I. Project Context

Country Context

Benin has made important economic and political gains over the last two decades. Following the 1990 National Conference which marked the beginning of a new era of openness, multiparty democracy and a radical shift from a centrally-planned to a market-based economy, real GDP grew by an annual average rate of 4.4 percent during the decade of the 1990s and thereafter by 4.3 percent between 2001-2008, compared with 0.3 percent between 1986 and 1989. The global economic crisis led to a deceleration in growth—from 5 percent in 2008 to 2.7 percent in 2009 and 2.6 percent in 2010—largely due to difficulties in the cotton and re-export sectors and the 2010 floods. Growth was expected to recover to 3.1 percent in 2011.

The country has held since then regular free and fair elections both at central and local levels. The latest presidential elections took place on March 13, 2011 and the incumbent, Boni Yayi, won a second and final mandate with 53 percent of the vote. Legislative elections were held on April 30, 2011. These elections represent the fifth presidential and sixth legislative elections since the new Constitution in 1990. The country also began holding local elections in 2002, building the foundations for decentralization. The next local elections are scheduled to be held in 2013.

Key human development indicators have seen improvements in the last decade, but they still fall well short of what is needed to achieve the MDGs. Potentially more worrisome, income poverty rose from 28.5 percent in 2002 to 33.3 percent in 2007 and to an estimated 35.2 percent in 2009. While the global crisis has certainly played a role in this negative performance, the forthcoming Poverty Assessment (FY13) is expected to shed more light on the underlying factors (both domestic and global) behind this trend. The impact of the recent global economic crises has been intensified by Benin's lack of an efficient or coherent safety net system. While a few safety nets are provided in the budget (food for work, food aid, school feeding and others in the health sector), they are not well targeted and their effectiveness is uncertain.

II. Sectoral and Institutional Context

Benin's National Conference of 1990 marked a historic break from the authoritarian and strong centralizing political and economic system that had prevailed until then. The Conference led to the preparation of a new Constitution which was overwhelmingly approved in a referendum in December 1990. In addition to the adoption of a multiparty system as the basis for political organization, the new Constitution recognized the freedom of "territorial collectivities" to administer themselves under specific conditions supervised by the central government. The question of how much real authority and resources were to be transferred remained controversial for many years, but finally in 1999, a set of laws defining the legal and institutional framework for the decentralization process were adopted. These laws established a unique level of decentralized entity (the commune), a financially autonomous, legal entity, as well as a unique level of deconcentration (the department), from where central institutions would supervise communes in carrying out their new legal responsibilities. 77 communes and 12 departments were created. The three broad areas of responsibilities transferred to communes are primary education, health, and water management.

In addition to these laws, between 2008 and 2009 the Fonds d'Appui au Développement des Communes (FADeC) and the Commission Nationale des Finances Locales (CONAFIL) were set up and the national policy on decentralization (Politique Nationale de Décentralisation et de Déconcentration) was finalized. FADeC is a transfer mechanism that seeks to equalize and consolidate all transfers to communes. Since its inception, the Government has shown a strong commitment to FADeC, committing FCFA 10 billion (USD 20 million) for FADeC transfers in 2009 and FCFA 16.2 billion (USD 32.4 million) in 2010. CONAFIL is charged with examining the modalities, mechanism, criteria and amount of transfers to communes, setting up monitoring and evaluation of the performance of FADeC, and ensuring the proper functioning of FADeC especially regarding the swift disbursement of budgeted funds. The 2010 Public Expenditure Review, which focused on decentralization, concluded that (i) transfers have heavily favored urban communes with special status, (ii) communes are not exercising their full mandates, and (iii) the execution of capital expenditures has been particularly weak. The three communes with special status received 36 percent of total transfers despite having only 15 percent of the total population. The principal constraints to better execution are the weak implementation capacity of authorities at all levels, lack of predictability of transfer and long delays in received funds, burdensome and poorly known procedures
for public expenditures, and the absence of or delays in preparation of procurement plans and work plans.

The Community Driven Development approach -- operating in its current form in Benin since 2005 -- offers part of the answer for improving the execution performance of capital expenditures for basic services. At its core, this approach aims to empower communities to identify and implement small-scale, low complexity development activities. Poor communities identify their local needs, receive funds, plan and implement the projects chosen, and monitor the provision of services that result from those projects. Under the IDA-supported “Projet National d’appui au Développement Conduit par les Communautés” (PNDCC), communities across Benin have exercised these functions in partnership with communes, which have delegated to communities the authority to implement such projects as part of their Communal Development Plans (PDCs). Since 2005, 1,373 community sub-projects (primary schools, health posts, water systems and markets) have been completed, with the target of 1,400 expected to be achieved by project closing date in April 2012. About 141,550 students are enrolled in primary schools constructed or rehabilitated under the project. Nearly 750,000 people have participated in PNDCC grassroots management training in 1,518 communities (about 40% of communities in Benin). Within these same communities, about 29,000 people exercised project management responsibilities, among whom the 3,365 top performers were trained to become grassroots management agents and trainers.

Government ownership of the program has been strong, and co-financing from public resources amounted to about $3 million per year. Based on the successful experience under PNDCC, the CDD approach has also been adopted by the Ministry of Education for one third of the primary schools program financed by the Education for All / Fast Track Initiative (EFA/FTI) Project. The experience under the EFA/FTI program shows that for primary school construction, the CDD approach delivered results faster and more cheaply than conventional methods for village-scale, low-complexity basic service infrastructure. PNDCC has also built the capacity of communes to integrate CDD into their local development plans, and has helped line ministries (such as education, health, water and sanitation, agriculture, livestock and fisheries) to incorporate the CDD approach into their sectoral strategies. The project has also supported good governance and accountability through capacity-building in demand-driven methods at all levels, as well as procurement and fiduciary management at the community and local government levels.

III. Project Development Objectives

To improve access to decentralized basic social services and to mainstream the CDD approach for such services.

IV. Project Description

Component Name
Service Delivery Grants to Communes
Pilot Social Safety Net Grants
Technical Assistance and Capacity Building

V. Financing (in USD Million)

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VI. Implementation

The implementing agency will be the Ministry of Decentralization, Local Government, and Administration and Development of the Territory (MDGLAT).

The National Commission for Local Finances (CONAFIL), which is charged with administering FaDEC and which operates under the aegis of MDGLAT, will take primary responsibility for administering the grants to communes under Component One. CONAFIL will be responsible for (i) setting grant allocations for communes in line with criteria agreed between CONAFIL and the Bank; (ii) ensuring the timeliness, transparency and predictability of transfers from the Treasury to communes; and (iii) monitoring and reporting on the execution of funds by communes. CONAFIL’s monitoring oversight of the funds transferred to communes will be bolstered by periodic technical and financial audits to verify the appropriate use of funds, and by financial controllers to be placed in each of the six departments in the country.

A proposed new Secretariat for Decentralized Community Driven Services (SSDCC in French) to be created in the Ministry would take responsibility for implementing Components Two and Three. The Secretariat would also monitor the implementation progress at the community level of sub-projects, and coordinate the start-up and implementation of the safety net pilot. In addition to its head, the SSDCC would require financial management and procurement experts, grassroots management training expertise, expertise in safety nets, and monitoring and evaluation and communications functions.

VII. Safeguard Policies (including public consultation)

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VIII. Contact point

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