

MILLENNIUM CHALLENGE COMPACT

BETWEEN

THE UNITED STATES OF AMERICA

ACTING THROUGH

THE MILLENNIUM CHALLENGE CORPORATION

AND

THE REPUBLIC OF BENIN

MILLENNIUM CHALLENGE COMPACT
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MILLENNIUM CHALLENGE COMPACT

PREAMBLE

This MILLENNIUM CHALLENGE COMPACT (this “*Compact*”) is between the United States of America, acting through the Millennium Challenge Corporation, a United States government corporation (“*MCC*”), and the Republic of Benin (“*Benin*”), acting through its government (the “*Government*”) (individually, a “*Party*”, and collectively, the “*Parties*”). Capitalized terms used in this Compact will have the meanings provided in Annex VII.

Recalling that in 2011 the Parties successfully concluded an initial Millennium Challenge Compact that advanced the progress of Benin in achieving lasting economic growth and poverty reduction, demonstrated the strong partnership between the Parties and was implemented in accordance with MCC’s core policies and standards;

Recognizing that the Parties are committed to the shared goals of promoting economic growth and the elimination of extreme poverty in Benin and that MCC assistance under this Compact supports Benin’s demonstrated commitment to strengthening good governance, economic freedom and investments in its people;

Recalling that the Government consulted with the private sector and civil society of Benin to determine the priorities for the use of MCC assistance and developed and submitted to MCC a proposal for such assistance to achieve lasting economic growth and poverty reduction; and

Recognizing that MCC wishes to help Benin implement the program described herein to achieve the goal and objectives described herein (as such program description and objectives may be amended from time to time in accordance with the terms hereof, the “*Program*”);

The Parties hereby agree as follows:

ARTICLE 1.

GOAL AND OBJECTIVES

Section 1.1 Compact Goal. The goal of this Compact is to reduce poverty through economic growth in Benin (the “*Compact Goal*”). MCC’s assistance will be provided in a manner that strengthens good governance, economic freedom and investments in the people of Benin.

Section 1.2 Program Objective. The objective of the Program (the “*Program Objective*”) is to expand business production and productivity, generate greater economic opportunities for households and improve the capacity to provide public and social services by improving the

quantity and quality of the supply of electricity. The Program consists of the projects described in Annex I (each, a “**Project**”, and collectively, the “**Projects**”).

Section 1.3 Project Objectives. The objective of each of the Projects (each, a “**Project Objective**”, and collectively, the “**Project Objectives**”) is described in Annex I.

ARTICLE 2.

FUNDING AND RESOURCES

Section 2.1 Program Funding. Upon entry into force of this Compact in accordance with Section 7.3, MCC will grant to the Government, under the terms of this Compact, an amount not to exceed Three Hundred Fifty Seven Million United States Dollars (US\$357,000,000) (“**Program Funding**”) consisting of Two Hundred Fifty Seven Million United States Dollars (US\$257,000,000) (“**Tranche I Funding**”), Eighty Million United States Dollars (US\$80,000,000) (“**On-Grid Tranche Funding**”), and Twenty Million United States Dollars (US\$20,000,000) (“**Off-Grid Tranche Funding**”) for use by the Government to implement the Program. The allocation of Program Funding is generally described in Annex II.

Section 2.2 Compact Implementation Funding.

(a) Upon the signing of this Compact, MCC will grant to the Government, under the terms of this Compact and in addition to the Program Funding described in Section 2.1, an amount not to exceed Eighteen Million United States Dollars (US\$18,000,000) (“**Compact Implementation Funding**”) under Section 609(g) of the Millennium Challenge Act of 2003, as amended (the “**MCA Act**”), for use by the Government to facilitate implementation of this Compact, including for the following purposes:

- (i) financial management and procurement activities;
- (ii) administrative activities (including start-up costs such as staff salaries) and administrative support expenses such as rent, computers and other information technology or capital equipment;
- (iii) monitoring and evaluation activities;
- (iv) feasibility, design and other project preparatory studies; and
- (v) other activities to facilitate Compact implementation as approved by MCC.

The allocation of Compact Implementation Funding is generally described in Annex II.

(b) In accordance with Section 7.5, this Section 2.2 and other provisions of this Compact applicable to Compact Implementation Funding will be effective, for purposes of Compact Implementation Funding only, as of the date this Compact is signed by MCC and the Government.

(c) Each Disbursement of Compact Implementation Funding is subject to satisfaction of the conditions precedent to such Disbursement as set forth in Annex IV.

(d) If MCC determines that the full amount of Compact Implementation Funding available under Section 2.2(a) exceeds the amount that reasonably can be utilized for the purposes set forth in Section 2.2(a), MCC, by written notice to the Government, may withdraw the excess amount, thereby reducing the amount of the Compact Implementation Funding available under Section 2.2(a) (such excess, the “**Excess CIF Amount**”). In such event, the amount of Compact Implementation Funding granted to the Government under Section 2.2(a) will be reduced by the Excess CIF Amount, and MCC will have no further obligations with respect to such Excess CIF Amount.

(e) MCC, at its option by written notice to the Government, may elect to grant to the Government an amount equal to all or a portion of such Excess CIF Amount as an increase in the Program Funding, and such additional Program Funding will be subject to the terms and conditions of this Compact applicable to Program Funding.

Section 2.3 MCC Funding. Program Funding and Compact Implementation Funding are collectively referred to in this Compact as “**MCC Funding**”, and includes any refunds or reimbursements of Program Funding or Compact Implementation Funding paid by the Government in accordance with this Compact.

Section 2.4 Disbursement. In accordance with this Compact and the Program Implementation Agreement, MCC will disburse MCC Funding for expenditures incurred in furtherance of the Program (each instance, a “**Disbursement**”). Subject to the satisfaction of all applicable conditions precedent, the proceeds of Disbursements will be made available to the Government, at MCC’s sole election, by (a) deposit to one or more bank accounts established by the Government and acceptable to MCC (each, a “**Permitted Account**”) or (b) direct payment to the relevant provider of goods, works or services for the implementation of the Program. MCC Funding may be expended only for Program expenditures.

Section 2.5 Interest. The Government will pay or transfer to MCC, in accordance with the Program Implementation Agreement, any interest or other earnings that accrue on MCC Funding prior to such funding being used for a Program purpose.

Section 2.6 Government Resources; Budget.

(a) Consistent with MCC’s *Guidelines for Country Contributions*, the Government will make a contribution of no less than seven and one-half percent (7.5%), in addition to any other fiscal cost to the Government, of the amount of MCC Funding provided under this Compact towards meeting the Program Objective and Project Objectives of this Compact. Annex II describes such contribution in more detail. In addition, the Government will provide all funds and other resources, and will take all other actions, that are necessary to carry out the Government’s responsibilities under this Compact.

(b) The Government will use its best efforts to ensure that all MCC Funding it receives or is projected to receive in each of its fiscal years is fully accounted for in its annual budget for the duration of the Program.

(c) The Government will not reduce the normal and expected resources that it would otherwise receive or budget from sources other than MCC for the activities contemplated under this Compact and the Program.

(d) Unless the Government discloses otherwise to MCC in writing, MCC Funding will be in addition to the resources that the Government would otherwise receive or budget for the activities contemplated under this Compact and the Program.

Section 2.7 Limitations on the Use of MCC Funding. The Government will ensure that MCC Funding is not used for any purpose that would violate United States law or policy, as specified in this Compact or as further notified to the Government in writing, including but not limited to the following purposes:

(a) for assistance to, or training of, the military, police, militia, national guard or other quasi-military organization or unit;

(b) for any activity that is likely to cause a substantial loss of United States jobs or a substantial displacement of United States production;

(c) to undertake, fund or otherwise support any activity that is likely to cause a significant environmental, health, or safety hazard, as further described in MCC's *Environmental Guidelines* and any guidance documents issued in connection with such guidelines (collectively, the "**MCC Environmental Guidelines**"); or

(d) to pay for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions, to pay for the performance of involuntary sterilizations as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations or to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning.

Section 2.8 Taxes.

