

BENIN SDG EUROBONDS

Allocation report on the July 2021 inaugural issue



July 2022



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MESSAGE FROM THE MINISTER OF ECONOMY AND FINANCE, MINISTER OF STATE

“More than ever, Benin is fully
committed to implementing the United
Nation’s 2030 Agenda”



Committed to the SDG Agenda 2030, Benin is more than ever mobilised to ensure that it is effectively achieved. As early as 2016, the Beninese authorities created a dedicated governance structure in order to involve Benin’s institutions across the board and to transform public action. Prioritisation of the most pressing targets and the assessment of their costs have provided the country with a relevant framework for reference and action.

On 15 July 2021, Benin successfully completed the inaugural €500 million 12.5-year SDG bond issue on the international market, aimed at financing projects with a high impact on the achievement of the relevant Sustainable Development Goals targets for the country. Participation in the High-Level Political Forum (HLPF) to submit the country’s SDG agenda to a voluntary peer review has finally demonstrated the country’s commitment and resolve to achieve the SDGs

Issuing sustainable bonds sends a signal to the international capital markets about the determination of the Beninese authorities to make progress in achieving sustainable development.

At the time of the issue, the country made a number of commitments to international investors, including the production of an annual impact report on the beneficiaries of the projects financed and an audited allocation report on the funds raised. This report is a demonstration of the fulfilment of these commitments.

Beyond the historic nature of the July 2021 bond issue and the fact that it is a first on the African continent, it also reflects the impetus Benin is giving to the use of innovative financing instruments in order to be able to act more quickly in the face of the challenge of sustainable development. This dynamic is intended to be maintained over time.

EXECUTIVE SUMMARY

On 15 July 2021, Benin issued its first SDG bond for €500 million over 12.5 years (maturing on 22 January 2035). Through this issue, the country has demonstrated its ambition to step up the pace of its implementation of Agenda 2030 through the use of innovative financing instruments.

Prior to the issue, the government not only undertook the preliminary work of identifying expenditures that would help to achieve the SDGs which will be supported by the funds raised (as well as reporting on these expenditures and the various investments financed) but also, and above all, organised the allocation of the funds raised by this bond. Accordingly, this first report was prepared based on the criteria initially established and using a well-defined method of resource allocation.

A total of 57 expenditures consisting mainly of projects, programmes and social measures taken by the government were financed by the funds raised through the SDG bond issue, corresponding in their totality to the four pillars¹ defined by the Republic of Benin, in the framework document for the issue, in collaboration with the partner banks. The main categories benefiting from the allowance are: (i) Expanding education services and improving the capacity to take on students (40.9%); (ii) Access to drinking water and wastewater processing (17.5%); (iii) Developing living environments and sustainable infrastructure for all (13.3%); (iv) Improving the health of all (7.6%); (v) Access to low-carbon, reliable and affordable energy (6.0%).

¹ The four pillars of intervention: Population, Prosperity, Planet, Partnerships

INTRODUCTION

In 2015, the 193 member states of the United Nations adopted Agenda 2030 for Sustainable Development. This Agenda "provides a shared blueprint for peace and prosperity for people and the planet, now and in the future" and includes 17 Sustainable Development Goals (SDGs). After five years of implementation, the international community launched the Decade of Action, which calls on all countries to accelerate the implementation of sustainable solutions to the major challenges facing the world, poverty and gender inequality, climate change including various inequalities as well as reducing the financial gap between rich and poor.

In Benin, as early as 2016, the government set up a new dynamic through the adoption of a coordinated approach to the internalisation of the Sustainable Development Goals (SDGs), which made it possible to prioritise the most pressing targets for Benin and to assess the cost of achieving the SDGs, also known as "costing".

On the strength of its institutional arrangements for achieving the SDGs, and to affirm its determination to make significant progress on the SDGs in the Decade of Action, Benin issued, for the first time in its history and in Africa, a bond to finance projects that will have a high impact on the achievement of its relevant SDG targets. The SDG bond framework document drawn up for this purpose is aligned with the latest Sustainability Bond Guidelines ("SBG" - 2021 edition) published by the International Capital Market Association ("ICMA").

This report provides an account of the country's compliance with commitments regarding allocation of the bond funds raised and the eligibility criteria for each (re)financed project.

It is structured around three (3) points, namely: i) Benin's inaugural SDG bond issue; ii) eligible expenses and selection process; iii) resource allocation.



I. BENIN'S INAUGURAL SDG BOND ISSUE



The first international bond dedicated to the financing of projects with a high impact on the achievement of the United Nations Sustainable Development Goals (SDGs) was issued by Benin on 15 July 2021.

The framework document of the issue builds on existing mechanisms for the implementation of Agenda 2030 developed by the country. Funds raised are intended exclusively for the financing of various social and environmental projects contributing to Benin's commitments to achieving the SDGs².

The main financial characteristics of this issue are summarised in Table 1 below.

Table 1: Main financial characteristics of the loan

<i>Issuer</i>	Republic of Benin
<i>Issue date</i>	15/07/2021
<i>Credit rating (requested)</i>	S&P: B+ (stable outlook) / Moody's: B1 (stable outlook)
<i>Currency</i>	Euro
<i>Tenor</i>	12.5 years
<i>Maturity</i>	22/01/2035
<i>Amount</i>	500 million ³
<i>Performance</i>	5.25%
<i>Coupon</i>	4.95 %
<i>Premium</i>	0.20 percentage points

Source: MEF, July 2022

The framework document is aligned with the latest Sustainability Bond Guidelines ("SBG" - 2021 edition) published by the International Capital Market Association ("ICMA").

In addition, the contribution to sustainability has been assessed as "advanced" by Moody's VE, thus obtaining the highest possible score and corresponding to "best practice" in the market. The expected impacts are considered "advanced" and the management of ESG risks "robust" by Vigeo Eiris.

² See the SDG Bond Issue Framework document, https://SDG.gouv.bj/wp-content/uploads/sites/13/2021/07/Document-cadre-obligations-ODD_République-du-Bénin_FR-2.pdf

³ The total net amount allocated to projects is 485.4 million euros

In addition, seven (7) other characteristics of the Benin SDG Bond architecture are worth highlighting:

1. Prioritisation of the most urgent SDG targets based on an analysis of the total cost of achieving them, conducted with international organisations;
2. Sophisticated process for assessing and selecting expenditures based on their "SDG sensitivity";
3. Eligibility of different types of expenditures with a series of conditions;
4. A total of 12 categories of eligible expenditures with a justification clarifying the context of intervention and the reasoning behind the criteria and the scope of expenditures;
5. Granular target populations carefully defined and adapted to the Beninese context;
6. Comprehensive list of thematic and sectoral exclusions with a particular focus on biodiversity conservation;
7. First partnership of its kind with the United Nations Sustainable Development Solutions Network (SDSN) creating a feedback loop and unique content to feed into impact reports.



The United Nations Sustainable Development Solutions Network (SDSN)

mobilises global scientific and technological expertise to promote practical solutions for sustainable development. UNSDSN works closely with UN agencies, multilateral financial institutions, the private sector, universities and research centres as well as civil society.

The network promotes integrated approaches to implementing the Sustainable Development Goals (SDGs) and the Paris Agreement on Climate Change, through education, research, policy analysis and global cooperation. It supports Benin in the assessment of its economic and social policies in relation to SDG targets at an international level.

Valuation based on Environmental, Social and Governance (ESG) criteria has become a major issue. Investors are looking for robust ways to integrate ESG data into their workflow. Whether for risk management, index construction, portfolio management or reporting, V.E.'s ESG assessment provides the country information needed to integrate ESG with confidence.



V.E has been part of Moody's ESG Solutions since 2021. Moody's ESG Solutions is a division of Moody's Corporation that addresses the growing global demand for ESG and climate knowledge.

Deloitte.

**STANDARD
& POOR'S**

 **Rothschild & Co**

 **NATIXIS**
PAYMENTS
BEYOND BANKING



II. ELIGIBLE EXPENDITURE AND SELECTION PROCESS



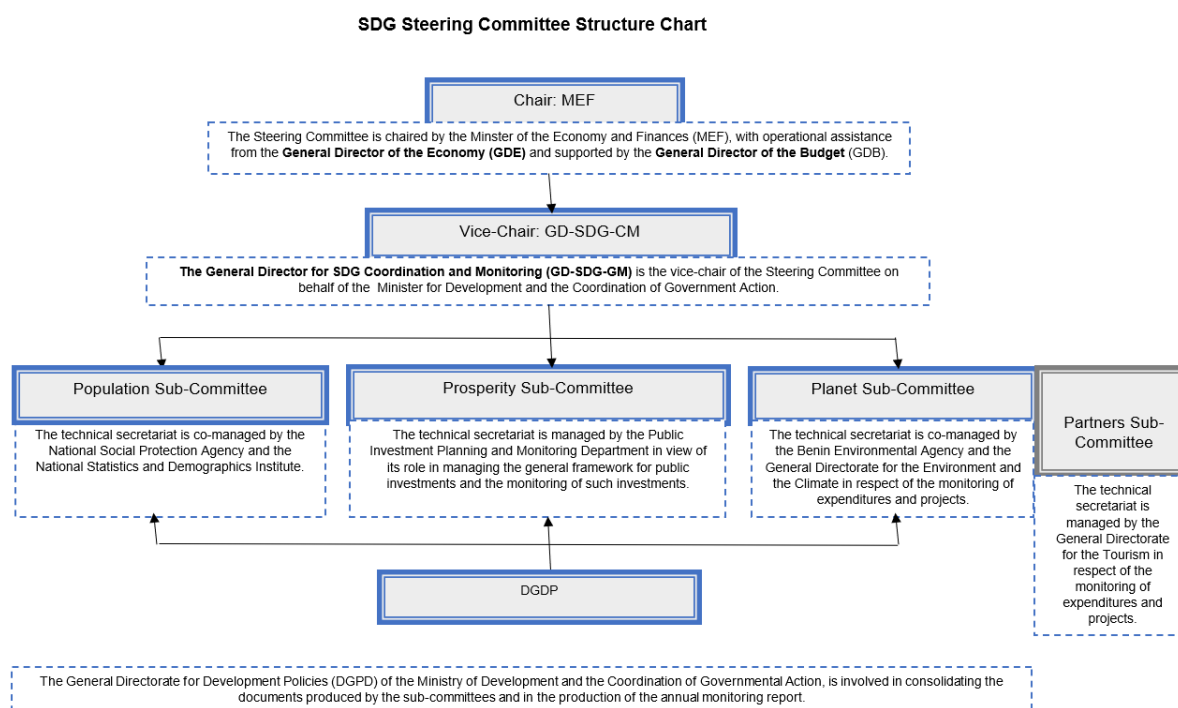
The proceeds of Benin's SDG bonds are held in the Treasury's single pool account. It is intended for government expenditure and the financing of projects/programmes that contribute in general to the four aims of the National Development Plan, namely (i) develop a healthy, competent and competitive human capital; (ii) increase the competitiveness of the Beninese economy in the long term; (iii) guarantee the sustainable management of the living environment and the emergence of regional development centres; and (iv) consolidate the rule of law and good governance.

