones.	Sector vulnerability to crises and other nations' cross-border policies, particularly Nigeria, remains.  However, these vulnerabilities do not affect the likelihood to achieve the new PDOs which is no more about increasing cross-border tourist flows but rather foster an	Low 





			enabling environment for tourism development.	
<b>Technical design</b>	<p>Technical design provides holistic sector-wide interventions, as is best practice for projects targeting emerging tourism sectors. However, this requires multiple hard and soft interventions, which can be complex to implement, particularly given client capacities and lack of experience with World Bank projects in the sector. The 2016 GoB changeover caused delays in implementation of activities, requiring recalibration of certain activities and pushing back project timeline. COVID has changed sector needs and has reduced the relevance of certain project activities.</p> <p>New planned activities under the COVID-19 component do not differ significantly from those described in the original financing. However additional human and technical capacity will be needed in order to identify beneficiaries and deliver liquidity support.</p> <p>The new economic rescue subcomponent may be subject to fiduciary risks in its selection of beneficiaries</p>	<p>Reduce interventions to one destination, build PIU capacity, produce clear timelines and activity descriptions. Restructure project to re-align with COVID-19 needs.</p> <p>DGAE, the technical arm of the government’s COVID-19 response, will implement the new activities with the support of an experimented advisory firm and government agency in charge of entrepreneurship development.</p> <p>An audit firm has been selected to ensure integrity and transparency of the delivery mechanism.</p> <p>World Bank will approve final list of economic rescue beneficiaries; an experienced third-party firm will facilitate the implementation of the subcomponent, including beneficiary selection and validation.</p>		Substantial ↑



<p><b>Institutional capacity for Implementation and Sustainability</b></p>	<p>and disbursement.</p> <p>ANPT, created in 2016, experienced continued growing pains to improve its implementation and institutional capacity. GoB reticence to add World Bank recommended PIU positions significantly affected the ability of the agency to deliver project activities in a timely fashion.</p> <p>DGAE, under MoF has experience and the mandate to lead the liquidity support subcomponent, however, lacks the staffing for implementation.</p>	<p>Trainings and capacity building offered. New PIU positions recruited. Project implementation institutional arrangements clarified. Agreement signed with World Tourism Organization for provision of Technical assistance.</p> <p>The project will hire an external firm to support DGAE in the implementation of the liquidity subcomponent.</p>		<p>Low</p> 
<p><b>Fiduciary</b></p>	<p>The new economic rescue subcomponent may be subject to fiduciary risks in its selection of beneficiaries and disbursement.</p> <p>DGAE, under MoF has experience and the mandate to lead the liquidity support subcomponent, however, lacks the staffing for implementation.</p>	<p>An audit firm has been selected to ensure integrity and transparency of the delivery mechanism.</p> <p>World Bank will approve final list of economic rescue beneficiaries; an experienced third-party firm will facilitate the implementation of the subcomponent, including beneficiary selection and validation.</p> <p>The project will hire an external firm to support DGAE in the implementation of the liquidity subcomponent.</p>		<p>Moderate</p> 



<b>Environmental and social</b>	The environmental and social risks for the AF are expected to be low. The existing safeguards framework approved for the parent project does not need to be updated or otherwise adapted to the AF as there are no new activities or geographical areas.	The project PIU will continue implementation of the environmental and social activities according to safeguards requirement of the Parent Project. Social measures to be supported under the AF include financing of working capital (worker wages, utilities, rent and suppliers' credit) to formal and informal micro and small firms economically affected by COVID-19.		Moderate
<b>Stakeholders</b>	Diverse group of public, private and Civil Society Organization stakeholders are involved. Risk of public stakeholders not consulting private stakeholders enough.	Insist on public-private dialogue, beneficiary consultations. Establishment of a committee of local historian and customary authorities of Ouidah that serves as a sounding board for proposed investment in Ouidah.		Low 
<b>Other (COVID-19 Pandemic)</b>	COVID-19 pandemic has impacted the tourism sector particularly hard, bringing sector to a halt. Closure of businesses and inability for visitors to cross borders has caused high risk to meeting PDO.	Project restructuring in order to reallocate funds to focus on sector rescue and recovery. Realign PDO towards setting up sector for success rather than visitor numbers and investment given expected protracted COVID-19 recovery timeline, and imminent project closing date. COVID-19 specific OSH (Occupational Safety and Health) plans elaborated and under implementation on all	Volatile nature of the Pandemic and its resolution makes recovery difficult to plan for.	Substantial 



		project funded construction sites. All needed supplies secured.		
<b>Overall</b>				<b>Moderate</b>

↑ = Risk has increased  
↓ = Risk has decreased

#### IV. APPRAISAL SUMMARY

##### A. Economic and Financial Analysis

65. **The AF has been designed based on both international and national evidence accumulated during the course of the current crisis and previous crises.** Implementation of the new COVID-19 response subcomponent will increase the resilience and survival rates of vulnerable micro and small enterprises through the provision of liquidity support and assist workers and their households to survive the pandemic’s economic stress.