(a) Unless the Parties specifically agree otherwise in writing, the Government will ensure that all MCC Funding is free from the payment or imposition of any existing or future taxes, duties, levies, contributions or other similar charges (but not fees or charges for services that are generally applicable in Benin, reasonable in amount and imposed on a non-discriminatory basis) ("**Taxes**") of or in Benin (including any such Taxes imposed by a national, regional, local or other governmental or taxing authority of or in Benin). Specifically, and without limiting the generality of the foregoing, MCC Funding will be free from the payment of (i) any tariffs, customs duties, import taxes, export taxes and other similar charges on any goods, works or services introduced into Benin in connection with the Program; (ii) sales tax, value added tax, excise tax, property transfer tax and other similar charges on any transactions involving goods, works or services in connection with the Program, (iii) taxes and other similar charges on ownership, possession or use of any property in connection with the Program, and (iv) taxes and other similar charges on income, profits or gross receipts attributable to work performed in connection with the Program and related social security taxes and other similar charges on all natural or legal persons performing work in connection with the Program except

(1) natural persons who are citizens or permanent residents of Benin and (2) legal persons formed under the laws of Benin (but excluding MCA-Benin II and any other entity formed for the purpose of implementing the Government's obligations hereunder).

(b) The principal mechanisms that the Government will use to implement the tax exemption required by Section 2.8(a) are set forth in the Program Implementation Agreement. Such mechanisms may include exemptions from the payment of Taxes that have been granted in accordance with applicable law, refund or reimbursement of Taxes by the Government to MCC, MCA-Benin II or to the taxpayer, or payment by the Government to MCA-Benin II or MCC, for the benefit of the Program, of an agreed amount representing any collectible Taxes on the items described in Section 2.8(a).

(c) If a Tax has been paid contrary to the requirements of Section 2.8(a) or the Program Implementation Agreement, the Government will refund promptly to MCC (or to another party as designated by MCC) the amount of such Tax in United States Dollars or the currency of Benin within thirty (30) days (or such other period as may be agreed in writing by the Parties) after the Government is notified in writing (whether by MCC or MCA-Benin II) that such Tax has been paid. Failure to refund such amount within the specified time will result in interest accruing on the unpaid amount in accordance with Section 5.4.

(d) No MCC Funding, proceeds thereof or Program Assets may be applied by the Government in satisfaction of its obligations under Section 2.8(c).

ARTICLE 3.

IMPLEMENTATION

Section 3.1 Program Implementation Agreement. The Parties will enter into an agreement providing further detail on the implementation arrangements, fiscal accountability and disbursement and use of MCC Funding, among other matters (the "***Program Implementation Agreement***" or "***PIA***"); and the Government will implement the Program in accordance with this Compact, the PIA, any other Supplemental Agreement and any Implementation Letter.

Section 3.2 Government Responsibilities.

(a) The Government has principal responsibility for overseeing and managing the implementation of the Program.

(b) With the prior written consent of MCC, the Government will designate an entity to be established as the accountable entity to implement the Program and to exercise and perform the Government's right and obligation to oversee, manage and implement the Program, including without limitation, managing the implementation of Projects and their Activities, allocating resources and managing procurements. Such entity will be referred to herein as "***MCA-Benin II***," and will have the authority to bind the Government with regard to all Program activities. The Government hereby designates MCA-Benin II also to exercise and perform the Government's rights and responsibilities to oversee, manage and implement the activities defined in the Grant and Implementation Agreement, dated as of September 24, 2013, as amended. The designation contemplated by this Section 3.2(b) will not relieve the Government of any

obligations or responsibilities hereunder or under any related agreement, for which the Government remains fully responsible. MCC hereby acknowledges and consents to the designation in this Section 3.2(b).

(c) The Government will ensure that any Program Assets or services funded in whole or in part (directly or indirectly) by MCC Funding are used solely in furtherance of this Compact and the Program unless MCC agrees otherwise in writing.

(d) The Government will take all necessary or appropriate steps to achieve the Program Objective and the Project Objectives during the Compact Term (including, without limiting Section 2.6(a), funding all costs that exceed MCC Funding and are required to carry out the terms hereof and achieve such objectives, unless MCC agrees otherwise in writing).

(e) The Government will ensure that the Program is implemented and that the Government carries out its obligations hereunder with due care, efficiency and diligence in conformity with sound technical, financial and management practices, and in conformity with this Compact, the Program Implementation Agreement, each other Supplemental Agreement and the Program Guidelines.

(f) The Government grants to MCC a perpetual, irrevocable, royalty-free, worldwide, fully paid, assignable right and license to practice or have practiced on its behalf (including the right to produce, reproduce, publish, repurpose, use, store, modify or make available) any portion or portions of Intellectual Property as MCC sees fit in any medium, now known or hereafter developed, for any purpose whatsoever.

Section 3.3 Policy Performance. In addition to undertaking the specific policy, legal and regulatory reform commitments identified in Annex I, the Government will seek to maintain and to improve its level of performance under the policy criteria identified in Section 607 of the MCA Act, and the selection criteria and methodology published by MCC.

Section 3.4 Accuracy of Information. The Government assures MCC that, as of the date this Compact is signed by the Government, the information provided to MCC by or on behalf of the Government in the course of reaching agreement with MCC on this Compact is true, correct and complete in all material respects.

Section 3.5 Implementation Letters. From time to time, MCC may provide guidance to the Government in writing on any matters relating to this Compact, MCC Funding or implementation of the Program (each, an “**Implementation Letter**”). The Government will use such guidance in implementing the Program.

Section 3.6 Procurement and Grants.

(a) The Government will ensure that the procurement of all goods, works and services by the Government or any Provider to implement the Program will be in accordance with MCC’s *Program Procurement Guidelines* (the “**MCC Program Procurement Guidelines**”). The MCC Program Procurement Guidelines include the following requirements, among others:

(i) open, fair and competitive procedures must be used in a transparent manner to solicit, award and administer contracts and to procure goods, works and services;

(ii) solicitations for goods, works and services must be based upon a clear and accurate description of the goods, works and services to be acquired;

(iii) contracts must be awarded only to qualified contractors that have the capability and willingness to perform the contracts in accordance with their terms on a cost effective and timely basis; and

(iv) no more than a commercially reasonable price, as determined, for example, by a comparison of price quotations and market prices, will be paid to procure goods, works and services.

(b) Unless MCC otherwise consents in writing, the Government will ensure that any grant issued in furtherance of the Program (each, a “*Grant*”) is awarded, implemented and managed pursuant to open, fair and competitive procedures administered in a transparent manner acceptable to MCC. In furtherance of this requirement, and prior to the issuance of any Grant, the Government and MCC will agree upon written procedures to govern the identification of potential Grant recipients, including, without limitation, appropriate eligibility and selection criteria and award procedures. Such agreed procedures will be posted on the MCA-Benin II website.

Section 3.7 Records; Accounting; Covered Providers; Access.

(a) Government Books and Records. The Government will maintain, and will use its best efforts to ensure that all Covered Providers maintain, accounting books, records, documents and other evidence relating to the Program adequate to show, to MCC’s satisfaction, the use of all MCC Funding and the implementation and results of the Program (“*Compact Records*”). In addition, the Government will furnish or cause to be furnished to MCC, upon its request, originals or copies of such Compact Records.

(b) Accounting. The Government will maintain and will use its best efforts to ensure that all Covered Providers maintain Compact Records in accordance with generally accepted accounting principles prevailing in the United States, or at the Government’s option and with MCC’s prior written approval, other accounting principles, such as those (i) prescribed by the International Accounting Standards Board, or (ii) then prevailing in Benin. Compact Records must be maintained for at least five (5) years after the end of the Compact Term or for such longer period, if any, required to resolve any litigation, claims or audit findings or any applicable legal requirements.

(c) Access. Upon MCC’s request, the Government, at all reasonable times, will permit, or cause to be permitted, authorized representatives of MCC, the Inspector General of MCC (“*Inspector General*”), the United States Government Accountability Office, any auditor responsible for an audit contemplated herein or otherwise conducted in furtherance of this Compact, and any agents or representatives engaged by MCC or the Government to conduct any assessment, review or evaluation of the Program, the opportunity to audit, review, evaluate or inspect facilities, assets and activities funded in whole or in part by MCC Funding.

Section 3.8 Audits; Reviews.