Specifically, four pillars (Population, Prosperity, Planet and Partnerships) have been built around these goals in the context of the SDG bond issue, which are themselves broken down into 12 categories of eligible expenditures.

These 12 categories from which eligible SDG expenditures are selected, as well as the associated eligibility criteria, were defined and made public at the time of the inaugural issue, in the framework document available on the website of the Ministry of Economy and Finance as well as that dedicated to the SDG bonds.

The selection process for eligible SDG expenditures is conducted by the Steering Committee, the organisation chart of which is presented in Figure 1 below. This committee carries out fundamental tasks, including the validation of the eligibility of projects, assets and expenses, the assessment and selection of eligible expenditures and the analytical allocation of the funds raised.

Figure 1: Organisational chart of the Steering Committee for the SDG bonds

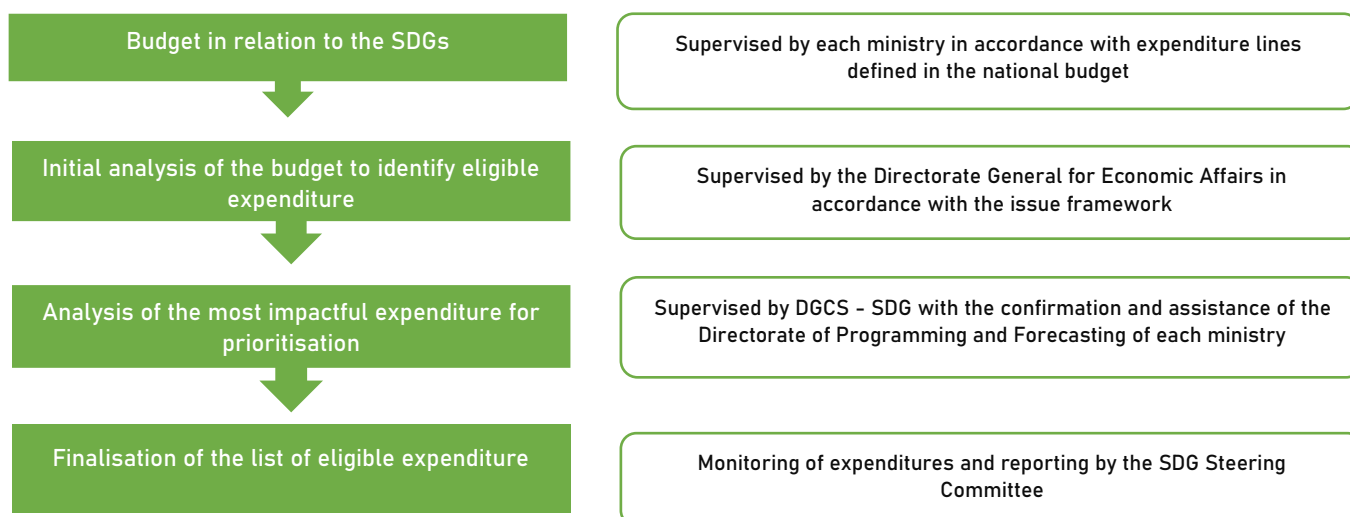


Source: SDG Bond Framework, Agenda 2030



The Steering Committee also ensures that certain areas are excluded, namely: (i) expenditures on fossil fuels, tobacco, alcohol, gambling, production and trade in arms or defence and security equipment, including small arms and light weapons as well as explosives and ammunition for military use, (ii) development of red meat industries, deforestation of primary forest, modified natural forest and mangroves (iii) any project likely to be detrimental to indigenous populations as well as any rehabilitation and territorial development project leading, without prior consultation and financial compensation, to the displacement of more than 100 people; (iv) any agricultural project for the development, dissemination and production of GMOs that has not been validated by the national biosafety council, as well as any cotton project using pesticides not authorised by the national pesticide management committee; (v) the production or trading of any product or activity considered illegal in accordance with national laws and international conventions relating to sustainable development issues.

Figure 2: Selection process for eligible expenditures



Source: SDG Bond Framework, 2021

Furthermore, it is important to note that half of Benin's inaugural SDG bond issue was backed by eligible expenditures between 16 July 2019 and 2021 (reimbursement) and half by remaining expenditures in 2021 (new funding).



III. ALLOCATION OF RESOURCES



3.1. Overall presentation of the allocation of funds

The allocation portfolio takes into account projects from all twelve (12) categories of eligible expenditures identified in the issue framework document, as shown in Table 2 below.

Table 2: Summary of allocation of funds to selected projects

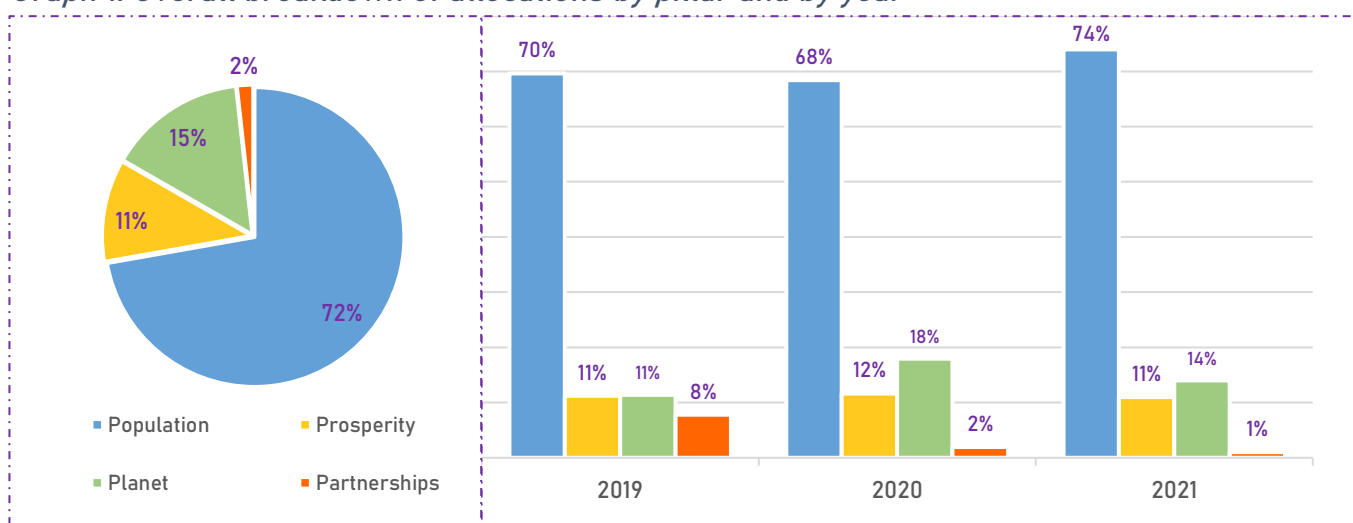
Pillars	No. of eligible categories	No. of projects funded	Reimbursement		New funding		Total allocation	
			Amount (in €m)	Share (%)	Amount (in €m)	Unit (%)	Amount (in €m)	Share (%)
Population	5	31	173.2	49.4	177.3	50.6	350.5	72.2
Prosperity	3	15	24.7	45.9	29.1	54.1	53.8	11.1
Planet	3	9	38.5	53.1	34.0	46.9	72.5	14.9
Partnerships	1	2	6.3	73.2	2.3	26.8	8.5	1.8
Together	12	57	242.7	50	242.7	50	485.4	100

Source: MEF, July 2022

This table shows that fifty-seven (57) projects, programmes or sovereign measures are associated with the categories of expenditures financed, with a concentration in the "Population" pillar (72.2% of funding) through thirty-one (31) projects/programmes financed within this pillar.

A general overview of the breakdown of funds by pillar is shown in Graph 1.