66. **Countries around the world have taken policy actions to support their private sectors, and in particular MSMEs, in surviving the crisis.** Most of the actions taken till date, especially in the developed world, have focused on debt finance (e.g., lowering capital requirements to incentivize lending to SMEs, credit guarantees, tax and employment support). The viability of debt finance and regulatory forbearance related measures in the context of Benin, however, is questionable given pervasive informality especially at the lower end of the size distribution of firms. A significant share of firms in the private sector in Benin does not have access to traditional credit markets and as such cannot benefit from measures meant to be channeled through the formal financial system. For example, a 2013 World Bank Enterprise Survey revealed that only 28 percent of enterprises in Benin have a checking or savings accounts as compared to 87 percent in SSA. In addition, only eight percent of enterprises have a loan or line of credit as compared to 23.1 percent for SSA. Informality also means that most firms will not benefit from policy actions entailing deferral of taxes or a reduction in taxes. The viability of traditional support measures aside, however, there is a need to support Benin’s many micro and small firms which operate in all the sectors of the economy. After all, micro and small firms account for the vast majority of all the firms and approximately 65 percent of the Benin’s GDP.

67. **The AF is expected to increase the survival rates of micro and small enterprises in contrast to a baseline scenario of no support.** Resilience and the probability of survival of micro and small enterprises will be bolstered through the administration of liquidity support which will cover a percentage of both the fixed and variable costs of firms. This support would reduce risks that short-term squeezes in liquidity morph into an insolvency crisis that would lead to the permanent closure of firms. A baseline scenario in which insolvency leads to the permanent closure of a significant number of firms in the private sector will have stark implications, in the near term on jobs and livelihoods, and in the medium term on economic recovery post-crisis. Liquidity support would ensure that firms ‘keep the lights on’, retain their productive assets, and most importantly, retain their labor force, thereby preserving the tacit knowledge embedded in the employee-employer relationships.



68. **International evidence of similar interventions in crisis context reveals significant positive impacts.** In post-2004 tsunami Sri Lanka, results from a randomized experiment in which a set of firms were provided relief aid and access to capital showed faster recovery among beneficiary firms, even as business recovery in general was found to be slower than commonly assumed, underscoring the role that relief aid may play in accelerating it.<sup>17</sup> In Mexico, a wage subsidy program rolled out in the aftermath of the 2008 global financial crisis had similar results on beneficiaries; the support improved recovery, with beneficiary firms returning to pre-crisis employment levels substantially faster than others.<sup>18</sup>

## Technical

69. **The design of the parent project draws on extensive analytical work and lessons learned from other tourism projects** in World Bank client countries. It is also grounded on the findings of comprehensive consultations with consulted local authorities, private sector representatives, investors, entrepreneurs and local communities in Ouidah and Cotonou.

70. **The design of the COVID-19 response activities takes into account best practices and recommendations from key technical products prepared by World Bank global teams on crisis response, recovery and resilience for the financial and private sectors (including both formal and informal firms) but also on empirical evidence.** These include: (i) a Finance, Competitiveness and Innovation (FCI) and IFC discussion note on mitigation and recovery support for the financial and private sector; and (ii) a global mapping of SME support measures in the COVID-19 response.<sup>19</sup> These documents highlight the necessity of supporting the liquidity of crisis-impacted MSMEs through a variety of different instruments, including, among other things, grants. Empirical evidence on support to enterprises during crises reveals that access to liquidity can fast track the recovery process. For example, in the aftermath of the December 2004 tsunami, firms that received grants recovered profit levels substantially faster than those that did not. In Mexico in the aftermath of the global financial crisis, firms that were offered subsidies conditional on retaining workers outperformed those that did not in terms of employment levels post crisis

## Financial Management

71. In accordance with the Financial Management Manual for World Bank-Financed Investment Operations that became effective on March 1, 2010 and re-issued on February 10, 2017, the proposed financial management (FM) system of the AF has been assessed to determine whether it is acceptable to the World Bank. To this end, the FM aspects of the project have been reviewed. The proposed AF will build on the existing institutional and fiduciary arrangements of ANPT. ANPT is familiar with the World Bank FM requirements. The current implementation arrangements in place FM will be applied also for the AF. These are considered acceptable to IDA. The FM performance of the PCTT team was rated Satisfactory following the last implementation support mission.

72. The PCTT FM team is composed of a qualified and experienced Chief Accountant to be promoted as PCTT's Financial Management Specialist as needed, and a qualified and experienced Accountant. The multi-projects and multi-

<sup>17</sup> De Mel et al (2011) "Enterprise recovery following natural disasters", *Economic Journal*, 122(March), pp. 64-91.