(a) Government Audits. Except as the Parties may agree otherwise in writing, the Government will, on an annual basis (or on a more frequent basis if requested by MCC in writing), conduct, or cause to be conducted, financial audits of all Disbursements of MCC Funding covering the period from signing of this Compact until the following March 31 and covering each twelve-month period thereafter ending March 31, through the end of the Compact Term. MCA-Benin II will develop and implement a plan, in accordance with the Audit Guidelines, for the audit of the expenditures of the entities that are subject to audit pursuant to the Audit Guidelines (the “*Audit Plan*”). Changes to the period to be audited will be included in the Audit Plan and approved by MCC in writing. In addition, upon MCC’s request, the Government will ensure that such audits are conducted by an independent auditor approved by MCC and named on the list of local auditors approved by the Inspector General or a United States–based certified public accounting firm selected in accordance with MCC’s *Guidelines for Financial Audits Contracted by the Millennium Challenge Corporation’s Accountable Entities* issued and revised from time to time by the Inspector General (the “*Audit Guidelines*”). Audits will be performed in accordance with the Audit Guidelines and be subject to quality assurance oversight by the Inspector General. Each audit must be completed and the audit report delivered to MCC no later than ninety (90) days after the applicable audit period, or such other period as the Parties may otherwise agree in writing.

(b) Audits of Other Entities. The Government will ensure that MCC financed agreements between the Government or any Provider, on the one hand, and (i) a United States nonprofit organization, on the other hand, state that the United States nonprofit organization is subject to the applicable audit requirements contained in OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, issued by the United States Office of Management and Budget; (ii) a United States for-profit Covered Provider, on the other hand, state that the United States for-profit organization is subject to audit by the applicable United States Government agency, unless the Government and MCC agree otherwise in writing; and (iii) a non-US Covered Provider, on the other hand, state that the non-US Covered Provider is subject to audit in accordance with the Audit Guidelines.

(c) Corrective Actions. The Government will use its best efforts to ensure that each Covered Provider (i) takes, where necessary, appropriate and timely corrective actions in response to audits, (ii) considers whether the results of the Covered Provider’s audit necessitates adjustment of the Government’s records, and (iii) permits independent auditors to have access to its records and financial statements as necessary.

(d) Audit by MCC. MCC will have the right to arrange for audits of the Government’s use of MCC Funding.

(e) Cost of Audits, Reviews or Evaluations. MCC Funding may be used to fund the costs of any audits, reviews or evaluations required under this Compact.

ARTICLE 4.
COMMUNICATIONS

Section 4.1 Communications. Any document or communication required or submitted by either Party to the other under this Compact must be in writing and, except as otherwise agreed with MCC, in English. All such documents or communication must be submitted to the address of each Party set forth below or to such other address as may be designated by any Party in a written notice to the other Party.

To MCC:

Millennium Challenge Corporation
Attention: Vice President, Compact Operations
(with a copy to the Vice President and General Counsel)
875 Fifteenth Street, N.W.
Washington, DC 20005
United States of America
Telephone: +1 (202) 521-3600
Facsimile: +1 (202) 521-3700
Email: VPOperations@mcc.gov (Vice President, Compact Operations)
VPGeneralCounsel@mcc.gov (Vice President and General Counsel)

To the Government:

Ministry of Economy, Finance and
Denationalization Programs
Attention: Minister of Economy, Finance and
Denationalization Programs
01 BP 2354 Cotonou
Zone administrative Route de l'Aéroport
Benin
Telephone: +229 21 30 12 47
Facsimile: +229 21 30 18 51

To MCA-Benin II:

Upon establishment of MCA-Benin II, MCA-Benin II will notify the Parties of its contact details.

Section 4.2 Representatives. For all purposes relevant to implementation of this Compact, the Government will be represented by the individual holding the position of, or acting as, Minister of Economy, Finance and Denationalization Programs of the Republic of Benin, and MCC will be represented by the individual holding the position of, or acting as, Vice President, Compact Operations (each of the foregoing, a "**Principal Representative**"). Each Party, by written notice to the other Party, may designate one or more additional representatives of the Government or MCC, as appropriate (each, an "**Additional Representative**") for all purposes relevant to

implementation of this Compact except Section 6.2(a). Once MCA-Benin II is created and the National Coordinator thereof is appointed, such National Coordinator will be an Additional Representative of the Government. MCC hereby designates the Deputy Vice President, Department of Compact Operations, Africa, as an Additional Representative. A Party may change its Principal Representative to a new representative that holds a position of equal or higher authority upon written notice to the other Party.

Section 4.3 Signatures. Signatures to this Compact and to any amendment to this Compact will be original signatures appearing on the same page or in an exchange of letters or diplomatic notes.

ARTICLE 5.

TERMINATION; SUSPENSION; EXPIRATION

Section 5.1 Termination; Suspension.

(a) Either Party may terminate this Compact without cause in its entirety by giving the other Party thirty (30) days' prior written notice. MCC may also terminate this Compact or MCC Funding without cause in part by giving the Government thirty (30) days' prior written notice.

(b) MCC may, immediately, upon written notice to the Government, suspend or terminate this Compact or MCC Funding, in whole or in part, and any obligation related thereto, if MCC determines that any circumstance identified by MCC, as a basis for suspension or termination (as notified to the Government in writing) has occurred, which circumstances include but are not limited to the following:

(i) the Government fails to comply with its obligations under this Compact or any other agreement or arrangement entered into by the Government in connection with this Compact or the Program;

(ii) an event or series of events has occurred that makes it probable that the Program Objectives or any of the Project Objectives will not be achieved during the Compact Term or that the Government will not be able to perform its obligations under this Compact;

(iii) a use of MCC Funding or continued implementation of this Compact or the Program violates applicable law or United States Government policy, whether now or hereafter in effect;

(iv) the Government or any other person or entity receiving MCC Funding or using Program Assets is engaged in activities that are contrary to the national security interests of the United States;

(v) an act has been committed or an omission or an event has occurred that would render Benin ineligible to receive United States economic assistance under Part I of the Foreign Assistance Act of 1961, as amended (22 U.S.C. 2151 *et seq.*), by reason of the application of any provision of such act or any other provision of law;

(vi) the Government has engaged in a pattern of actions inconsistent with the criteria used to determine the eligibility of Benin for assistance under the MCA Act; and

(vii) the Government or another person or entity receiving MCC Funding or using Program Assets is found to have been convicted of a narcotics offense or to have been engaged in drug trafficking.

Section 5.2 Consequences of Termination, Suspension or Expiration.

(a) Upon the suspension or termination, in whole or in part, of this Compact or any MCC Funding, or upon the expiration of this Compact, the provisions of the Program Implementation Agreement will govern the post-suspension, post-termination or post-expiration treatment of MCC Funding, any related Disbursements and Program Assets. Any portion of this Compact, MCC Funding, the Program Implementation Agreement or any other Supplemental Agreement that is not suspended or terminated will remain in full force and effect.

(b) MCC may reinstate any suspended or terminated MCC Funding under this Compact if MCC determines that the Government or other relevant person or entity has committed to correct each condition for which MCC Funding was suspended or terminated.

Section 5.3 Refunds; Violation.

(a) If any MCC Funding, any interest or earnings thereon, or any Program Asset is used for any purpose in violation of the terms of this Compact, then MCC may require the Government to repay to MCC in United States Dollars the value of the misused MCC Funding, interest, earnings, or asset, plus interest within thirty (30) days after the Government's receipt of MCC's request for repayment. The Government will not use MCC Funding, proceeds thereof or Program Assets to make such payment.

(b) Notwithstanding any other provision in this Compact or any other agreement to the contrary, MCC's right under Section 5.3(a) to obtain a refund will continue during the Compact Term and for a period of (i) five (5) years thereafter or (ii) one (1) year after MCC receives actual knowledge of such violation, whichever is later.

Section 5.4 Late Payment Interest. If the Government fails to pay any amount under this Compact or the Program Implementation Agreement when due (including amounts under Section 2.8(c) and 5.3(a)), interest will be paid on such unpaid amount. Interest will accrue on such unpaid amount at a rate equal to the then-current US Treasury Current Value of Funds Rate, calculated on a daily basis and a 360-day year from the due date of such payment until such amount is paid in full. Any such payment will first be credited against interest due, and once the interest due amount is extinguished, then payments will be credited against outstanding principal.