Graph 1: Overall breakdown of allocations by pillar and by year



Source: MEF, July 2022

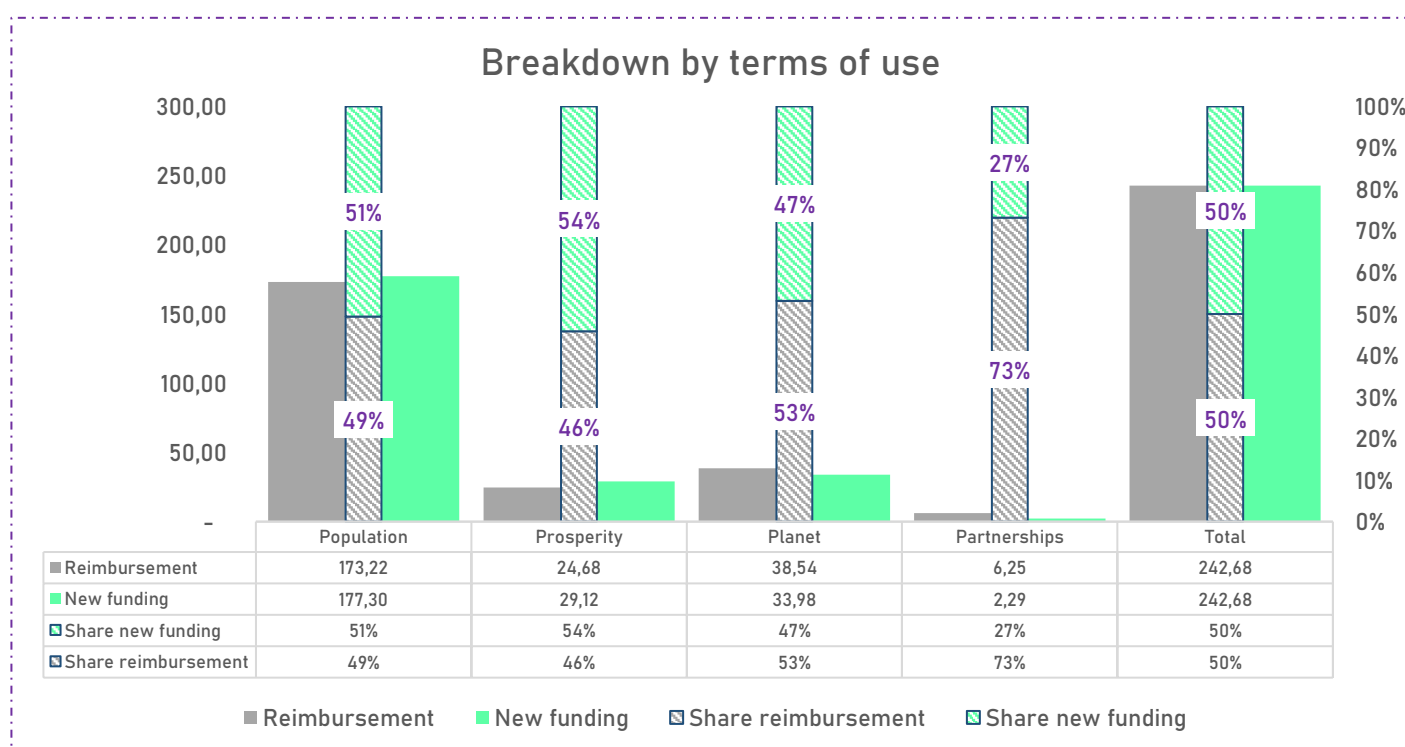
Graph 2: Breakdown of funds allocated by year



The total amount of funds allocated is €485,365,000, broken down into 50% in reimbursement and the other half new in funding of €242,682,500.

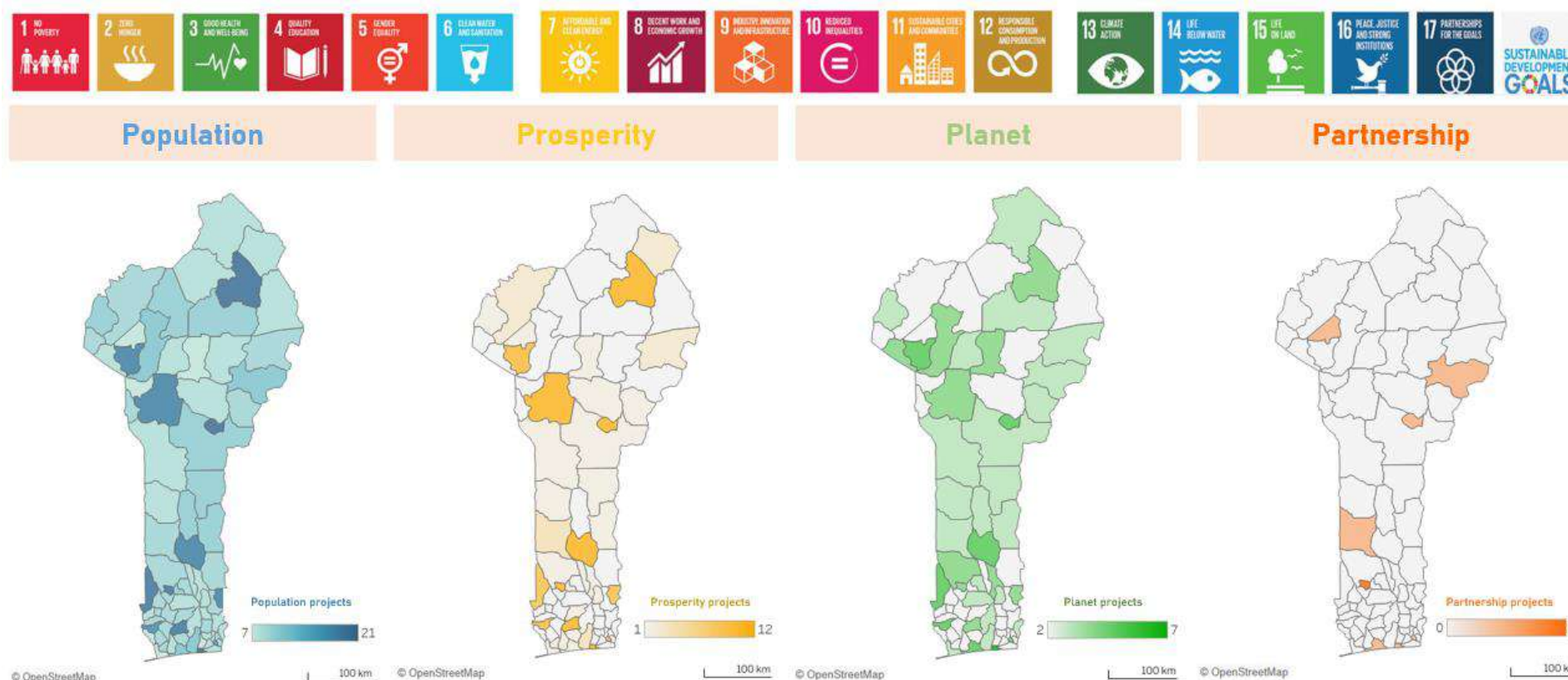
An intra-pillar analysis reveals that the share of reimbursement is higher in the 'Partnerships' and 'Planet' pillars at 73.2% and 53.1% respectively, while the relatively high share of new funding in the 'Prosperity' and 'Population' pillars is estimated at 54.1% and 50.6% respectively. As for the breakdown of the total in reimbursement, 71.4% of resources were allocated to the Population pillar, followed by the Planet pillar (15.9%). In terms of total new funding, 73.1% of resources are dedicated to the Population pillar, followed by the Planet pillar with 14.0% of the amount.

Graph 3: Breakdown of funds allocated (in €m)



Source: MEF, July 2022

Figure 3: Mapping of breakdown by pillar



€485.4
million
allocated

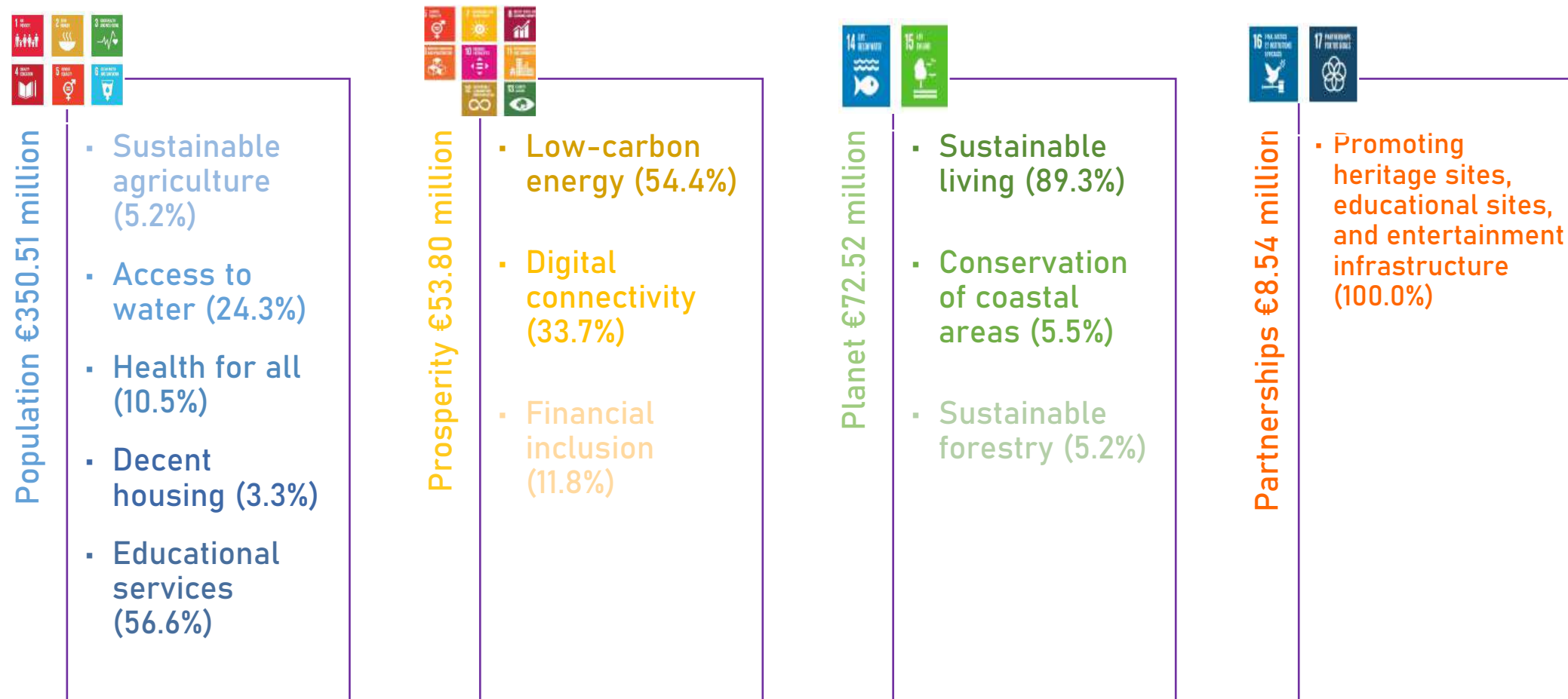
57 projects
and
expenditures
funded

Diversity of
beneficiary
groups

- The allocation of resources covers the total amount of funds raised.
- This funding covered a variety of eligible projects and expenditures for a diverse and varied target population.
- The mapping of projects in the portfolio shows that all municipalities in the country are included in the distribution of funds, albeit to varying degrees.