<sup>18</sup> Bruhn, M. (2020). Can Wage Subsidies Boost Employment in the Wake of an Economic Crisis? Evidence from Mexico. *The Journal of Development Studies*. 1-20.

<sup>19</sup> "Map of SME-Support Measures in Response to COVID-19", available at [https://dataviz.worldbank.org/views/SME-COVID-19/Overview?:embed=y&:isGuestRedirectFromVizportal=y&:display\\_count=n&:showAppBanner=false&:origin=viz\\_share\\_link&:showVizHome=n](https://dataviz.worldbank.org/views/SME-COVID-19/Overview?:embed=y&:isGuestRedirectFromVizportal=y&:display_count=n&:showAppBanner=false&:origin=viz_share_link&:showVizHome=n)



sites version of the « SUCCESS » software will be used for the AF.

73. The internal controls in place for preparation and approval of transactions and segregation of duties are adequate. The existing FM manual of procedures has been deemed acceptable to IDA and will be used for the AF. A manual for the management of the Economic Rescue Grants will be elaborated before project effectiveness. The internal audit function under the parent project operates well. The same arrangements will be maintained under the AF. The work-program of the current GoB-appointed Internal Auditor will be updated to fully reflect the AF activities.

74. The un-audited interim financial reports (IFR) of PCTT are prepared every quarter and regularly submitted to the World Bank on time (45 days after the end of each quarter). At the time of the AF preparation, there are no overdue IFRs. All required IFRs had been submitted on time with acceptable quality. For the AF, the same IFR arrangement will be used for the AF.

75. The ongoing external audit arrangements will be applied for the AF: The project accounts will be audited annually by the statutory auditor “*Commissaire aux Comptes*”, appointed by Decree from the GoB Council of Ministers<sup>20</sup>, and reports submitted to IDA not later than six months after the end of each year. At the time of the preparation of the AF, there are no overdue audit reports. The audit report for the period ending on December 31, 2019 was submitted on time with unmodified opinion and was acceptable to IDA. The accounts of the AF will be audited on an annual basis and the external audit report will be submitted to IDA not later than six months after the end of each calendar year. The terms of references (ToRs) of the statutory auditor “*Commissaire aux Comptes*” will reflect the scope of the AF external auditing.

76. A new Designated Account (DA) denominated in CFAF will be opened at the Central Bank of Benin Banque Centrale des Etats de l’Afrique de l’Ouest BCEAO). The funds would be released to an Operational Account to be opened in a reputable commercial bank acceptable for the World Bank. ANPT will manage these accounts which will receive IDA funds to pay for project expenditures eligible under the AF. Interest income earned on the Operational Account will be deposited into the project account. Additional advances to the DA will be made monthly against withdrawal applications supported by Statements of Expenditures (SoE) or records as specified in the Disbursement Letter (DL). Disbursements under the AF will be report-based. In addition to making advances to the DA, other disbursement methods (reimbursement, grants) will be available for use under the project. Further instructions on the withdrawal of proceeds will be outlined in the disbursement letter and details on the operation of the DA will be provided in the Project Financial and Accounting Manual. For disbursement of Funds under the Subcomponent 3.2, the existing verification and disbursement mechanisms of small formal and informal firms deemed acceptable to IDA will be used for the AF to provide conditional grants for workers and firms affected by COVID-19 related economic losses.

77. The overall FM residual risk rating for the Project is assessed as Moderate considering the risk mitigation measures incorporated in the AF FM arrangements design. The proposed FM arrangements including the mitigation measures for this financing are considered adequate to meet the World Bank’s minimum FM requirements under World Bank Policy and Directive – IPF.

## Procurement

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<sup>20</sup> Decree No 2018-251 of June 13, 2018.



78. All financing under IPF, including AF (AF), identified on or after July 1, 2016 are subject to the World Bank Policy "Procurement in IPF and Other Operational Procurement Matters" dated July 2016 and are required to apply the Procurement Regulations for IPF Borrowers dated July 2016 and revised in November 2017 and August 2018. While the parent project is subject to the Procurement Guidelines and Consultant Guidelines, respectively, dated January 2011 and revised in July 2014; and the AF is subject to the Procurement Regulations<sup>21</sup>, both the original project and the AF will be subject to the Procurement Regulations of July 2016 revised in November 2017 and August 2018, upon approval of the AF. Activities of the parent project for which procurement process did not start yet and all activities of the AF will fall under the new Procurement Regulations from the date of the AF effectiveness onward.

79. The existing procurement plans have been updated to include the only procurement activity planned under the AF namely the recruitment of a consultancy firm to support DGAE.