Section 5.5 Survival. The Government's responsibilities under this Section and Sections 2.7, 2.8, 3.2(f), 3.7, 3.8, 5.2, 5.3, 5.4 and 6.4 will survive the expiration, suspension or termination of this Compact, provided that the terms of Section 2.8 will survive for only one hundred twenty (120) days following this Compact's expiration.

Section 5.6 Consultations. Either Party may, at any time, request consultations relating to the interpretation or implementation of this Compact. Such consultations will begin at the earliest possible date. The Parties will enter any such consultations guided by the principle of achieving the Compact Goal in a timely and cost-effective manner.

ARTICLE 6.

COMPACT ANNEXES; AMENDMENTS; GOVERNING LAW

Section 6.1 Annexes. Each annex to this Compact constitutes an integral part hereof, and references to “*Annex*” mean an annex to this Compact unless otherwise expressly stated.

Section 6.2 Amendments and Modifications.

(a) The Parties may amend this Compact only by a written agreement. Such agreement will specify how it enters into force.

(b) Notwithstanding subsection (a) above, the Parties agree that the Government and MCC may, by written agreement which will enter into force upon signature, modify any Annex to: (i) suspend, terminate or modify any Project or Activity; (ii) change the allocations of funds as set forth in Annex II as of the date hereof; (iii) modify the implementation framework described in Annex I; (iv) add, modify or delete any indicator, baseline or target or other information set forth in Annex III as of the date hereof, subject to and in accordance with the MCC M&E Policy; or (v) add, modify or delete any condition precedent described in Annex IV, Annex V or Annex VI; *provided that*, in each case, any such modification: (1) is consistent in all material respects with the Program Objective and Project Objectives; (2) does not cause the amount of Program Funding to exceed the aggregate amount specified in Section 2.1 (as may be modified by operation of Section 2.2(e)); (3) does not cause the amount of Compact Implementation Funding to exceed the aggregate amount specified in Section 2.2(a); (4) does not reduce the Government’s responsibilities or contribution of resources required under Section 2.6(a); and (5) does not extend the Compact Term.

(c) The Parties understand that any modification of any Annex of this Compact pursuant to this Section 6.2 may be entered into by the Government without the need for further action by the Government (including any parliamentary action), or satisfaction of any additional domestic requirements of Benin.

Section 6.3 Inconsistencies. In the event of any conflict or inconsistency between:

(a) any Annex and any of Articles 1 through 8, such Articles 1 through 8, as applicable, will prevail; or

(b) this Compact and any other agreement between the Parties regarding the Program, this Compact will prevail.

Section 6.4 Governing Law. This Compact is an international agreement and as such will be governed by the principles of international law.

Section 6.5 Additional Instruments. Any reference to activities, obligations or rights undertaken or existing under or in furtherance of this Compact or similar language will include activities, obligations and rights undertaken by, or existing under or in furtherance of any agreement, document or instrument related to this Compact and the Program.

Section 6.6 References to MCC Website. Any reference in this Compact, the PIA or any other agreement entered into in connection with this Compact, to a document or information available on, or notified by posting on the MCC Website will be deemed a reference to such document or information as updated or substituted on the MCC Website from time to time.

Section 6.7 References to Laws, Regulations, Policies and Guidelines. Each reference in this Compact, the PIA or any other agreement entered into in connection with this Compact, to a law, regulation, policy, guideline or similar document will be construed as a reference to such law, regulation, policy, guideline or similar document as it may, from time to time, be amended, revised, replaced, or extended and will include any law, regulation, policy, guideline or similar document issued under or otherwise applicable or related to such law, regulation, policy, guideline or similar document.

Section 6.8 MCC Status. MCC is a United States government corporation acting on behalf of the United States Government in the implementation of this Compact. MCC and the United States Government assume no liability for any claims or loss arising out of activities or omissions under this Compact. The Government waives any and all claims against MCC or the United States Government or any current or former officer or employee of MCC or the United States Government for all loss, damage, injury, or death arising out of activities or omissions under this Compact, and agrees that it will not bring any claim or legal proceeding of any kind against any of the above entities or persons for any such loss, damage, injury, or death. The Government agrees that MCC and the United States Government or any current or former officer or employee of MCC or the United States Government will be immune from the jurisdiction of all courts and tribunals of Benin for any claim or loss arising out of activities or omissions under this Compact.

ARTICLE 7.

ENTRY INTO FORCE

Section 7.1 International Agreement. The Government will proceed in a timely manner to complete all of its domestic requirements for this Compact to enter into force. The Parties understand that this Compact, upon entry into force, will prevail over the domestic laws of Benin.

Section 7.2 Conditions Precedent to Entry into Force. Before this Compact enters into force:

- (a) the Program Implementation Agreement must have been signed by the parties thereto;
- (b) The Government must have delivered to MCC:

(i) a letter signed and dated by the Principal Representative of the Government, or such other duly authorized representative of the Government acceptable to MCC, confirming that the Government has completed its domestic requirements necessary for this Compact to enter into force and that the other conditions precedent to entry into force in this Section 7.2 have been met;

(ii) a signed legal opinion from the Keeper of the Seals, Minister of Justice, Legislation and Human Rights of Benin (or such other legal representative of the Government acceptable to MCC), in form and substance satisfactory to MCC;

(iii) complete, certified copies of all decrees, legislation, regulations or other governmental documents relating to the Government's domestic requirements necessary for this Compact and the PIA to enter into force, which MCC may post on its website or otherwise make publicly available;

(c) MCC will not have determined that, after signature of this Compact, the Government has engaged in a pattern of actions inconsistent with the eligibility criteria for MCC Funding; and

(d) The conditions set forth in Annex V have been satisfied.

Section 7.3 Date of Entry into Force. This Compact will enter into force on the date of the second letter in an exchange of letters between MCC and the Government confirming that MCC and the Government have completed their respective domestic requirements for entry into force of this Compact and that the conditions precedent to entry into force in Section 7.2 have been met to MCC's satisfaction.

Section 7.4 Compact Term. This Compact will remain in force for five (5) years after its entry into force, unless terminated earlier under Section 5.1 (the "*Compact Term*").

Section 7.5 Provisional Application. Upon signature of this Compact, and until this Compact has entered into force in accordance with Section 7.3, the Parties will provisionally apply the terms of this Compact; *provided that*, no MCC Funding, other than Compact Implementation Funding, will be made available or disbursed before this Compact enters into force.

ARTICLE 8.

ADDITIONAL CONDITIONS TO MCC FUNDING

Section 8.1 Conditions Precedent to Initial Disbursement of On-Grid Tranche Funding. In addition to the relevant conditions set forth in the Program Implementation Agreement, each of the applicable conditions to On-Grid Tranche Funding set forth in Annex VI must be met to MCC's satisfaction prior to the initial Disbursement of On-Grid Tranche Funding.

Section 8.2 Conditions Precedent to Initial Disbursement of Off-Grid Tranche Funding. In addition to the relevant conditions set forth in the Program Implementation Agreement, each of the applicable conditions to Off-Grid Tranche Funding set forth in Annex VI must be met to MCC's satisfaction prior to the initial Disbursement of Off-Grid Tranche Funding.

Section 8.3 Failure to Satisfy Conditions Precedent to Initial Disbursement. The conditions precedent to the initial Disbursement of On-Grid Tranche Funding and to the initial Disbursement of Off-Grid Tranche Funding must have been satisfied no later than the applicable Outside Date. If the conditions precedent to the initial Disbursement of On-Grid Tranche Funding or the initial Disbursement of Off-Grid Tranche Funding have not been satisfied by the applicable Outside Date, then:

(a) MCC will by written notice to the Government reduce the amount of Program Funding by the total amount of On-Grid Tranche Funding or Off-Grid Tranche Funding, as the case may be, and deobligate the total amount of such On-Grid Tranche Funding or Off-Grid Tranche Funding from the Compact; and

(b) On-Grid Tranche Funding or Off-Grid Tranche Funding, as the case may be, will not be available to be reallocated to the Program during the Compact Term.

SIGNATURE PAGE FOLLOWS ON THE NEXT PAGE

IN WITNESS WHEREOF, each Party, by its duly authorized representative, has signed this Compact.

Done at Washington, DC, in duplicate, this 9th day of September, 2015, in the English language only.