3.2. Allocation details and performance by SDG pillar

Figure 4: Summary by pillar

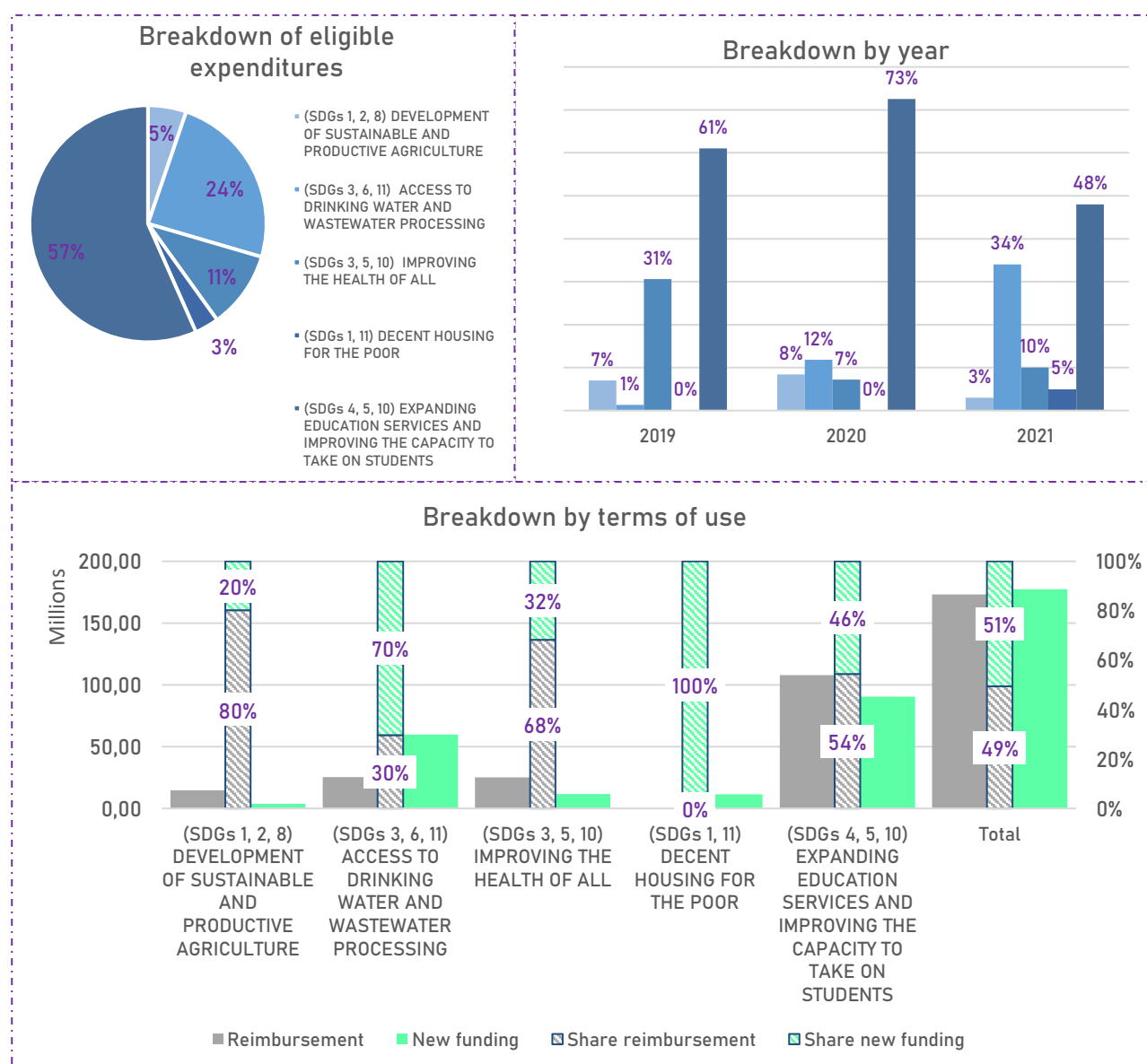


Source: MEF, July 2022

3.2.1. Population

The total amount allocated to the "Population" pillar is €350,514,103.51, with €173,216,485.53 for reimbursement (i.e. 49.4%) and €177,297,617.98 for new funding. Of the five (5) categories of expenditures under this pillar, the expenditure relating to "Expanding education services and improving the capacity to take on students", closely linked to SDGs 4, 5 and 10, accounts for more than half of this allocation, i.e. 56.6%. In addition, the categories of "Improving the health of all (SDGs 3, 5, 10)" and "Access to drinking water and wastewater processing (SDGs 3, 6, 11)" account for 10.5% and 24.3% of the amount allocated to this pillar respectively.

Graph 4: Breakdown of funds allocated to the "Population" pillar

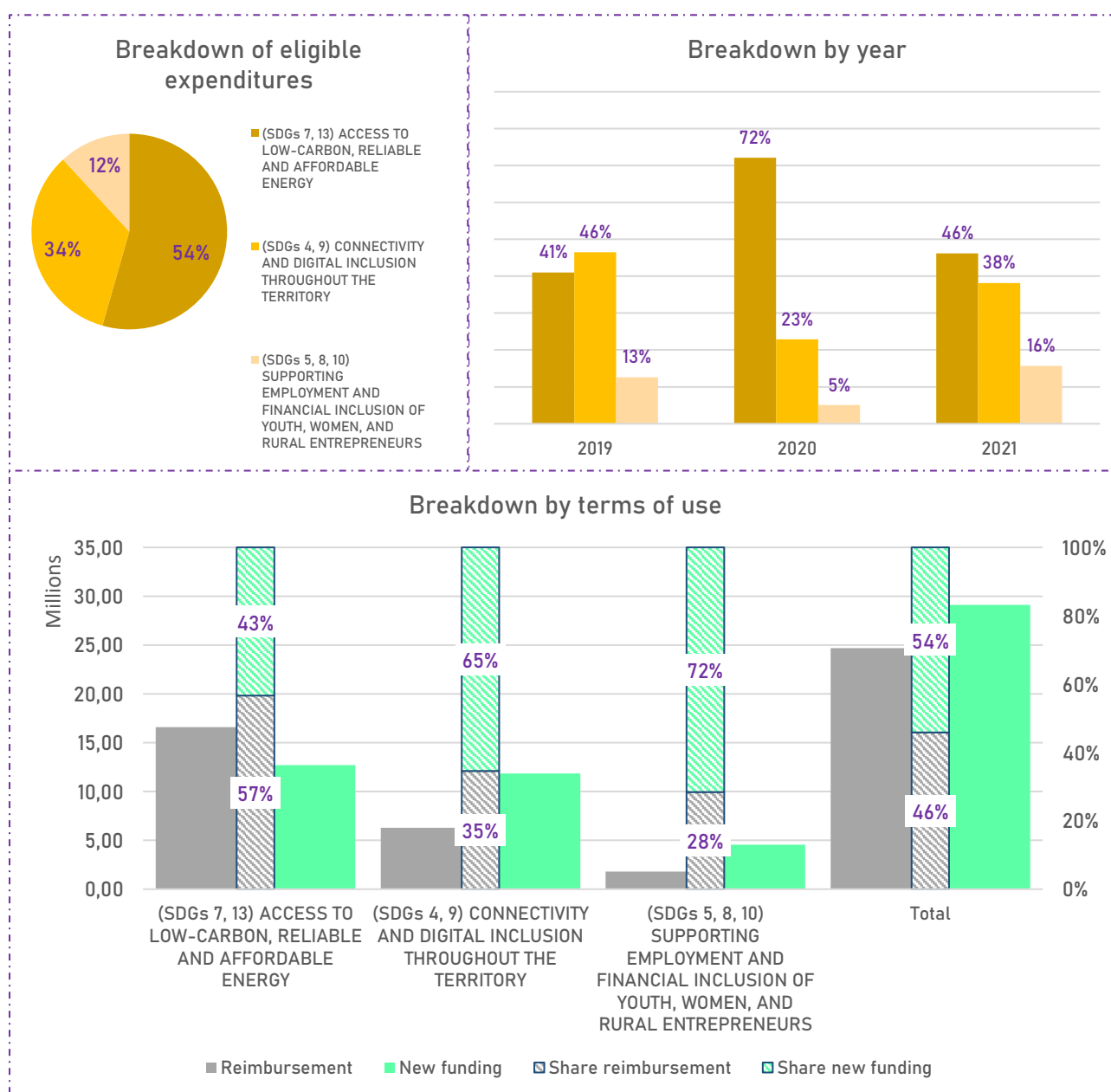


Source: MEF, July 2022

3.2.2. Prosperity

A total of € 53,797,304.37 is allocated to the different categories of expenditures under the "Prosperity" pillar, with € 24,675,661.39 is for reimbursement, i.e. 45.9%, and € 29,121,642.98 for new funding, i.e. 54.1%. A breakdown of this total amount by pillar expenditure categories shows that 54.4% is allocated to "Access to low-carbon, reliable and affordable energy (SDGs 7, 13)", 33.7% to "Connectivity and Digital Inclusion throughout the territory (SDGs 4, 9)" and 11.8% to the category on "Supporting employment and financial inclusion of youth, women and rural entrepreneurs (SDGs 5, 8, 10)".

