Restructuring Paper

On a Proposed Project Restructuring

Of Digital Rural Transformation Project

Approved on July 1, 2019

To Republic of Benin

Digital Development

Africa

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Country Director: Coralie Gevers
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Task Team Leader(s): Isabel Neto, Erick Abiassi, Fatou Fadika
### Abbreviations and Acronyms

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAA</td>
<td>Autonomous depreciation fund (<em>Caisse Autonome d’Amortissement</em>)</td>
</tr>
<tr>
<td>COVID19</td>
<td>Coronavirus disease of 2019</td>
</tr>
<tr>
<td>CPF</td>
<td>Country Partnership Framework</td>
</tr>
<tr>
<td>DA</td>
<td>Designated Account</td>
</tr>
<tr>
<td>EA</td>
<td>Environmental Assessment</td>
</tr>
<tr>
<td>ESIA</td>
<td>Environmental and Social Impact Assessment</td>
</tr>
<tr>
<td>ESMF</td>
<td>Environmental and Social Management Framework</td>
</tr>
<tr>
<td>ESMP</td>
<td>Environmental and Social Management Plan</td>
</tr>
<tr>
<td>FAO</td>
<td>Food and Agriculture Organization</td>
</tr>
<tr>
<td>FY</td>
<td>Fiscal Year</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>RD</td>
<td>International Bank for Reconstruction and Development</td>
</tr>
<tr>
<td>ICT</td>
<td>Information and Communication Technology</td>
</tr>
<tr>
<td>IDA</td>
<td>International Development Association</td>
</tr>
<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
</tr>
<tr>
<td>IFRs</td>
<td>Interim Financial Statements</td>
</tr>
<tr>
<td>IPF</td>
<td>Investment Project Financing</td>
</tr>
<tr>
<td>ITU</td>
<td>International Telecommunications Union</td>
</tr>
<tr>
<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
</tr>
<tr>
<td>MAEP</td>
<td>Ministry of Agriculture and Fisheries (<em>Ministère de l’Agriculture, de l’Elevage de la Pêche</em>)</td>
</tr>
<tr>
<td>MEF</td>
<td>Ministry of the Economy and Finance (<em>Ministère de l’Economie et des Finances</em>)</td>
</tr>
<tr>
<td>MFD</td>
<td>Maximizing Financing for Development</td>
</tr>
<tr>
<td>MND</td>
<td>Ministry of Digital Economy and Digitization (<em>Ministère du Numérique et de la Digitalisation</em>)</td>
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<tr>
<td>MNO</td>
<td>Mobile Network Operator</td>
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<tr>
<td>OP / BP</td>
<td>Operational Policy / Bank Policy</td>
</tr>
<tr>
<td>PDO</td>
<td>Project Development Objective</td>
</tr>
<tr>
<td>PIM</td>
<td>Project Implementation Manual</td>
</tr>
<tr>
<td>PIU</td>
<td>Project Implementation Unit</td>
</tr>
<tr>
<td>PPF</td>
<td>Project Preparation Facility</td>
</tr>
<tr>
<td>PPP</td>
<td>Public Private Partnership</td>
</tr>
<tr>
<td>PPSD</td>
<td>Project Procurement Strategy for Development</td>
</tr>
<tr>
<td>RAP</td>
<td>Resettlement Action Plan</td>
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<tr>
<td>SCD</td>
<td>Systematic Country Diagnostics</td>
</tr>
<tr>
<td>SSA</td>
<td>Sub-Saharan Africa</td>
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<tr>
<td>TA</td>
<td>Technical Assistance</td>
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Note to Task Teams: The following sections are system generated and can only be edited online in the Portal.