FOR THE UNITED STATES OF
AMERICA, acting through THE
MILLENNIUM CHALLENGE
CORPORATION

FOR THE REPUBLIC OF BENIN

/s/

/s/

Name: Dana J. Hyde
Title: Chief Executive Officer

Name: Komi Koutché
Title: Minister of State in charge of
Economy, Finance and
Denationalization Programs

ANNEX I

PROGRAM DESCRIPTION

This Annex I describes the Program that MCC Funding will support in Benin during the Compact Term.

Any reference to a Government ministry in this Annex I will be deemed a reference to any successor Government ministry with the sector authority relevant to the Compact.

A. PROGRAM OVERVIEW

1. Background and Consultative Process.

(a) Background.

Benin was selected as eligible to develop this second compact in fiscal year (FY) 2012 after successful completion of a \$307 million compact which entered into force in October 2006 and was completed in October 2011, and which aimed to reduce poverty through increasing access to markets, land, justice and financial services, including a major modernization of the Port of Cotonou. Benin was reselected by MCC in FY 2013 but in FY 2014 Benin did not qualify for compact eligibility; as a result, the Parties' engagement on compact development was limited. In FY 2015, Benin's performance on the scorecard resulted in reinstatement of compact eligibility.

An analysis by the Government and MCC completed in October 2012 found that poor electricity infrastructure and an inadequate business environment are binding constraints to growth in Benin. A companion analysis of private sector opportunities pointed to diversified agribusiness as a growth opportunity for Benin, while an analysis of social and gender issues emphasized the important role women play in agriculture and agribusiness as farmers, processors and traders, and the importance of agriculture as a sector that employs the population with a high concentration of the poor.

In March 2013, the Government, through the *Unité de Coordination de la Formulation du 2eme Programme et du Suivi des Reformes de MCA-Benin*, submitted a compact proposal to MCC focused on promoting agribusiness through improvements to the business environment, along with investments in supporting transport and electric power infrastructure. After a year and a half of project development and due diligence, it was evident that insufficient electric power, both in terms of quality and quantity, was a key concern for all agribusinesses, and that electric power was a strategic national priority of the Government. Accordingly, the compact proposal was reoriented in September 2014 towards an exclusive focus on the electric power sector; with the new focus, the proposal also supports Power Africa, a United States Government effort to increase the number of people with access to electric power in Sub-Saharan Africa ("**Power Africa**").

(b) Consultative Process.

Throughout the development of this Compact, the Government engaged in an inclusive nationwide consultative process that included all sectors of society and all key stakeholders in the sectors examined.

Following Benin's selection for a second compact, the Government established teams to tour every region of Benin to consult the public on the most significant constraints to growth in the country. Stakeholders consulted included local authorities, traders, craftsmen, farmers, civil society leaders and representatives of civic associations and women's groups. The consultations were inclusive and collaborative and included questions specific to the private sector, as well as gender inclusive questions. The results of the public consultations informed the selection of key constraints to growth, as well as the social and gender analysis and the investment opportunity analysis. MCC participated in many of the consultations and worked with the Government to distill key findings. Consultations also took place in Cotonou with business and civil society organizations, donors, and the central government. The nationwide consultations were attended by over 1,000 people, more than 20 percent of whom were women.

As the Benin compact development process progressed and evolved to focus on the electricity sector, MCC and the Government have continued to consult with the private sector, civil society, the Benin diaspora and other stakeholders for input on the feasibility and utility of the proposed compact program.

2. Description of Program and Beneficiaries.

(a) Program Description.

The Program targets poor electricity infrastructure, a binding constraint to economic growth in Benin, where the insufficient quantity and quality of electricity results in reduced productivity, output, and investment for businesses, less effective delivery of public and social services and diminished well-being and economic opportunity for households. The root causes of these problems are lack of resources, and public policies and institutions that have been unable to deliver sufficient power to meet growing national demand.

The Program will address these core problems through policy reforms and institutional strengthening, large-scale investments in energy generation and distribution infrastructure and off-grid electrification to expand access in a country where only one-third of the population has access to electricity. As a result of these interventions, the Program is expected to expand business production and productivity, increase economic opportunities for households and improve the capacity to provide public and social services.

To that end, the Program is comprised of four Projects: (i) the Policy Reform and Institutional Strengthening Project, (ii) the Electricity Generation Project, (iii) the Electricity Distribution Project, and the (iv) Off-Grid Electricity Access Project.

(b) Beneficiaries.

Over a twenty year period commencing at entry into force, approximately 1.97 million households (approximately 9.8 million people) are expected to benefit from the Program. Of these Program beneficiaries, an estimated 49% live on less than US\$4 per day. In addition, this estimate of overall Program beneficiaries does not include any potential beneficiaries from the Off-Grid Electricity Project, nor does it include beneficiaries of new household connections in the Electricity Distribution Project.

B. DESCRIPTION OF PROJECTS

Set forth below is a description of each of the Projects that the Government will implement, or cause to be implemented, using MCC Funding to advance the applicable Project Objective. In addition, specific activities that will be undertaken within each Project (each, an “*Activity*”), including sub-activities, are also described.

1. Policy Reform and Institutional Strengthening Project.

(a) Summary of Project and Activities.

The Objective of the Policy Reform and Institutional Strengthening Project is to strengthen the capacity of the *Société Béninoise d’Energie Electrique* (“*SBEE*”), *Autorité de Régulation de l’Electricité* (“*ARE*”), and other Government of Benin institutions to improve the governance, management, and operations of the electricity sector (“*Policy Reform and Institutional Strengthening Project Objective*”). To achieve the Policy Reform and Institutional Strengthening Project Objective, MCC Funding will support interventions to (A) improve governance in the electricity sector by supporting an independent and professional regulator, by reforming tariffs, by introducing independent power producers (“*IPP*”) and by enhancing energy efficiency; (B) improve management, operations and maintenance within SBEE; and (C) inform and educate the public on tariffs, energy efficiency and other key electricity sector issues.

(i) Policy, Regulation, and Institutional Support Activity.

The Policy, Regulation, and Institutional Support Activity aims to improve the overall governance of the electricity sector in Benin by improving regulation; establishing a tariff policy, plan, and periodic tariff adjustments; increasing energy efficiency; and strengthening the policy and institutional framework for IPPs. MCC Funding will support:

(A) Assistance to ARE through operational support and capacity building; establishment of regulatory tools, processes, and procedures; preparation and implementation of tariff studies and development of a tariff policy and Tariff Plan to achieve cost-reflective tariffs, encourage private sector investment in power generation and ensure access for the poor;

(B) Expansion and strengthening of energy efficiency standards and labeling programs in Benin, including the formulation of technical standards, development of a program for product labeling, enhancement of product quality enforcement and testing, introduction of support for public sector procurement of energy efficient goods and industrial energy efficiency;

(C) Improvement of the environment for IPPs, including by establishing a legal and regulatory framework, standard forms of contract, credit enhancement mechanisms and a competitive solicitation process by means of technical assistance, transaction advisory services and other support; and

(D) Support of the following policy reviews: legal review of the electricity codes (the Benin-Togo and the Benin Electricity Codes) to target necessary revisions; technical analysis of structuring options for Government and SBEE-owned generation assets

including creation of stand-alone enterprises; and situation assessment and preliminary study as input to national gas policy and strategy for acquiring a reliable supply of gas for power generation.

(ii) Utility Strengthening Activity.

The Utility Strengthening Activity aims to ensure the operational independence of SBEE and improve its core business functions so as to become more financially viable and better able to serve its customers. Together with the sector-wide improvements from the Policy, Regulation and Institutional Support Activity, the Utility Strengthening Activity is expected to help improve key aspects of SBEE's operations and to result in its ability to better provide power to consumers of all income classes. MCC Funding will support:

(A) Implementation of governance and management reforms of SBEE, including through technical and other advisory services and capacity building for corporate and strategic management;

(B) Financial and accounting improvements through capacity building; information technology infrastructure, management and support; implementation of a stock management system; preparation of a fixed assets register, and support for reconciliation of customer accounts and other elements of SBEE's accounting system, all to improve utility performance, operational management, and to more accurately reflect the current financial condition of the utility;

(C) Strengthening of SBEE's maintenance capabilities including: (1) human resources development; (2) provision of vehicles, tools, equipment, spare parts and other items as may be required; (3) development of a maintenance management system and acquisition of related software and standard operating procedures; and

(D) Capacity building for SBEE personnel through training and instituting policy and procedural changes to create a safe working environment (including with respect to protections from sexual harassment) with equal opportunities for men and women's professional advancement.