Graph 5: Breakdown of funds allocated to the "Prosperity" pillar

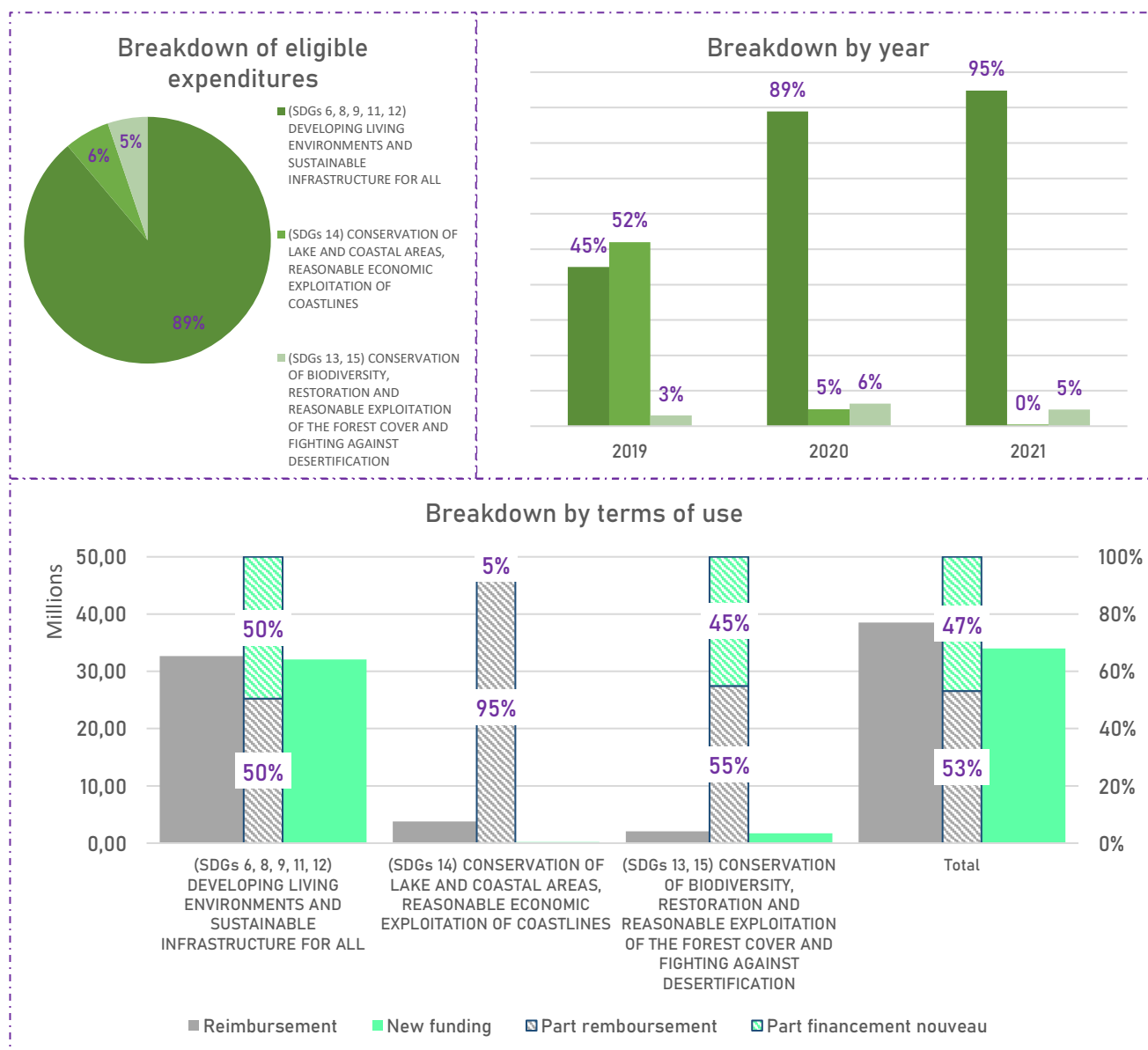


Source: MEF, July 2022

3.2.3. Planet

A budget of €72,516,447.16 was allocated to eligible expenditures under the "Planet" pillar, of which €38,539,943.37 represents reimbursement, i.e. 53.1%, and €33,976,503.79 for new funding, i.e. 46.9%. This budget includes expenditures related to "Sustainable living and infrastructure for all (SDGs 6, 8, 9, 11, 12)" for 89.3%, expenditures related to "Conservation of lake and coastal areas, reasonable economic exploitation of coastlines (SDG 14)" for 5.5% and expenditures related to "Conservation of biodiversity, restoration & reasonable exploitation of forest cover & fighting against desertification (SDGs 13, 15)" for 5.2%.

Graph 6: Breakdown of funds allocated to the "Planet" pillar

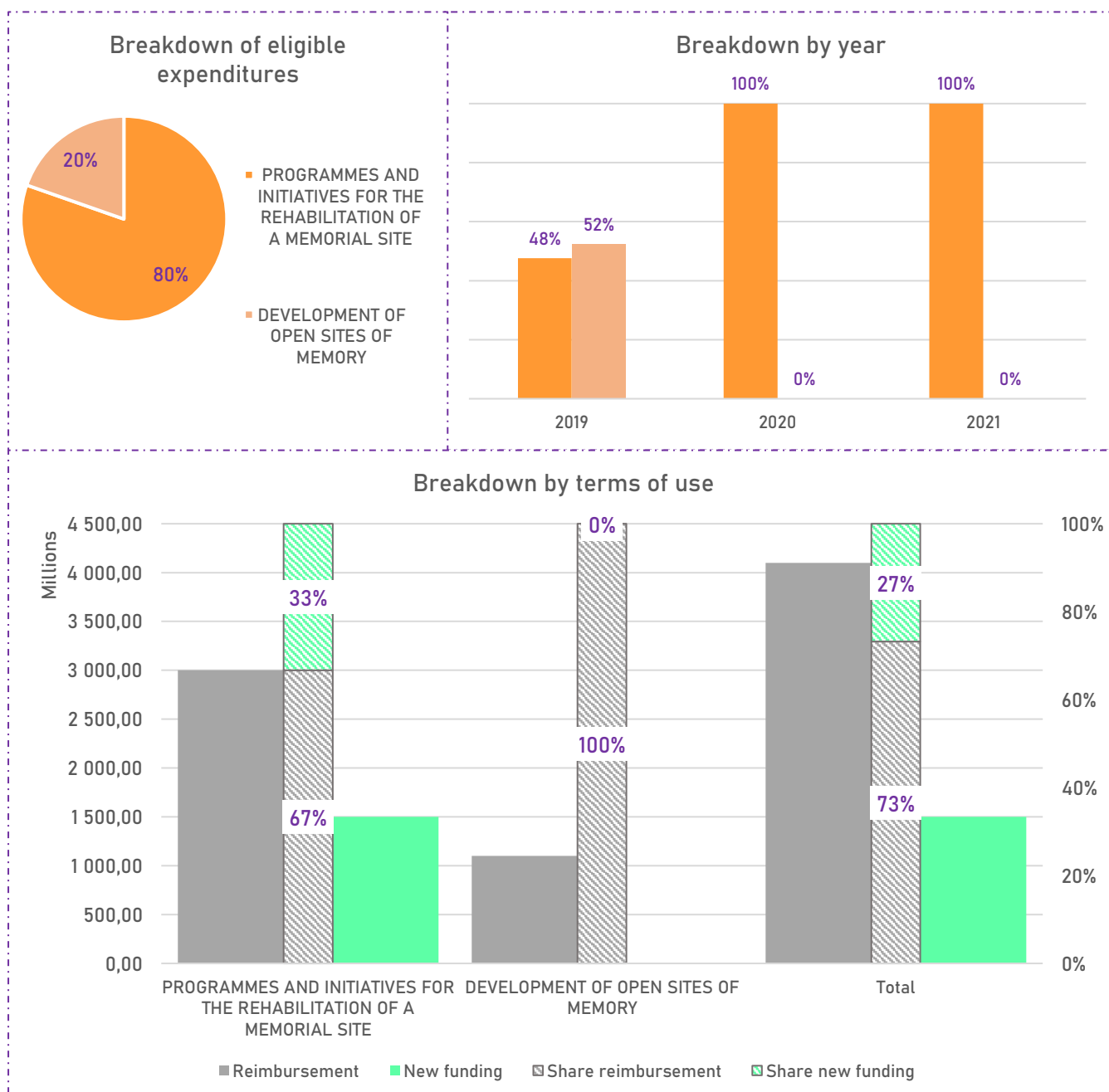


Source: MEF, July 2022

3.2.4. Partnerships

The total amount allocated to the "Partnerships" pillar is €8,537,144.97, divided between €6,250,409.71 for reimbursement, i.e. 73.2%, and €2,286,735.26 for new funding, i.e. 26.8%. The amount allocated is only for the category "Promoting heritage sites, educational sites, and entertainment infrastructure (SDGs 4, 11, 17)".

Graph 7: Breakdown of funds allocated to the "Partnerships" pillar







Source: MEF, July 2022

3.3. Allocation details by eligible expenditure category

Generally, funds are mainly allocated to "Expanding education services and improving the capacity to take on students" (€198.54 million) and "Access to drinking water and wastewater processing" (€85.12 million).