BASIC DATA

Product Information

<table>
<thead>
<tr>
<th>Project ID</th>
<th>Financing Instrument</th>
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<tr>
<td>P162599</td>
<td>Investment Project Financing</td>
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<table>
<thead>
<tr>
<th>Original EA Category</th>
<th>Current EA Category</th>
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<tr>
<td>Partial Assessment (B)</td>
<td>Partial Assessment (B)</td>
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<table>
<thead>
<tr>
<th>Approval Date</th>
<th>Current Closing Date</th>
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<tbody>
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<td>01-Jul-2019</td>
<td>31-Jul-2024</td>
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Organizations

<table>
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<tr>
<th>Borrower</th>
<th>Responsible Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Republic of Benin</td>
<td>Ministère du Numérique et de la Digitalisation</td>
</tr>
</tbody>
</table>

Project Development Objective (PDO)

Original PDO

To improve access to broadband services in targeted rural communities and promote the use of digital solutions to improve efficiency of selected value-chains, financial inclusion and access to markets.

Summary Status of Financing

<table>
<thead>
<tr>
<th>Ln/Cr/Tf</th>
<th>Approval</th>
<th>Signing</th>
<th>Effectiveness</th>
<th>Closing</th>
<th>Commitment</th>
<th>Disbursed</th>
<th>Undisbursed</th>
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<td>01-Jul-2019</td>
<td>08-Aug-2019</td>
<td>03-Dec-2019</td>
<td>31-Jul-2024</td>
<td>100.00</td>
<td>1.14</td>
<td>96.49</td>
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Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No
I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

A. Summary

1. This restructuring paper seeks to: (i) cancel EUR46,296,300 (US$49.95 million equivalent, corresponding to 52 percent of the initial financing amount) from Credit No. 6453-BJ; (ii) adjust the disbursement categories as a consequence of the cancellation. The Government of Benin (GoB) has requested this cancellation with letter received on May 12, 2020 in order to urgently reallocate the funds to the Benin First Fiscal Reform and Structural Transformation Development Policy Operation: Supplemental Financing (P174008), currently in preparation as part of the response to the COVID19 crisis.

2. Following this cancellation, a more comprehensive restructuring package for the project will be submitted for approval to adjust project components, the results framework and other aspects as may be needed as a consequence of the funds cancellation. Given the large cancellation amount, and while the Project Development Objective (PDO) continues to be relevant and mostly achievable, it may need to be adjusted in light of the changes in the approach. Any changes will be included in subsequent project revisions.

B. Project Status

3. Project performance is currently rated Moderately Satisfactory for progress toward achievement of the PDO and Moderately Unsatisfactory for Implementation Progress. The project was approved by the IDA Board of Directors on July 1, 2019 and became effective on December 3, 2019. It is at early implementation stage as it has encountered delays mainly due to project implementation arrangements not yet being in place. As of May 14, 2020, disbursement stood at EUR1.03 million (or 1.2 percent of the total project financing).

4. The Ministry in charge of Digital Economy, Ministère du Numérique et de la Digitalisation (MND), is in the process of establishing the project’s Steering Committee. Recruitment of the Project Implementation Unit (PIU) is currently in final stages and the PIU is expected to be set up over the next few weeks. The MND has prepared initial versions of the Project Implementation Manual and Operations Manual, and these are currently being finalized and expected to be submitted for Bank’s review in June 2020. First versions of the Annual Work and Budget Plan for 2020 have been prepared and are expected to be approved once the project’s Steering Committee will be in place.

C. Status of Project Components

5. Practical implementation of project activities has not yet started, but the main developments and next steps agreed during the last Implementation Support Mission conducted in February 2020 to initiate implementation are described below.

   a. Component 1 (Extending Connectivity): An assessment of energy and telecom infrastructure needs in targeted areas is ongoing. This study will help identify out-of-coverage/white zones. The immediate next step was to define and agree the specifics of the PPP model to follow for this component.