(iii) Public Information and Education Activity.

The Public Information and Education Activity aims to inform the public about energy sector policy reforms and to change energy use behavior through information and education about energy efficiency, renewable electricity sources and related topics. To this end, the Public Information and Education Activity will create a program to educate consumers about energy efficiency and renewable energy for household use. The Public Information and Education Activity will take into account language differences, education levels, gender and rural and urban access to information and technology.

(b) Environmental and Social Mitigation Measures.

According to MCC Environmental Guidelines, the Policy Reform and Institutional Strengthening Project is a "Category C" project, and no major environmental and social impacts are anticipated.

However, any reforms related to human resource management will be undertaken consistent with the requirements of IFC Performance Standard 2.

More broadly, health and safety records for SBEE's operations are not available. MCC Funding will be used to undertake an environmental and social health and safety audit ("*ESH&S Audit*") to evaluate any deficiencies in organizational arrangements, company policies, training programs and record keeping for health and safety management. Once the ESH&S Audit is complete, MCC Funding will be used to assist SBEE to develop an environmental and social, health and safety management system ("*SBEE ESHSMS*"), in form and substance satisfactory to MCC. Such SBEE ESHSMS will include, among others, an identification of SBEE's environmental and social standards and establishment of performance targets to achieve these standards.

(c) Social Inclusion and Gender Integration.

Social inclusion and gender integration under the Policy Reform and Institutional Strengthening Project are directed at institutionalizing targeted and pro-poor tariffs, as well as ensuring equal opportunities for women and men within SBEE and an improved workplace environment.

With respect to the *Ministère de l'Énergie, des Recherches Pétrolières et Minières et du Développement des Énergies Renouvelables* and ARE, MCC Funding will provide assistance to develop appropriate and targeted approaches to assist affordable electricity for the poor, including through consideration of a lifeline tariff as part of the Tariff Policy for SBEE customers.

With respect to SBEE, MCC Funding will finance technical assistance to develop and implement strategies to increase SBEE's capacity and incentive to provide affordable services to the poor. These strategies will include a diagnostic of the cost and time required to secure a residential connection to the national electric grid as well as the development of tools to allow SBEE to better target assistance to poor households, such as subsidies and lifeline tariffs.

In addition, to bolster SBEE's capacity to ensure gender integration, a gender audit of SBEE will be conducted to better understand human resource practices and document issues, challenges, capacity and good practices that can be expanded. The Policy Reform and Institutional Strengthening Project also will provide assistance to strengthen SBEE's capacity to attract and train women through existing internship and training programs.

(d) Donor Coordination.

Donors working on policy and institutional reform of Benin's electricity sector include, among others, the European Union ("*EU*"), the *Agence Française de Développement* ("*AFD*"), World Bank, *Deutsche Gesellschaft für Internationale Zusammenarbeit* ("*GIZ*"), the Global Environment Fund, and the United Nations Development Program. The principal donors have organized an energy sector donor roundtable, which meets on a bi-annual basis, to ensure coordination of infrastructure investments and agendas for sector policy reform ("*Energy Sector Donor Roundtable*").

The Policy Reform and Institutional Strengthening Project was developed in close coordination with the donors cited above and is consistent with the recommendations issued by the Energy Sector Donor Roundtable. Before finalizing the Program, the Government and MCC consulted

with the principal donors in the sector to ensure an appropriate division of labor on policy and institutional reform and to ensure that close consultation would continue throughout the implementation of this Compact.

(e) USAID.

During Compact development, MCC has coordinated closely with the United States Agency for International Development (“*USAID*”). Representatives from USAID participated in the peer review of proposed compact activities and MCC has engaged with Power Africa regarding MCC’s plans for policy and institutional reform and support. The Parties will continue to collaborate during implementation of this Compact, including with respect to opportunities for transaction advisory services provided by Power Africa to support or complement the effort of the project to introduce IPPs into Benin.

(f) Sustainability.

The Policy Reform and Institutional Strengthening Project is designed to ensure the sustainability of the infrastructure investments to be made within the Electricity Generation Project, Electricity Distribution Project and the Off-Grid Electricity Access Project, as well as the electric power sector of Benin more broadly. The Project will create policies, systems, standard operating procedures and will provide additional financing that will endure in the key institutions of the sector beyond the life of this Compact. The Project is the result of consultations with Government stakeholders, the donor community, and other key actors in the sector. The interventions also are consistent with the Government’s 2009 Strategic Development Plan of Benin’s Electricity Sector and SBEE’s 2014-2019 strategic plan, which specifies the need for a performance contract with the state (“*contrat plan*”), for improved customer service (including with respect to reducing wait times and the burden of connection costs), for improved financial management, and for improved employee morale and performance. Interviews with SBEE employees, both at headquarters and in the field, reflect a commitment to these improvements and the Activities within the Policy Reform and Institutional Strengthening Project.

(g) Policy, Legal and Regulatory Reforms.

The Parties have identified the following policy, legal, regulatory, and institutional reforms and actions that the Government will pursue in support of the Project:

(i) The Government will ensure the adoption of necessary amendments to the *Accord International Portant Code Bénino-Togolais de l’Electricité* (the “**Benin-Togo Electricity Code**”) and the *Loi Portant Code de l’Electricité en République du Bénin* (the “**Benin Electricity Code**”) as well as any implementing regulations required thereunder;

(ii) The Government will be in compliance with the Tariff Plan;

(iii) The Government will be in compliance with the Government Arrears Payment Plan;

(iv) The Government will ensure that each annual Government budget provides sufficient resources for the Selected Government Entities to pay their reasonably anticipated electricity bills;

(v) Except for electricity bills subject to debt recovery actions, unpaid electricity bills incurred since the signing of this Compact owed to SBEE by Selected Government Entities will not be more than sixty (60) days past due;

(vi) The Government will ensure that each annual Government budget provides sufficient resources for the operation of ARE; and

(vii) The Government will adopt the Master Plan and use it as the basis for investment decisions over the planning horizon stipulated in the Master Plan.

2. Electricity Generation Project.

(a) Summary of Project and Activities.

The Objective of the Electricity Generation Project is to: (A) increase the hours of operation for businesses and public and social services; (B) reduce reliance on costlier sources of energy; (C) reduce losses of products and perishable goods; and (D) improve productivity for users of electricity (the “*Electricity Generation Project Objective*”). To accomplish the Electricity Generation Project Objective, MCC Funding will be used to increase Benin’s domestic generation capacity by up to 78 MW while decreasing its dependence on external energy sources, specifically by installing photovoltaic generation capacity, rehabilitating existing thermal generation units and rehabilitating and installing additional generation capacity at an existing micro-hydroelectric power plant.

(i) Photovoltaic Generation Activity.

The Photovoltaic (“*PV*”) Generation Activity aims to address Benin’s power supply deficit by providing a renewable source of electricity. MCC Funding will support:

- (A) The installation of an estimated 5 MW PV power plant at Natitingou;
- (B) The installation of an estimated 10 MW PV power plant at Djougou;
- (C) The installation of an estimated 15 MW PV power plant at Parakou;
- (D) The installation of an estimated 15 MW PV power plant at Bohicon; and
- (E) The preparation of engineering designs for PV plants at each of the sites in Onigbolo (estimated at 35 MW) and Bembéréké (estimated at 2 MW). As part of the Policy and Institutional Strengthening Project, MCC will work with the Government to

develop the PV plants at Onigbolo and Bembéréké as potential IPP opportunities.

Development and construction of each PV plant includes: (1) project preparation (site acquisition, permitting, environmental and social mitigation including resettlement compensation (to the extent necessary)); (2) acquisition, installation and commissioning of the plant consisting of PV panels, mounting system, inverters, monitoring system and grid connections; (3) associated civil, mechanical and electrical construction works; and (4) engineering design, supervision and warranties.

Unless MCC otherwise agrees in writing, Tranche I Funding will finance Photovoltaic Generation Activity investments in Natitingou and Djougou and project preparatory work for Parakou and Bohicon, and On-Grid Tranche Funding will finance the works for Photovoltaic Generation Activity investments in Parakou and Bohicon. Accordingly, the initial Disbursement for works for the investments in Parakou and Bohicon will be subject to the conditions governing disbursements for On-Grid Tranche Funding as set forth in Annex VI.