Table 3: Summary of allocation by expenditure category

Pillars	Categories of eligible expenditures	Allocations Eurobonds 2021 (€ million)
	DEVELOPMENT OF SUSTAINABLE AND PRODUCTIVE AGRICULTURE	18.36
	ACCESS TO DRINKING WATER AND WASTEWATER PROCESSING	85.12
	IMPROVING THE HEALTH OF ALL	36.97
	DECENT HOUSING FOR THE POOR	11.51
	EXPANDING EDUCATION SERVICES AND IMPROVING THE CAPACITY TO TAKE ON STUDENTS	198.54
TOTAL POPULATION		350.51
 Prosperity	ACCESS TO LOW-CARBON, RELIABLE AND AFFORDABLE ENERGY	29.29
	CONNECTIVITY AND DIGITAL INCLUSION THROUGHOUT THE TERRITORY	18.14
	SUPPORTING EMPLOYMENT AND FINANCIAL INCLUSION OF YOUTH, WOMEN, AND RURAL ENTREPRENEURS	6.37
TOTAL PROSPERITY		53.80
 Planet	DEVELOPING LIVING ENVIRONMENTS AND SUSTAINABLE INFRASTRUCTURE FOR ALL	64.74
	CONSERVATION OF LAKE AND COASTAL AREAS, REASONABLE ECONOMIC EXPLOITATION OF COASTLINES	3.99
	CONSERVATION OF BIODIVERSITY, RESTORATION AND REASONABLE EXPLOITATION OF THE FOREST COVER AND FIGHTING AGAINST DESERTIFICATION	3.79
TOTAL PLANET		72.52
 Partnerships	PROMOTING HERITAGE SITES, EDUCATIONAL SITES, AND ENTERTAINMENT INFRASTRUCTURE	8.54
TOTAL PARTNERSHIPS		8.54

Source: MEF, July 2022

Table 4: Top 5 eligible expenditure categories covering 85.3% of the Eurobond

SDG targets	Ministries in charge	Category of eligible expenditures	Amount allocated (€m)	% total allocation (%)
4, 5,10	Ministries in charge of Education	EXPANDING EDUCATION SERVICES AND IMPROVING THE CAPACITY TO TAKE ON STUDENTS	198.54	40.9
3, 6,11	Ministry of Water and Mines (MEM)	ACCESS TO DRINKING WATER AND WASTEWATER PROCESSING	85.12	17.5
6, 8, 9, 11, 12	Ministries in charge of the Environment, Infrastructure and Living and Agriculture	DEVELOPING LIVING ENVIRONMENTS AND SUSTAINABLE INFRASTRUCTURE FOR ALL	64.74	13.3
3, 5,10	Ministries of Health and Social Affairs	IMPROVING THE HEALTH OF ALL	36.97	7.6
7, 13	Ministry of Energy	ACCESS TO LOW-CARBON, RELIABLE AND AFFORDABLE ENERGY	29.29	6.0
Subtotal (5 categories of eligible expenditures)			414.66	85.3
7 remaining categories of expenditures			70.71	14.7
Total allocation			485.37	100

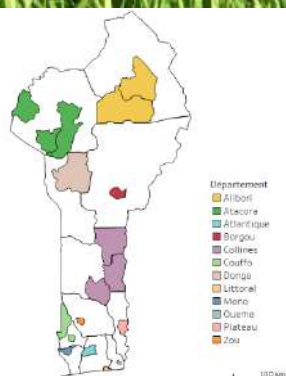
Source: MEF, July 2022

3.3.1. DEVELOPMENT OF SUSTAINABLE AND PRODUCTIVE AGRICULTURE (SDGs 1, 2, 8)



This refers to expenditures on current transfers, subsidies and investments in support of responsible agriculture, i.e. agriculture that respects soils and aquifers (moderate withdrawals from nature in order to avoid depletion of natural resources) and does not endanger the health of farmers and/or local populations.

Excluded here are expenditures whose purpose (i.e. directly/primarily) is to target fossil-fuel powered equipment.



80.2%

Reimbursement

19.8%

New funding

3.3.2. ACCESS TO DRINKING WATER AND WASTEWATER PROCESSING (SDGs 3, 6, 11)



This refers to public investment expenditures promoting access to quality drinking water for everyday consumption and basic sanitation facilities for the target populations.

There are many positive interrelationships between this water theme and SDG 6 and the other SDGs, particularly in the area of health (SDG 3 health and well-being) and the prevention of water-borne diseases, which are partly due to the lack of sanitation.



29.7%

Reimbursement

70.3%

New funding

3.3.3. IMPROVING THE HEALTH OF ALL (SDGs 3, 5, 10)



Inclusivity in terms of health care (including universal access and free health care) refers not only to building capacity to reach a larger set of populations from a baseline, but also to developing social policies.

Benin is in the process of upgrading the health sector in line with the "National Long-Term Outlook Studies Benin 2025". Improving the socio-health conditions of the population is a key issue, as is improving governance and resource management in the health sector.



68.3%

Reimbursement

31.7%

New funding

3.3.4. DECENT HOUSING FOR THE POOR (SDGs 1, 11)



A sustainable living environment depends on eliminating overcrowding but also on ensuring access to sufficient local facilities and services.

As population hyper-density is often correlated with the establishment of informal housing in urban areas whose populations fall below the average level of non-monetary poverty, intervention on the living conditions of these populations helps to ensure a level of comfort through the installation of new facilities.



0.0%

Reimbursement

100.0%

New funding

3.3.5. EXPANDING EDUCATION SERVICES AND IMPROVING THE CAPACITY TO TAKE ON STUDENTS (SDGs 4, 5, 10)



Educational services refer to both the schooling policies directly supported by the Beninese government to increase the chances of access to education for all, but also to the infrastructure that enables the Beninese to receive a quality education.

Improving the quality of school services and financing new facilities can be seen as a way to keep skills on Beninese soil, and to avoid South/North migration due to the country's poor educational infrastructure. For primary education, only investments and expenditure in public educational establishments with free and universal access are eligible.



54.4%

Reimbursement

45.6%

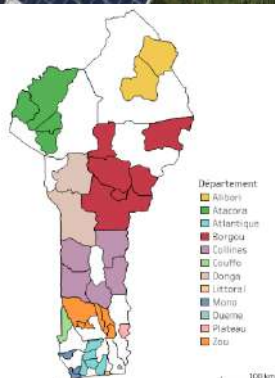
New funding

3.3.6. ACCESS TO LOW-CARBON, RELIABLE AND AFFORDABLE ENERGY (SDGs 7, 13)



Access to electricity is an essential or "basic" service with many direct and indirect benefits, including lighting, various appliances for food (improving the penetration rates of clean cooking energy) and (tele)communication (radio telephony, internet). This access is deployed and/or promoted by the state through various expenditures and investments.

Fossil fuels in all forms (solid, liquid or gasified) are excluded. Access to electricity can be provided by connection to the conventional electricity grid.



56.6%

Reimbursement

43.4%

New funding

3.3.7. CONNECTIVITY AND DIGITAL INCLUSION THROUGHOUT THE TERRITORY (SDGs 4, 9)



Digital inclusion refers to the process of enabling individuals to access digital technology in order to acquire skills that will leverage their social and economic inclusion. The Government's Action Programme 2016-2021 includes among its development objectives the use of digital technology and skills in the education sector and in vocational and technical, initial and advanced training through internet connectivity.

Increased connectivity - especially mobile connectivity - allows Beninese people everywhere, especially in the countryside, to access basic services such as health services. Mobile digital platforms maximise digital and financial inclusion and drive innovation



34.6%

Reimbursement

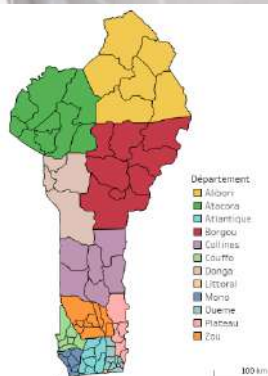
65.4%

New funding

3.3.8. SUPPORTING EMPLOYMENT AND FINANCIAL INCLUSION OF YOUTH, WOMEN AND RURAL ENTREPRENEURS (SDGs 5, 8, 10)



In Benin, more than 90% of jobs are in the informal sector and unemployment among 15-34-year-olds is particularly high. Job training is therefore a key issue for Benin's youth, who are exposed to unemployment and job insecurity. Ensuring financing for job training and SMEs/VSEs created by young workers, through support mechanisms (subsidised loans, etc.) granted by the Beninese government, results in better insertion of young Beninese in the workplace which will ultimately stimulate the country's economic fabric and growth.



28.5%

Reimbursement

71.5%

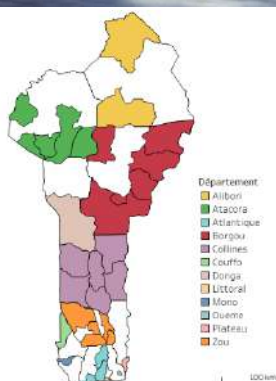
New funding

3.3.9. DEVELOPING LIVING ENVIRONMENTS AND SUSTAINABLE INFRASTRUCTURE FOR ALL (SDGs 6, 8, 9, 11, 12)



Sustainable infrastructure is closely linked to a sustainable living environment that is healthy, well-aerated and open to all from a hygienic and socially inclusive perspective. These urban living environments are fully in line with the emergence of sustainable or "smart" cities.

Sustainable infrastructure refers here to places that have a lower carbon footprint than conventional infrastructure; are socially inclusive for all their communities and users; have implementation and development criteria that aim, for example, at reducing urban heat islands due to uncontrolled urbanisation and urban congestion caused by the failure of urban traffic networks; avoid massive population displacements; and have been subject to consultation with the population.



50.5%

Reimbursement

49.5%

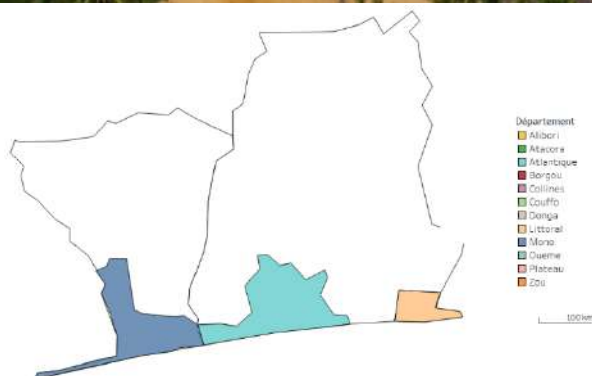
New funding

3.3.10. CONSERVATION OF LAKE AND COASTAL AREAS, REASONABLE ECONOMIC EXPLOITATION OF COASTLINES (SDG 14)



This refers to expenditure related to the conservation of the Beninese coastline, which is experiencing a high rate of coastal erosion. The retreat of the coastline can reach 12 to 30 metres per year at the most critical points, while the coastline was already home to 1.8 million inhabitants, i.e. about 18% of the country's total population, as of 2013 according to INStAd surveys.

The country has therefore undertaken to clean up water bodies where there was widespread use of prohibited fishing gear and methods. A water surveillance brigade has been created and equipped to ensure the rational and sustainable use of aquatic ecosystems.