### **Social (including Safeguards)**

80. The objective of the funding is to keep firms alive that would be viable under non-crisis circumstances and thereby save, to the extent possible, existing jobs and small businesses which are directly impacted by the economic costs of the global and local COVID-19 recession.

81. Measures to be supported under the AF include financing of working capital (worker wages, utilities, rent and suppliers' credit) to formal and informal micro and small firms economically affected by COVID-19. Therefore, its targets include persons and/or groups that do not have the means of preserving their viability by their own means during this pandemic crisis. For small businesspersons/groups with less than three employees, the income support to their workers should be provided through traditional social protection support schemes or all existing means which ensure equitable access and transparency.

### **Environment (including Safeguards)**

82. The environmental risks for the AF are expected to be low. The existing safeguards framework approved for the parent project does not need to be updated or otherwise adapted to the AF, as there are no new geographical areas. The AF will focus exclusively on supporting the financial rescue of the private sector as it relates to COVID-19-related closures and financial losses and will not finance any other activities not already covered by the Parent Project. The grants provided under the new Economic Rescue subcomponents aim to provide some liquidity to firms so they continue operating and it is not expected that they will be used to finance investments. The Project PIU will continue implementation of the environmental activities according to safeguards requirement of the Parent Project.

### **Citizen Engagement**

83. In General, the formal processes of consultation and public hearing mechanisms as set through the national regulations will apply, and the implementing entity will pursue the communication efforts to: (i) ensure a good flow of

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<sup>21</sup> Procurement Regulations" means, for purposes of paragraph 87 of the Appendix to the General Conditions, the "World Bank Procurement Regulations for IPF Borrowers", dated November 2020.





information and facilitate a dialogue with the COVID-19 potential affected micro, small and medium enterprises, the key stakeholders and the general public for strong behavior change; (ii) offer avenues for these enterprise to raise their COVID-19 related impact's concerns to be appropriately expressed and discussed; (iii) support the implementation of the project's activities; and (iv) promote a good visibility of the project's results and impacts. To ensure that there is widespread and accessible knowledge about the program and all eligible firms can enroll, the Borrower has set up and will implement a communications outreach strategy including accessible digital tools. The PIU is committed to implementing robust occupational, health and safety procedures for workers and ensuring that all project partners and clients are following COVID-19 social distancing guidelines. This will help to promote an open discussion and dialogue around the project's rationale, activities and benefits, as well as economical and social risks and complexity, so as to gain stakeholders' positive engagement and ownership on this AF project.

84. To ensure transparency and allow citizen control, the list of beneficiaries and amounts received will be published on the portal Grievance Redress Mechanism. The Borrower is maintaining and reinforcing the existing GRM and will prepare GRM and GBV actions plans in line with the COVID-19 challenges. An amicable claims management mechanism exists at the district, village, sub-prefecture and prefecture level through the conflict management committees that has been set up. After registration (complaint register, telephone, email, formal mail, SMS etc.) of the complaint, each committee will examine the complaint, deliberate and notify the complainant. If the complainant is not satisfied with the decision, then he can take the matter up to court. The GRM provides that in the event of GBV, the complaint is lodged at the level of a women's organization, in particular an NGO active in support to victims of GBV, which in turn takes it up to the social service or to the National Police depending on the nature of the violence suffered by the victim.

### **Lessons Learnt**

85. The design of the proposed additional financing is based on lessons drawn from a number of international approaches, national-level data and Bank guidelines. This includes the WBG's COVID-19 Crisis Response Approach Paper, the WBG's dashboard tracking economic support measures, the World Bank's global review of jobs responses to COVID-19, proposed interventions by the WBG, economic support projects from the Maldives, Pakistan, Ethiopia, The Republic of Congo, and others. The key lessons drawn from these are the following: (i) safeguarding the productive assets of viable but vulnerable businesses can help reduce the long-term economic fallout of the pandemic and result in a quicker recovery;<sup>22</sup> (ii) cash transfers have a positive track record for quick and effective emergency response, particularly to affected workers. They demonstrate long-lasting impacts, particularly in crisis recovery, inequality and poverty reduction; and (iii) micro and small firms, in comparison with mid-size and large firms, are especially negatively impacted by the crisis since they have limited access to financial tools and resources, technology and management capabilities to mitigate impacts and plan for recovery.<sup>23</sup> The implementation of economic rescue programs, although many are still underway, points to the importance of a rapid and predictable rollout of support as a key precondition for success.

## **V. WORLD BANK GRIEVANCE REDRESS**

86. Communities and individuals who believe that they are adversely affected by a World Bank (WB)- supported

<sup>22</sup>Organization for Economic Cooperation and Development (OECD). 2016.

<sup>23</sup> World Bank Working Paper "Unmasking the Impact of COVID-19 on Business" (Oct 2020)



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 World 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](http://www.inspectionpanel.org).