   b. Component 2 (Financial Inclusion): Activities have not yet started. The MND is launching preparation of the ‘Sub Grant’ Manual. This manual will help define the process for offering grants for digital transformation and digital
payments in agriculture value chains. Following preparation of the Manual, the immediate next steps, was to launch the call for proposals for the grants

c. **Component 3 (Digital Agricultural Services):** A 2020-2024 National Digital Agriculture Strategy has been developed by the GoB, the Food and Agriculture Organization (FAO), and the International Telecommunications Union (ITU). This document will serve as a reference for activities implementation within this component. The immediate next step was to develop the modalities for digital enrollment of farmers.

d. **Component 4 (Access to Markets):** Activities under component 4 are progressing, the project has identified 824km of rural roads to rehabilitate, of which 600km are foreseen to be financed under this component. The next step was to start safeguard screening.

e. **Component 5 (Project management):** covered above.

6. Going forward, with the proposed cancellation, selected components and activities within components will need to be cancelled and next steps as described above adjusted accordingly.

**D. Rationale for Restructuring**

7. In order to appropriately respond to the COVID19 crisis, and given that the full IDA18 envelope for Benin had been committed, the GoB has asked for the proposed cancellation in order to urgently reallocate the funds to the Benin First Fiscal Reform and Structural Transformation Development Policy Operation: Supplemental Financing (P174008), currently under preparation as part of the response to the COVID19 crisis. A reallocation of credit proceeds between categories is needed as a consequence of the cancellation.

**II. DESCRIPTION OF PROPOSED CHANGES**

1. **Cancellation of Funds:** Cancellation of EUR46,296,300 (US$49.95 million equivalent) from Credit No. 6453-BJ as requested by the GoB.

2. **Reallocation between Disbursement Categories:** Disbursement categories are being adjusted as a result of the proposed cancellation. For now, adjustments are being made keeping the same proportions between categories, but adjusting to the new total financing amount, with one exception: the PPF refinancing category is being adjusted to match the disbursed amount to date (since there will not be any additional disbursements under this category).

**Note to Task Teams:** The following sections are system generated and can only be edited online in the Portal.
### III. SUMMARY OF CHANGES

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<tr>
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<th>Changed</th>
<th>Not Changed</th>
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</thead>
<tbody>
<tr>
<td>Cancellations Proposed</td>
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<td></td>
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<tr>
<td>Reallocation between Disbursement Categories</td>
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<td>Implementing Agency</td>
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<td>DDO Status</td>
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<td>Other Change(s)</td>
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### IV. DETAILED CHANGE(S)
## CANCELLATIONS

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<th>Ln/Cr/Tf</th>
<th>Status</th>
<th>Currency</th>
<th>Current Amount</th>
<th>Cancellation Amount</th>
<th>Value Date of Cancellation</th>
<th>New Amount</th>
<th>Reason for Cancellation</th>
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<tbody>
<tr>
<td>IDA-64530-001</td>
<td>Disbursing</td>
<td>EUR</td>
<td>89,200,000.00</td>
<td>46,296,300.00</td>
<td>12-May-2020</td>
<td>42,903,700.00</td>
<td>BORROWER’ S REQUEST FOR COUNTRY REASONS</td>
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## REALLOCATION BETWEEN DISBURSEMENT CATEGORIES

<table>
<thead>
<tr>
<th>Current Allocation</th>
<th>Current Expenditure Category</th>
<th>Actuals + Committed</th>
<th>Proposed Allocation</th>
<th>Financing % (Type Total)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>Proposed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IDA-64530-001</td>
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<tr>
<td>iLap Category Sequence No: 1</td>
<td>Current Expenditure Category: G,W,N/CS,OC,TR expt Pt1.2(iv)-(vi)</td>
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<td>52,600,000.00</td>
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<td>33,000,000.00</td>
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<td>1,800,000.00</td>
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<td>880,000.00</td>
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<td>1,800,000.00</td>
<td>225,227.33</td>
<td>226,000.00</td>
<td></td>
<td></td>
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<tr>
<td><strong>Total</strong></td>
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<td><strong>424,695.90</strong></td>
<td><strong>42,903,700.00</strong></td>
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