95.0%

Reimbursement

5.0%

New funding

3.3.11. CONSERVATION OF BIODIVERSITY, RESTORATION & REASONABLE EXPLOITATION OF THE FOREST COVER & FIGHTING AGAINST DESERTIFICATION (SDGs 13, 15)



This includes expenditure on the promotion of sustainable management of all types of forests and the restoration of degraded land and soil. The issue is that outside of classified or endogenously protected areas, coverage of natural plant formations (dense dry forests, semi-deciduous forests, gallery forests, swamp forests, clear forests, savannah (shrub, tree, woodland), swamp savannah, mangroves and sacred cult forests of southern Benin) is reduced by the exponential increase in demand for agricultural land, the search for the most fertile land (covered by forests), timber production, urban sprawl, and sometimes insufficient respect of forest legislation.



54.9%

Reimbursement

45.1%

New funding

3.3.12. PROMOTING HERITAGE SITES, EDUCATIONAL SITES, AND ENTERTAINMENT INFRASTRUCTURE (SDGs 4, 11, 17)



In a culturally diverse Benin, enhancing different national cultures promotes inter-ethnic and inter-community balance and, consequently, political and social stability. Benin has a wealth of more than a hundred linguistic and cultural groups that cohabit in a relatively small space, where a balance between these cultures favours the stability of the country.

Expenditure included in this category therefore relates to support for a memory economy, which operates around places of memory that allow Beninese to unite around commonalities that link them both to their traditional communities and to the country's mixed history.



73.2%

Reimbursement

26.8%

New funding

CONCLUSION

Benin's SDG bond issue is the expression of the new energy that is being injected into the national economy, demonstrating an inclusive will of governance geared towards the well-being and fulfilment of the different strata of the Beninese population.

Accordingly, in line with the achievement of the four (4) goals of the National Development Plan, allocation of the proceeds of these bonds has been built around four pillars: (i) Population, (ii) Prosperity, (iii) Planet and (iv) Partnerships, which are further broken down into 12 categories of eligible expenditures and associated pre-defined eligibility criteria.

In total, fifty-seven (57) socio-economic development projects are beneficiaries of the amount raised from investors and partners. At around €485 million, the amount allocated to all the selected projects is split equally into reimbursement and new funding needs.

From the point of view of the different pillars, that the share of reimbursement is higher in the 'Partnerships' and 'Planet' pillars at 73.2% and 53.1% respectively, while the relatively high share of new funding in the 'Prosperity' and 'Population' pillars is estimated at 54.1% and 50.6% respectively.



In addition, an independent assessment of the fund allocation mechanism was carried out on this report by the audit firm Deloitte France. The conclusions of their report are appended hereto.






APPENDICES







Table 5: Detailed presentation of the projects associated with the eligible expenditures for SDG funding



Categories of eligible expenditures	Projects/Programmes	Project goals	Reimbursement		New funding		Share by category (%)
			Amounts (in €m)	Share (%)	Amounts (in €m)	Share (%)	
#Pillar 1 Population							
 DEVELOPMENT OF SUSTAINABLE AND PRODUCTIVE AGRICULTURE	Farmer support programme	Strengthen agricultural investments in Benin's rural areas	3.3	58.9	2.3	41.1	30.3
	Programme to strengthen the safety of the food chain	Ensure product safety at all stages of the food chain in accordance with international requirements for food safety, animal health protection and plant protection	3.9	100	-	-	21.2
	Programme to enhance the value-added chains of food products	Contribute to the promotion and equitable structuring of value-added chains for plant, animal and fishery products in priority sectors	2.6	100	-	-	14.1
	Programme to facilitate access to agricultural finance	Promote private investment in the agricultural sector	5.0	78.5	1.4	21.5	34.4
 ACCESS TO DRINKING WATER AND WASTEWATER PROCESSING	Multifunctional Water Infrastructure Development and Sustainable Water Resources Management Project	Promote integrated water resources management at the level of river basins and build multifunctional water infrastructure	4.5	81.4	1.0	18.6	6.5
	Equity project to build 80 new systems in critical areas	Increase access to drinking water services in rural areas through the development of drinking water systems	-	-	22.9	100	26.9
	Construction of 95 multi-village drinking water supply systems	Increase access to drinking water services in rural areas through the development of drinking water systems	0.6	2.6	22.9	97.4	27.6
	Project to strengthen the drinking water supply system in the cities of Savè, Glazouè and Dassa and surrounding areas	Strengthen the drinking water supply systems of the cities of Savè, Dassa-Zoumé, Glazoué and surrounding areas	0.8	100	-	-	0.9
	Project to strengthen the drinking water supply system in the city of Parakou and surrounding areas	Strengthen the drinking water supply system in the city of Parakou and surrounding areas	0.6	100	-	-	0.8
	Project to strengthen the drinking water supply system in the city of Abomey-Calavi and surrounding areas	Strengthen the drinking water supply system in the city of Abomey-Calavi and surrounding areas	6.8	42.1	9.4	57.9	19.0
	Project to strengthen the drinking water supply system in the cities of Abomey, Bohicon and surrounding areas	Strengthen the drinking water supply system in the city of Abomey, Bohicon and surrounding areas	11.9	76.2	3.7	23.8	18.3

Categories of eligible expenditures	Projects/Programmes	Project goals	Reimbursement		New funding		Share by category (%)
			Amounts (in €m)	Share (%)	Amounts (in €m)	Share (%)	
 IMPROVING THE HEALTH OF ALL	Programme to strengthen social protection	Strengthen social protection through the health insurance scheme and free caesarean sections	1.7	23.7	5.3	76.3	18.9
	National Programme to Support Immunisation for All	Contribute to the reduction of morbidity and mortality from vaccine-preventable diseases	4.6	87.6	0.7	12.4	14.3
	Programme to strengthen the management of haemodialysis patients	Reduce deaths from chronic kidney disease	5.9	64.5	3.3	35.5	24.9
	Comprehensive support programme for the CNHU	Improve the equipment and operation of the CNHU	5.3	80	1.3	20	17.8
	National Malaria Control Programme	Relieve people of the burden of malaria-related health costs	0.3	40	0.5	60	2.1
	Integrated medical management programme for infants and pregnant women with sickle cell disease	Contribute to the reduction of morbidity and mortality in infants and pregnant women related to sickle cell disease	1.4	81.8	0.3	18.2	4.5
	Integrated blood product management programme	Improve the availability of blood products throughout the country	5.8	93.7	0.4	6.3	16.7
 DECENT HOUSING FOR THE POOR	Construction project for 500 social housing units	Build 500 social housing units (3- and 4-roomed units), including 200 in Ouidah, 200 in Allada and 100 in Parakou, to be rented primarily to defence and security forces personnel as a prelude to the dismantling of Camp Guézo in Cotonou in the coming days.	-	-	11.5	100	100.0
	Programme to strengthen access to university social services	Improve the living and studying conditions of students through the provision of services by universities	5.8	79.0	1.5	21.0	3.7
	Sèmè City Project	Design, plan and develop a smart and sustainable city based on innovation and knowledge, providing a stimulating framework and fostering a stronger synergy	7.6	50	7.6	50	7.7

Categories of eligible expenditures	Projects/Programmes	Project goals	Reimbursement		New funding		Share by category (%)
			Amounts (in €m)	Share (%)	Amounts (in €m)	Share (%)	
 EXPANDING EDUCATION SERVICES AND IMPROVING THE CAPACITY TO TAKE ON STUDENTS		between education, research and entrepreneurship to meet the skills needs of African markets					
	National Integrated School Feeding Program (School Canteen Component)	Facilitate access of children to school and keep them in schooling	30.4	59.4	20.8	40.6	25.8
	Hosting capacity building programme in the MEMP	Strengthen the capacity of nursery and primary schools	-	-	6.6	100	3.3
	Programme to strengthen universal access to basic education for all	Cover the payment of school fees in public primary schools	9.2	55.5	7.3	44.5	8.3
	Special Pre-Integration Programme for Pre-School and Primary Education	Solve the problem of teacher shortages in schools and reduce youth unemployment to some extent	10.5	48.9	10.9	51.1	10.8
	Capacity building programme for national education management employees	Contribute to the financing of the training school for national education employees	0.7	68.3	0.4	31.7	0.6
	Support programme for the enrolment of girls in secondary education	Extend the measure of exemption from registration fees to female students in the Second Cycle of the ESG	9.4	58.6	6.6	41.4	8.0
	Project for the Construction, Rehabilitation and Equipping of Public Infrastructure (Pcrei-etfp)	Improving access and quality of technical and vocational training in line with employment market standards of infrastructure and equipment	6.4	99.4	0.0	0.6	3.2
	Special Pre-Integration Programme for Secondary Education	Solve the problem of teacher shortages in schools and reduce youth unemployment to some extent	25.0	48.9	26.0	51.1	25.7
	Incentive programme for education in disadvantaged areas	Establish an incentive scheme for education in disadvantaged areas	3.0	52.9	2.7	47.1	2.9
#Pillar 2 Prosperity							
	Project for the sustainable promotion of biomass electricity in Benin (PPDBEB)	Reduce GHG emissions by creating an enabling legal, regulatory and business environment and by building institutional, administrative and technical capacity to promote dry biomass gasification power generation	0.7	17.0	3.2	83.0	13.4
	Action Programme for the Electrification of Rural Areas in Benin	Strengthen the electricity grid in rural areas	8.1	60.5	5.3	39.5	45.8