**VI. SUMMARY TABLE OF CHANGES**

	Changed	Not Changed
Project's Development Objectives	✓	
Results Framework	✓	
Components and Cost	✓	
Loan Closing Date(s)	✓	
Reallocation between Disbursement Categories	✓	
Disbursements Arrangements	✓	
Implementing Agency		✓
Cancellations Proposed		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Financial Management		✓
Procurement		✓
Other Change(s)		✓

**VII. DETAILED CHANGE(S)**

**PROJECT DEVELOPMENT OBJECTIVE**

**Current PDO**

The Project Development Objective is to contribute to increased cross-border tourism and private sector investment in selected tourism destinations and value chains, in Recipient’s territory.

**Proposed New PDO**

The Project Development Objective to support the continued operation of micro and small firms impacted by the



COVID-19 crisis and improve selected aspects of the enabling environment for Benin's tourism.

**COMPONENTS**

Current Component Name	Current Cost (US\$, millions)	Action	Proposed Component Name	Proposed Cost (US\$, millions)
Improving Benin's Tourism Development Framework	8.00		Improving Benin's Tourism Development Framework	8.00
Tourism Destination and Product Development	23.50		Tourism Destination and Product Development	23.50
Support to MSME Upgrading, Linkages and Expansion	10.00		Support to MSME Upgrading, Linkages and Expansion	10.00
Project Management	4.50		Project Management	4.50
Unallocated	4.00		Unallocated	4.00
<b>TOTAL</b>	<b>50.00</b>			<b>50.00</b>

**LOAN CLOSING DATE(S)**

Ln/Cr/Tf	Status	Original Closing	Current Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IDA-57810	Effective	31-Dec-2021	31-Dec-2021	31-Dec-2022	30-Apr-2023

**REALLOCATION BETWEEN DISBURSEMENT CATEGORIES**

Current Allocation	Actuals + Committed	Proposed Allocation	Financing % (Type Total)	
			Current	Proposed

IDA-57810-001 | Currency: EUR

iLap Category Sequence No: 1	Current Expenditure Category: Gds,Wks,NCS,CS,OP,TR			
35,200,000.00	8,798,034.12	33,092,776.00	100.00	100.00
iLap Category Sequence No: 2	Current Expenditure Category: Partial Credit Guarantees under Component 3.1(a) of the Project			
4,600,000.00	0.00	3,672,000.00	100.00	100.00



iLap Category Sequence No: 3		Current Expenditure Category: Grants under the Challenge Fund Program under Components 2.4 of the Project		
4,200,000.00	0.00	413,100.00	100.00	100.00
iLap Category Sequence No: 4		Current Expenditure Category: PPFREFINANCING		
1,900,000.00	1,123.51	1,124.00		100.00
iLap Category Sequence No: 5		Current Expenditure Category: Economic Rescue Grants under Component 3.2(a) of the Project		
0.00	0.00	8,262,000.00		100.00
iLap Category Sequence No:		Current Expenditure Category: Technical Assistance under Component 3.1(b) of the Project		
0.00	0.00	459,000.00		100.00
<b>Total</b>	<b>45,900,000.00</b>	<b>8,799,157.63</b>	<b>45,900,000.00</b>	

**DISBURSEMENT ARRANGEMENTS**

Change in Disbursement Arrangements

Yes

**Expected Disbursements (in US\$)**

Fiscal Year	Annual	Cumulative
2016	70,700.00	70,700.00
2017	1,727,525.00	1,798,225.00
2018	2,842,375.00	4,640,600.00
2019	3,905,975.00	8,546,575.00
2020	4,555,300.00	13,101,875.00
2021	4,456,450.00	17,558,325.00
2022	4,485,900.00	22,044,225.00
2023	2,395,325.00	24,439,550.00



**SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)**

Risk Category	Latest ISR Rating	Current Rating
Political and Governance	● Low	● Low
Macroeconomic	● Moderate	● Moderate
Sector Strategies and Policies	● Low	● Low
Technical Design of Project or Program	● Moderate	● Substantial
Institutional Capacity for Implementation and Sustainability	● Moderate	● Low
Fiduciary	● Substantial	● Moderate
Environment and Social	● Substantial	● Moderate
Stakeholders	● Low	● Low
Other	● Substantial	● Substantial
Overall	● Moderate	● Moderate

**LEGAL COVENANTS – Additional Financing for COVID-19 Response under Cross-Border Tourism and Competitiveness (P175085)**

**Sections and Description**

No information available

**Conditions**

Type  
Effectiveness

Description

The Additional Condition of Effectiveness consists of the following, namely that that the Economic Rescue Grants Manual has been prepared and adopted in form and substance satisfactory to the Association



**VIII. RESULTS FRAMEWORK AND MONITORING**

**Results Framework**

COUNTRY: Benin

Additional Financing for COVID-19 Response under Cross-Border Tourism and Competitiveness

**Project Development Objective(s)**

The Project Development Objective to support the continued operation of micro and small firms impacted by the COVID-19 crisis and improve selected aspects of the enabling environment for Benin’s tourism.