(ii) Thermal Generation Activity.

The Thermal Generation Activity aims to rehabilitate existing thermal generation units, including to complement planned investments under the Photovoltaic Generation Activity. MCC Funding will support:

- The rehabilitation of six 2 MW Wartsila thermal generation units at Porto Novo (two of which will operate in stand-by mode);
- The rehabilitation of six 2 MW Wartsila thermal generation units at Parakou (two of which will operate in stand-by mode); and
- The rehabilitation of four 2 MW Wartsila thermal generation units at Natitingou.

Rehabilitation of each thermal plant includes project preparation (permitting, environmental and social mitigation including cleanup of hydrocarbon and polychlorinated biphenyl (“*PCB*”) contamination (to the extent necessary)), acquisition of spare parts for rehabilitation and supplementary cost items, civil and rehabilitation works and engineering design and supervision.

(iii) Hydroelectric Generation Activity.

The Hydroelectric Generation Activity will rehabilitate the Yeripao Hydropower Plant. MCC Funding will support:

- (A) Project preparation including permitting, a hydrologic study to assess downstream impacts of expansion and environmental and social mitigation (as may be necessary);
- (B) The rehabilitation of the existing generation unit;
- (C) The installation of an additional turbine into the existing powerhouse, thus doubling the capacity from the existing 505 kW to 1 MW;

(D) Rehabilitation and expansion of the access road; and

(E) If deemed necessary by MCC, the removal of sedimentation from the reservoir.

(b) Environmental and Social Mitigation Measures.

According to the MCC Environmental Guidelines, the Electricity Generation Project is classified as a “Category B” project. A Category B classification indicates that this Project (and each of its Activities) presents potential environmental and social impacts.

MCC requires several measures to mitigate the risks associated with the Project. For each of the Activities under the Electricity Generation Project, MCC Funding will be used to conduct site-specific environmental audits and/or environmental and social impact assessments (which will include environmental and social management plans) and resettlement action plans during the project design phase. The results of those audits will form the basis of site-specific environmental and social impact assessments (“*ESIAs*”) and/or environmental and social management plans, as appropriate. The results of the *ESIAs* and resettlement action plans (“*RAPs*”) will form, in part, the basis of site-specific technical specifications for works contracts.

With respect to the potential presence of hydrocarbon or PCB contamination, a hazardous waste management plan will be required outlining appropriate removal, handling, storage and disposal, possibly outside of Benin, of oil-contaminated or PCB-contaminated soils and equipment, and other hazardous waste associated with implementation of the Thermal Generation Activity (“*Hazardous Waste Management Plan*”). MCC Funding under the Hydroelectric Generation Activity also will finance a hydrologic study to determine the extent, if any, of impacts on the flow regime of the river from the existing plant and to provide recommendations on potential corrective measures (including habitat protection and restoration).

With respect to resettlement, the preparation of a resettlement policy framework is currently underway and is being designed to establish the principles of land and asset valuation and procedures for compensation pertaining to all activities under this Compact (“*Resettlement Policy Framework*”). This Resettlement Policy Framework will provide guidance for site-specific resettlement action plans that will be required for each of the project sites.

With respect to health and safety, the SBEE ESHSMS will include expanded occupational health and safety policies, guidelines, and procedures.

With respect to climate change, the Parties are committed to assessing climate change risks and opportunities in connection with the Electricity Generation Project. A preliminary assessment of greenhouse gas emissions and carbon savings estimates was made as part of the feasibility study conducted for the Project, and a full evaluation will be conducted in conjunction with the *ESIAs*.

(c) Social Inclusion and Gender Integration.

Social inclusion and gender integration under the Electricity Generation Project will be addressed through the measures outlined with respect to the Policy Reform and Institutional Strengthening Project.

(d) Donor Coordination.

The Electricity Generation Project has and will continue to benefit from coordination among the Parties and other donors. Donors who are currently working on electricity generation include, among others: (1) the World Bank and the EU, which are funding updates to existing feasibility studies for hydroelectric plants along the Oueme River; and (2) the Islamic Development Bank, which is considering funding a thermal generation plant at the Maria Gleta site in Cotonou. A *Communauté Electrique du Bénin* (“**CEB**”) hydropower plant currently is under development at Adjarala on the Benin-Togo border, to be funded through the China Export-Import Bank. This plant is anticipated to provide power to CEB, which in turn will supply it to SBEE and to the *Compagnie Energie Electrique du Togo*.

(e) USAID.

During Compact development, MCC coordinated closely with USAID. Representatives from USAID participated in the peer review of proposed compact activities. The Parties will work with USAID, as appropriate, to identify and explore potential opportunities for future coordination with respect to IPPs associated with the Electricity Generation Project.

(f) Sustainability.

Operational and financial sustainability are fundamental to achieving the results of the Electricity Generation Project. MCC’s economic analysis is based on a twenty (20) year operating life of the plants funded under this Compact. Without adequate maintenance, this twenty (20) year operating life will not be achieved and, even in early phases of operation, the plant performance will be reduced significantly. In order to ensure the sustainability of the thermal power plants, appropriate implementation by MCA-Benin II and SBEE of the maintenance interventions contemplated under the Utility Strengthening Activity is critical.

(g) Policy, Legal and Regulatory Reforms.

The Parties have identified the following policy, legal and regulatory reforms and actions that the Government will pursue in support of the Electricity Generation Project:

(i) To ensure a reliable and affordable supply of natural gas to fuel future generation projects, the Government will prepare a gas policy to provide the framework for the sourcing and acquisition of supplies of natural gas for electricity generation from external sources (both pipeline and liquefied natural gas);

(ii) The Government will present a plan, in form and substance satisfactory to MCC, evaluating the optimal structure of electricity generation, including the possible creation of a para-public electricity production company to consolidate ownership and operations of Government and government-owned utility generation assets; and

(iii) The Government’s obligation to ensure that SBEE adopts an appropriate maintenance management system, in form and substance satisfactory to MCC, will be a condition to certain Disbursements for this Project, as further specified in the Program Implementation Agreement.

3. Electricity Distribution Project.

(a) Summary of Project and Activities.

The Objective of the Electricity Distribution Project is to (A) increase the hours of operation for businesses and public and social services, (B) reduce reliance on costlier sources of energy, (C) reduce losses of products and perishable goods, and (D) improve productivity for users of electricity (the “*Electricity Distribution Project Objective*”). To accomplish the Electricity Distribution Project Objective, MCC Funding will be used to modernize Benin’s electricity distribution infrastructure to expand grid capacity to accommodate future growth, improve reliability and reduce losses and outages. The Electricity Distribution Project focuses on improving the grid serving Cotonou (and selected regional networks as a complement to proposed solar generation investments), as well as on a national level by building a modern distribution dispatch and control center to more effectively manage the network.

(i) Regional Grid Strengthening Activity.

MCC Funding under the Regional Grid Strengthening Activity will support:

(A) Replacement of lines, upgrading substations, installation of new switchgear connections and building of new substations for the cities of Natitingou, Parakou and Djougou to support the interconnection of this Compact’s investments under the Photovoltaic Generation Activity, to meet demand growth in those regional population centers and reduce technical losses;

(B) Construction of a new 63kV connection from Porto Novo to Akpakpa, and construction of a new substation to improve network capacity and reliability; and

(C) General network projects, including compensation equipment and sectionalizing switches.

Construction for each sub-Activity listed above includes project preparation (site acquisition and/or preparation, permitting, environmental and social mitigation including resettlement compensation (to the extent necessary)), acquisition and installation of components, civil and electrical works and design and supervision.

(ii) Cotonou Grid Strengthening Activity.

The Cotonou Grid Strengthening Activity will both increase the capacity of the Cotonou grid and improve reliability of the network through investments in a variety of priority infrastructure projects, including new lines, switchgears, substations and network extensions and connections.