Categories of eligible expenditures	Projects/Programmes	Project goals	Reimbursement		New funding		Share by category (%)
			Amounts (in €m)	Share (%)	Amounts (in €m)	Share (%)	
 ACCESS TO LOW CARBON, RELIABLE AND AFFORDABLE ENERGY	Project to Strengthen the Resilience of the Energy Sector to Climate Change Impacts in Benin (Pana Energy)	Reduce the consequences of climate variability and change for the energy sector in	2.2	45.2	2.6	54.8	16.5
	Emergency programme for rural electrification	Electrification of 17 Rural Communities by Connection to the Conventional Grid	2.6	100	-	-	8.7
	Project to reinforce and extend electricity grids	Increase the capacity of the electricity distribution system and ensure that the beneficiary populations have access to reliable, quality electricity	3.1	66.8	1.5	33.2	15.7
 CONNECTIVITY AND DIGITAL INCLUSION THROUGHOUT THE TERRITORY	Project for the Deployment of Community Digital Points in Benin's municipalities and districts	Ensure access to high- and very high-speed internet in the main towns of areas with no or poor coverage	-	-	0.6	100	3.4
	Programme to encourage the use of digital technology in education and training	Generalise the introduction and use of digital technology in education in Benin	-	-	1.5	100	8.4
	Digital infrastructure deployment projects for the extension of broadband coverage in US areas (60 sites)	Deploy digital infrastructure to extend broadband coverage to 60 sites	-	-	2.8	100	15.3
	Intelligent Administration Project	Improve the efficiency and openness of the administration by refocusing the public service around the user and promote good governance and the fight against corruption	5.0	78.0	1.4	22.0	35.4
	Project to generalise the use of e-commerce	Put in place regulatory, tax and operational levers to generalise the use of e-commerce and develop online and mobile payments	-	-	0.5	100	2.9
	Digital Content Development Projects	Adopt innovative and quality digital services and uses in all sectors of economic and social life	-	-	1.5	100	8.4
	Project to densify high- and very high-speed broadband network	Densify Benin's high- and very high-speed broadband network	-	-	1.3	100	7.4
	Benin Digital Security Project	Ensure a secure and attractive cyberspace for a thriving digital economy in Benin	1.3	37.3	2.1	62.7	18.8

Categories of eligible expenditures	Projects/Programmes	Project goals	Reimbursement		New funding		Share by category (%)
			Amounts (in €m)	Share (%)	Amounts (in €m)	Share (%)	
 SUPPORTING EMPLOYMENT AND FINANCIAL INCLUSION OF YOUTH, WOMEN, AND RURAL ENTREPRENEURS	Special Employment Integration Programme	Facilitate the professional integration of two thousand (2,000) young graduates in companies per year, whose salaries are paid directly by the government during the first year, and partially during the second year, the rest being paid by the beneficiary companies	-	-	3.6	100	56.6
	Programme to facilitate access to micro-credit for the very poor	Facilitate low-cost micro-credit for the very poor	1.8	65.5	1.0	34.5	43.4
#Pillar 3 Planet							
 DEVELOPING LIVING ENVIRONMENTS AND SUSTAINABLE INFRASTRUCTURE FOR ALL	Project to modernise the waste collection and management system in Grand Nokoué	Contribute to the improvement of the living environment of the people of Benin	21.0	48.8	22.0	51.2	66.4
	Programme to provide overall support in improving the living environment of the people of Benin	Sustaining the sanitation investments made in Benin's main urban centres to make them more functional and attractive	0.0	0.5	1.5	99.5	2.4
	Rural Irrigated Perimeter Development Project (Pdpim)	Contribute to rice self-sufficiency, crop diversification, food security and rural poverty reduction	0.1	4.3	1.7	95.7	2.7
	Sustainable Cities Programme	Achieve sustainability and resilience in Benin's main urban centres by raising the levels of infrastructure, facilities and services, and by protecting and improving local environments	5.3	100	-	-	8.2
	Programme to provide overall support in improving the rural roads in Benin	Contribute to the construction and maintenance of rural roads in Benin	6.3	54.1	5.3	45.9	18.0
	Emergency programme to improve access to all areas in Benin: Construction of 15 Steel Bridges	Improve the mobility of people and goods as well as the conditions of access to basic socio-community infrastructures	-	-	1.5	100	2.3

Categories of eligible expenditures	Projects/Programmes	Project goals	Reimbursement		New funding		Share by category (%)
			Amounts (in €m)	Share (%)	Amounts (in €m)	Share (%)	
 CONSERVATION OF LAKE AND COASTAL AREAS, REASONABLE ECONOMIC EXPLOITATION OF COASTLINES	Programme for the Protection of the Coast Against Coastal Erosion (Cotonou-Siafato, Hilacondji-Bouche du Roy, Grand-Popo-Ouidah)	Strengthen the resilience of Benin's coastline to the effects of climate change and protect the coast from the advancing sea	3.8	95.0	0.2	5.0	100
 CONSERVATION OF BIODIVERSITY, RESTORATION AND REASONABLE EXPLOITATION OF THE FOREST COVER AND FIGHTING AGAINST DESERTIFICATION	National reforestation programme with incentives	Improve national forest cover to meet forest product needs and mitigate climate change	0.5	24.1	1.7	75.9	59.4
	Project to manage forests and adjacent land in Benin (Pgfr)	Contribute to the improvement of the management of forests and adjacent land in Benin	1.5	100	-	-	40.6

#Pillar 4: Partnerships

Categories of eligible expenditures	Projects/Programmes	Project goals	Reimbursement		New funding		Share by category (%)
			Amounts (in €m)	Share (%)	Amounts (in €m)	Share (%)	
   PROMOTING HERITAGE SITES, EDUCATIONAL SITES AND ENTERTAINMENT INFRASTRUCTURE	Special Programme for the Rehabilitation of the Historic City of Abomey (Psrcha)	Contribute to the improvement of the living environment and transport conditions in the historic city of Abomey	4.6	66.7	2.3	33.3	80.4
	Programme for the Protection and Development of Cultural and Natural Heritage of a Cultural Nature	Protect and enhance national cultural heritage	1.7	100	-	-	19.6

**Republic of Benin**

Ministry of Economy and Finance representing the Republic of Benin
993X+6H7, Rte De L'Aéroport
Cotonou, Bénin

This is a translation into English of the limited assurance report of the Republic of Benin and it is provided solely for the convenience of English-speaking users.

Limited Assurance Report from the Independent Auditor on the information related to the allocation, as of 13 July 2022, of funds raised by the Republic of Benin's allocation report through the Sustainable Development Goals ("SDG") bonds issued on 15 July 2021

To the Ministry of Economy and Finance representing the Republic of Benin

Pursuant to your request and in our capacity of Independent Auditor, we have undertaken a limited assurance engagement on the following information ("the Information"): the allocation, as of July 13, 2022 of funds raised through the SDG bond issued on ("the Issues") which amount to 500 000 000€ contained in the SDG report ("the Allocation Report").

The Information has been prepared pursuant to the use of proceeds of the final terms of the green bonds offering dated on July 20 2021 (the "Amortising Notes") and the SDG bond framework defined by the Republic of Benin ("the "SDG Bond Framework").

Our Limited Assurance Conclusion

Based on the procedures we have performed as described under the section "Summary of the work we performed as the basis for our assurance conclusion" and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Information is not prepared, in all material respects, in accordance with the Benin SDG Bond Framework used, and the basis of preparation set out in Allocation Report (see below under "Understanding how The Republic of Benin has prepared the Information").

We do not express an assurance conclusion on information in respect of earlier periods not covered by the Allocation Report or on any other information not included in the Allocation Report. We have not reviewed and do not provide any assurance over other individual project information reported.

Understanding how The Republic of Benin has Prepared the Information

The absence of a commonly used generally accepted reporting framework or a significant body of established practice on which to draw to evaluate and measure sustainability information allows for different, but acceptable, measurement techniques.

Consequently, the Information needs to be read and understood together with the Amortising Notes and the SDG Bond Framework available on the internet site or on demand.

Inherent Limitations in Preparing the Information

As set out in the Allocation Report, the Information may be subject to inherent uncertainty to the state of scientific and economic knowledge and the quality of external data used. Some information is sensitive to the choice of methodology and the assumptions and/or estimates used for its preparation and presented in the Allocation Report.

The Republic of Benin's Responsibilities

The Ministry of Economy and Finance of The Republic of Benin, is responsible for:

- Selecting or establishing suitable criteria for preparing the Information;
- Selecting the Eligible Projects regarding the eligible criteria;
- The preparation of the Information in compliance with the Amortising Notes and the SDG Bond Framework;
- Designing, implementing and maintaining internal control over information relevant to the preparation of the

Information that is free from material misstatement, whether due to fraud or error.

Our Responsibilities

We are responsible for:

- Planning and performing the engagement to obtain limited assurance about whether the Information is free from material misstatement, whether due to fraud or error;
- Forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- Reporting our conclusion to the Ministry of Economy and Finance representing the Republic of Benin.

As we are engaged to form an independent conclusion on the Information as prepared by management, we are not permitted to be involved in the preparation of the Information as doing so may compromise our independence.

However, we have no responsibility for:

- challenging the Eligibility Criteria, and, in particular, we give no interpretation on the final terms;
- forming an opinion on the effective use of the funds allocated to the Eligible Projects after such funds have been allocated.

Professional Standards Applied

We performed a limited assurance engagement in accordance with the professional guidance of the French Institute of Statutory Auditors ("CNCC") applicable to such engagements and International Standard on Assurance Engagements 3000 (Revised).

Our Independence and Quality Control

We have complied with the French Code of Ethics (Code de Déontologie) for Statutory Auditors as well as the provisions set forth in Article L.822-11 of the French Commercial Code (Code de Commerce). In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with applicable legal and regulatory requirements, the ethical requirements and French professional guidance.

Summary of the Work we Performed as the Basis for our Assurance Conclusion

We are required to plan and perform our work to address the areas where we have identified that a material misstatement of the Information is likely to arise. The procedures we performed were based on our professional judgment. In carrying out our limited assurance engagement on the Information, we:

- Understood the Government's Action Programme and the selected projects that contribute to achieving the sustainable development goals defined by the Republic of Benin
- Understood the procedures implemented by the Ministry of Economy and Finance representing the Republic of Benin for producing the Information by inquiries of management;
- Verified the appropriate segregation of the funds raised from the Issues and their exclusive allocation to Eligible Projects;
- Performed the necessary reconciliations between the Information and the reporting from which it is derived and performed substantive tests, on a sample basis and using other selection methods, to verify the concordance of the Information with supporting documents underlying the accounting records;
- Verified the consistency of the quantitative information as published in the allocation report.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

This report has been prepared within the context described above and may not be used, distributed, or referred to for any other purpose.

Paris, 13 July 2022

The Independent Auditor

Deloitte & Associés

Ambroise Depouilly