**Project Development Objective Indicators by Objectives/ Outcomes**

Indicator Name	PBC	Baseline	End Target
<b>Contribute to increased cross-border tourism and private sector investment in Selected Tourism Desti</b>			
Number of tourism firms in Benin (Number)		1,326.00	1,526.00
Additional private investment by firms benefitting from project support (Amount(USD))		0.00	10.00
Number of international tourist arrivals (of which coming from Nigeria) (Number)		267,350.00	327,350.00



**Intermediate Results Indicators by Components**

Indicator Name	PBC	Baseline	End Target
<b>Improving Benin's Tourism Development Framework</b>			
Percentage of tourism business licensing requests approved (Percentage)		26.00	40.00
Number of direct beneficiaries of sub-component activities (Number)		0.00	100.00
Satisfaction rating from post-workshops/meetings citizen engagement questionnaires (Yes/No)		No	Yes
<b>Tourism Destination and Product Development</b>			
Number of persons reached by destination marketing activities (Number)		0.00	1,000.00
Number of visitors to the Portuguese Fort ("Ouidah Museum") (Number)		13,821.00	22,113.00
Level of satisfaction of beneficiaries (visitors and communities) from Comp 2 activities (Percentage)		0.00	60.00
<b>Support to MSME Upgrading, Linkages and Expansion</b>			
Number of MSME receiving technical support (Number)		0.00	1,000.00
Of which led by female entrepreneurs (Number)		0.00	20.00
Additional volume of credit allocated to MSMEs supported under the project (Amount(USD))		0.00	10.00
Of which percentage of firms led by female entrepreneurs (Percentage)		0.00	20.00
Value of locally produced goods sourced by tourism enterprises in target area (Amount(USD))		1.00	5.00





Indicator Name	PBC	Baseline	End Target
<b>Project Management</b>			
Plan for tourism statistics systems upgrading implemented, and visitor data disseminated (Yes/No)		No	Yes
Grievances responded and/or resolved within the stipulated service standards for response times (%) (Percentage)		0.00	100.00

**Monitoring & Evaluation Plan: PDO Indicators**

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Number of tourism firms in Benin		Ministry of Tourism / PMU	Reports from Ministry of Tourism	Survey	Annual
Additional private investment by firms benefitting from project support		Ministry of Tourism and PMU	Beneficiary Survey	Survey	Annual
Number of international tourist arrivals (of which coming from Nigeria)		Ministry of Tourism & PMU	Ministry of Tourism Statistics-hotel arrivals reporting	Survey	Annual



**Monitoring & Evaluation Plan: Intermediate Results Indicators**

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Percentage of tourism business licensing requests approved		Ministry of Tourism / PMU	Ministry of Tourism Report	Survey	Annual
Number of direct beneficiaries of sub-component activities		PMU	PIU Reporting	Survey	Annual
Satisfaction rating from post-workshops/meetings citizen engagement questionnaires		PMU	PIU reporting	Survey	Annual
Number of persons reached by destination marketing activities		Ministry of Tourism & PMU	Implementing firm tracking	Survey	Annual
Number of visitors to the Portuguese Fort (“Ouidah Museum”)		Ministry of Tourism & PMU	Beneficiary Survey		Annual
Level of satisfaction of beneficiaries (visitors and communities) from Comp 2 activities		PMU	Beneficiary Survey	Survey	Annual
Number of MSME receiving technical support		PMU	Implementing firm	Survey	Annual
Of which led by female entrepreneurs		Ministry of Tourism & PMU	Beneficiary Survey	Survey	Annual
Additional volume of credit allocated to MSMEs supported under the project		Ministry of Tourism & PMU	Beneficiary Survey	Survey	Annual
Of which percentage of firms led by female entrepreneurs		Ministry of Tourism & PMU	Beneficiary Survey		Annual



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Value of locally produced goods sourced by tourism enterprises in target area		Ministry of Tourism & PMU	Beneficiary Survey	Survey	Annual
Plan for tourism statistics systems upgrading implemented, and visitor data disseminated		Ministry of Tourism & PMU	Ministry of Tourism Report	Survey	Annual
Grievances responded and/or resolved within the stipulated service standards for response times (%)		PIU			Annual

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## **Annex 1: PCTT Project Activities Completed**

### **Component 1**

- a) Benin tourism demand assessment undertaken
- b) Nigerian visitor and expenditure survey undertaken (3,500 surveys)
- c) Tour operator survey conducted (50+)
- d) Afro-descendants survey conducted
- e) Marketing action plan for the Nigerian segment produced
- f) Tourism human resources assessment
- g) Tourism SME diagnostic
- h) Licensing reform diagnostic
- i) Study tours to central and southern Africa undertaken
- j) Study tours and partnership meetings to South America, Central America and North America undertaken
- k) Tourism higher education skills assessment
- l) Tourism, hotel and restaurant sector committee formed
- m) Design of training of trainers and continuing education programs
- n) Image bank established and stocked
- o) Country tourism branding and brand identity produced
- p) New Visit Benin website created

### **Component 2**

- a) Destination development plans for Ouidah produced
- b) Ouidah scientific advisory committee established and operational
- c) Site and architectural studies for the Portuguese Fort rehabilitation
- d) Phase 1 works for the Portuguese Fort (completion end 2020)
- e) Site and architectural studies for four important heritage sites in Ouidah: Slave auction plaza, Door of No Return, Zoungbodji quarter and rehabilitation of the old customs house
- f) Equipment provided to professionalize the annual Voodoo Festival
- g) Safeguards studies and plans finalized



- h) Challenge Fund Manual produced
- i) Challenge Fund 1: Received 1,700 expressions of interest, 432 applications from three continents, provided training and technical assistance to 30 semi-finalists and detailed mentoring to nine finalists
- j) Challenge Fund 1: Awarded over US\$600,000 to four winners of the project's Challenge Fund, aimed at catalyzing innovative tourism projects that address public problems
- k) Community consultations and workshops undertaken

**Component 3**

- a) Financed Benin's first FORIMA Entrepreneurship Forum, uniting over 400 international and regional decisionmakers
- b) Setup of Risk Sharing Facility
- c) Business Plan Competition Manual Produced
- d) Challenge Fund 2: Selected seven municipalities to support, received 361 applications (22 percent women-led), provided mentoring to 35 semi-finalists and selected 18 finalists for incubation

**Component 4**

- a) ANPT expansion and capacity building supported
- b) Results framework indicators baseline study undertaken
- c) Tourism Statistics System diagnostic completed
- d) Tourism Satellite Accounts roadmap completed
- e) Tourism statistics nomenclature and indicator definitions completed
- f) Ministry of Tourism statistics service reinforced
- g) Tourism Satellite Accounts survey instruments defined
- h) Tourism statistics stakeholder seminars undertaken.



## Annex 2: Benin Country Program Adjustment Responding to COVID19

### Impact of the COVID-19 pandemic and Government's response

1. **As of April 15, 2021, Benin registered 7,611 positive cases including 95 deaths.** The peak of transmission was reached end-June with approximately 60 new positive cases per day. With an estimated 585 cases/m, Benin remains less affected than neighbors such as Cote d'Ivoire (3491 cases/m) and Nigeria (12615 cases/m). Benin reached 46.48 tests per 1,000 people as of April 15, 2021. On April 29, 2021 Benin has started its vaccination program **after reception of** a total volume of 347,000 COVID-19 vaccine doses.

2. **The COVID-19 crisis is impacting Benin through both external and domestic transmission channels.** Externally, the country is experiencing disruptions in trade and value chains, plus tighter financing conditions. Main negative spillovers relate to a decline in external demand linked to a recession in oil-dependent Nigeria. To a lesser extent, formal exports will also be hit by declining commodity prices and difficulty transporting high-value crops (e.g. pineapple). The current account deficit is expected to widen to 4.6 percent of GDP in 2020. Domestically, containment and mitigation measures were partial and short-lived. High frequency data show that economic activity was mostly affected during the second quarter and signs of recovery were registered as early as during the third quarter.

3. **The fiscal deficit is projected to increase to 4.8 percent of GDP (including grants) in 2020** compared to the pre-COVID estimate of 2.0 percent of GDP due to increased social and healthcare spending and an overall decline in tax revenues owing to lower economic activity, on-going border closure and recession in Nigeria. The gap is expected to be financed by grants, concessional financing, and additional bond issuance in the regional and global market. The deficit should gradually return to the WAEMU convergence criterion by 2022. The ratio of public debt to GDP is projected to peak to 46.4 percent in 2021 but steadily decrease from 2022 onwards, confirming the moderate risk of debt distress.

4. **Authorities have responded quickly to the COVID-19 crisis with balanced containment and mitigation measures.** They swiftly responded to early signs of the pandemic by increasing health capacity and monitoring in early-March 2020. Specific measures were taken to mitigate against the dual health and economic crises, including: (i) a health preparedness and response plan of US\$311 million developed according to International Health Regulation (IHR) and WHO COVID-19 guidelines, and (ii) a pluriannual socio-economic response plan to support formal firms (US\$117 million), small/micro businesses (US\$9.1 million) and households through subsidies on electricity and water bills (US\$10.6 million). A public guarantee plan (US\$248 million) was established to strengthen banking institutions and address refinancing needs for MSMEs and agricultural sector businesses.

### WBG support for responding to the crisis

5. **In addition to new lending operations that are aimed at reinforcing resiliency and spurring a sustained economic recovery, World Bank support has been first provided through an active management of the existing portfolio of US\$1.27 billion of which US\$771 million are undisbursed.** Cancellations and recommitments, reallocation and acceleration of implementation helped respond to urgent needs.



- To save lives

6. The World Bank mobilized a total of US\$102.4 million under the existing portfolio to cover urgent needs including US\$42 million by adjusting and restructuring existing projects. *Regional Disease Surveillance Systems Enhancement (REDISSE) III Project (P161163)* provided US\$32 million and the Contingent Emergency Response Component (CERC) of the *Benin Early Years Nutrition and Child Development Project (P166211)* was triggered for US\$10 million. On April 27, 2020, the Board approved the *Benin COVID-19 Preparedness and Response Project (P173839)* of US\$10.4 million under the Fast-Track COVID-19 Facility. Overall, out of the US\$83.5 million spending already disbursed by authorities under their health response, close to half (US\$41.5 million) was provided by the World Bank, US\$13 million by other donors and US\$29 million from domestic resources. This has substantially contributed to Government's effort to implement a phased health response, including development of a robust national testing capacity, set-up of 89 functional screening and case management centers nationwide, and roll-out of a national risk communication and community engagement strategy.

7. In addition to the direct support to the health sector, US\$50 million were cancelled and recommitted on June 26, 2020 as a Supplemental Financing (P174008) to the *Fiscal Reform and Structural Transformation development policy operation (DPO)*.

8. Going forward, a Health System Enhancement Program for Results (PforR) project that aims at strengthening the system and improving access to quality health services (P172940) of US\$100 million will be delivered in Q4 of FY21. In addition, the Benin COVID-19 Vaccine Preparedness and Response Project (P176562) will be also delivered in Q4 of FY21 to support the country vaccination program.

- To protect the poor and vulnerable

9. A survey is being completed under the Community and Local Government Basic Social Services Project (P163560) to identify extreme poor households that were supposed to be targeted initially in addition to households that have recently moved to extreme vulnerability because of the pandemic. Direct cash transfers will be provided to these vulnerable households.

10. A *Youth Inclusion Project (P170425)* that aims at increasing economic inclusion of under-employed and under-educated youth aged 15-35 is approved since December 14, 2020.

11. The *COVID-19 Education Response GPE Project (P174186)* approved on September 9, 2020 aims to ensure continuity of teaching, particularly in deprived communes.

- To save livelihoods, preserve jobs, and ensure more sustainable business growth and job creation

12. Cancellation of US\$35 million has been carried out to be recommitted as a COVID-19 economic response component under the ongoing *Cross-Border Tourism and Competitiveness COVID-19 AF (P175085)* to provide rapid financial relief through conditional grants for MSMEs suffering economic losses to maintain employment and avoid closure of otherwise healthy businesses. The sectors of tourism, foodservice, personal transport, artisans, retail and personal services, entertainment and cultural services will be targeted because they are the most impacted by the sanitary crisis.



13. As a result of trade-related disruptions and lack of adequate storage facilities, the World Bank has reallocated US\$10 million under the Agricultural Productivity and Diversification (P115886) project to develop a temperature-controlled warehouse and logistic facilities. An efficient cold chain system will contribute to improve perishable good exports.

- To strengthen policies, institutions and investments for resilient, inclusive, and sustainable growth

14. The second DPO in the series, approved on December 2020, aims to create fiscal space and bolster structural transformation of the economy. The Program Development Objectives are to: (1) strengthen fiscal and debt management; (2) improve the financial sustainability of the energy sector; and (3) foster development of the digital economy.

15. The *Benin Energy Service Delivery Project (P169796)* under preparation and to be delivered in Q4 of FY21 fosters 'last mile' access to electricity while the on-going *Digital Rural Transformation Project*, under implementation until 2024, supports universal access of broadband services.

16. The *Agricultural Competitiveness and Export Diversification Project (P168132)* for US\$160 million in Scale up Facility (SUF) was approved on June 2, 2020 and will run until end-2026 to support Government's efforts to enhance agri-business value addition and expand export market access for value chains with high export potential.

17. The *Vocational Education and Entrepreneurship for Jobs Project* is to be delivered in Q1 of FY22 and aims to guide students toward high-employability sectors.

### **Selectivity, Complementarity, Partnerships**

18. The World Bank has provided support to GoB's health response in close collaboration with WHO and UNICEF. Socio-economic support is focused on areas where the World Bank was already operating with its expertise and financial resources. Most project support unfolded as a scaling-up of existing interventions or a redirecting of resources to address needs not yet covered, such as SMEs in the formal and informal sectors, especially in urban areas.