The Cotonou demand increase sub-activity includes, among other infrastructure works, a new 63 kV busbar switchgear in Vedoko, a new 63 kV connection from Vedoko to Akpakpa, a new 63 kV ring connection, and new 63/15 kV infeed connections to a number of substations and city network extension. The Cotonou reliability increase sub-activity includes 161 and 63 kV busbar feeders at specified locations, replacement of a number of 15 kV substations, infeed connections and 63 kV switchgear modifications at specified locations. Construction for each sub-activity includes project preparation (site acquisition and/or preparation, permitting, environmental and

social mitigation including resettlement compensation (to the extent necessary)), acquisition and installation of components, civil and electrical works and engineering design and supervision.

(iii) National Electricity Dispatch Activity.

The National Electricity Dispatch Activity will construct a national distribution control center (“*NDCC*”), a necessary requirement to accommodate the planned photovoltaic generation and to provide real-time network monitoring, control, and data collection. MCC Funding will support: (A) project preparation (site acquisition and/or preparation, permitting, environmental and social mitigation including resettlement compensation (to the extent necessary)); (B) acquisition and installation of master station hardware, software and related services for NDCC; (C) supervisory control and data acquisition (“*SCADA*”) equipment; (D) telecommunication system equipment and installation; (E) new building for NDCC including furnishings; (F) testing and commissioning; (G) spare parts, tools, and training; and (H) engineering design, supervision and warranties. MCC Funding also will be used for distribution substation modifications in preparation for connection to the SCADA system and installation of advanced meter infrastructure and automatic meter reading for large customers compatible with the SCADA system.

(b) Environmental and Social Mitigation Measures.

According to MCC Environmental Guidelines, the Electricity Distribution Project is currently classified as a “Category B” project because as currently envisioned, work is anticipated to proceed in existing alignments and utilize existing structures or poles. However, construction of overhead electrical power lines are considered “sensitive sector” projects under the MCC Environmental Guidelines. As a result, MCC will further review and adjust, as necessary, project classification (and any associated requirements, including with respect to the presence of any hazardous materials) after feasibility studies and project designs are concluded.

MCC Funding will be used to conduct site-specific ESIA, including environmental and social management plans, and RAPs during the project design phase. The results of the ESIA and RAPs will form the basis of site-specific technical specifications for works contracts. Further, MCA-Benin II will establish guidelines, in form and substance satisfactory to MCC, to ensure appropriate measures for contracts involving laying cable.

The Hazardous Waste Management Plan contemplated under the Electricity Generation Project also will contain any relevant provisions relating to the Electricity Distribution Activity. In addition, some Activities are planned to be carried out in sensitive locations which have received classification under the Ramsar Convention. Such Activities will be conducted in a manner consistent with the Government’s obligations under the Ramsar Convention.

With respect to health and safety, the SBEE ESHSMSs will include expanded occupational health and safety policies, guidelines, and procedures. In the case of CEB, an environmental and social, health and safety management system will be prepared and specifically relating to those assets contemplated under this Compact (“*CEB ESHSMS*”).

(c) Social Inclusion and Gender Integration.

Social inclusion and gender integration within the Distribution Project includes targeting new electricity connections for the urban poor. The implementation modalities for delivering those connections will consider international best practice and may undertake a variety of approaches in an effort to understand the most appropriate implementation method in Benin.

(d) Donor Coordination.

The Electricity Distribution Project has and will continue to benefit from coordination among the Parties and other donors. Major donor-funded work on SBEE's distribution network includes the Abomey-Calavi Project, jointly funded by the EU and AFD. Such work focuses on the rehabilitation and reinforcement of the existing network in urban, peri-urban, and rural areas on the west side of Cotonou. In developing the technical standards for the Electricity Distribution Project, the Government and MCC coordinated closely with the consulting team working on the Abomey-Calavi Project. The World Bank has also funded improvements to both transmission and distribution infrastructure (as well as prepayment meters) and GIZ has funded work on expansion of the existing SBEE network into rural areas. In addition, during implementation of the Electricity Distribution Project, MCA-Benin II will coordinate with the Global Environment Fund with respect to the Hazardous Waste Management Plan and any required Ramsar Convention documentation.

(e) USAID.

During Compact development, MCC coordinated closely with USAID. Representatives from USAID participated in an external peer review of proposed Compact Activities. MCC will work with USAID, as appropriate, to identify and explore potential opportunities for future coordination with respect to the Electricity Distribution Project.

(f) Sustainability.

The principal risk to the sustainability of the Electricity Distribution Project relates to SBEE's ability to plan and implement a comprehensive maintenance regime. This risk will be mitigated through the execution of the Utility Strengthening Activity, which specifically addresses operations and maintenance issues through its interventions, as well as through the Policy, Regulation, and Institutional Support Activity, through its support of tariff reforms that are important to the financing of maintenance and other SBEE operations. Outputs from this intervention include an operations and maintenance management system satisfactory to MCC, addressing, among others, the availability of proper equipment, spare parts, training for SBEE staff and standard operating procedures.

(g) Policy, Legal and Regulatory Reforms.

The Parties have identified the following policy, legal and regulatory reforms and actions that the Government will pursue in support of the Electricity Distribution Project:

(i) The Government will pursue the installation of pre-paid meters in public administration buildings (which buildings as a whole represent an estimated ninety percent (90%) of Government consumption);

(ii) The Government's obligation to prepare a PCB master plan, in accordance with its existing international legal obligations, will be a condition to particular Disbursements for this Project, as further specified in the Program Implementation Agreement; and

(iii) The Government's obligation to provide evidence to MCC that CEB: (A) has adopted the CEB ESHSMS; and (B) has entered into an agreement with MCA-Benin II setting forth CEB's roles and responsibilities with respect to the investments contemplated hereunder, will be a condition to particular Disbursements for this Project, as further specified in the Program Implementation Agreement.

4. Off-Grid Electricity Access Project.

(a) Summary of Project and Activities.

Two-thirds of Benin's population does not have access to electricity. Many of these people are in rural areas where expansion of the existing grid is unlikely in the near or medium-term. The Objective of this Project is to increase access to electricity and thereby (A) increase the hours of operation for businesses and public and social services, (B) reduce reliance on costlier sources of energy, (C) reduce losses of products and perishable goods, and (D) improve productivity for users of electricity (the "***Off-Grid Electricity Access Project Objective***"). To accomplish the Off-Grid Electricity Access Project Objective, MCC Funding will provide financing for off-grid electrification, including institutional and household-level solar PV systems and mini-grid systems, and energy efficiency activities nationwide by providing funding through a grant facility, together with necessary funding for policy and institutional strengthening to support the entire off-grid power sector in Benin.

(i) Enabling Environment for Off-Grid Electricity Activity.

Benin does not have the capital required for a rapid expansion of the nation's electric network. To accelerate the rate of electrification, an enabling environment for off-grid electricity is essential. To that end, MCC Funding will support:

- Design and implementation of a national off-grid electrification framework, in form and substance satisfactory to MCC ("***National Framework***"). The National Framework will articulate a model for off-grid electrification to include regulatory and institutional framework, licensing, tariff evaluations, regulations and technical standards. Such model will be designed to ensure minimum technical specifications, quality of service standards, licensing, pricing and contracting arrangements; and
- Development of market information, market characterization, outreach to the private sector and sector donors, and community-led engagement on the OCEF (as defined below).

(ii) Off-Grid Clean Energy Facility Activity.

The Off-Grid Clean Energy Facility ("***OCEF***") Activity will increase access to electricity for the currently unconnected majority of the population in rural and peri-urban areas by removing initial cost and investment barriers in the off-grid electricity sector. MCC Funding will support

the establishment of OCEF and grants issued thereunder in four primary windows:

- Critical public infrastructure to provide standalone electricity generation capability (“*Window One*”);
- Mini-grids providing electricity generation and distribution for household, commercial, agricultural and industrial use (“*Window Two*”);
- Household generation and storage, such as renewable energy sources devices for individual families (“*Window Three*”); and
- Energy efficiency measures for buildings, facilities and installations (“*Window Four*”, and together with Window One, Window Two and Window Three, the “*OCEF Windows*”).

Unless otherwise agreed by MCC, OCEF will be managed by a competitively procured, independent facility manager (“*Facility Manager*”). MCC Funding will finance the associated costs and fees, as applicable, of engaging the Facility Manager. The administration of OCEF will be governed by an operations manual, in form and substance satisfactory to MCC, setting forth, among others, eligibility criteria for each OCEF Window (including environmental and gender considerations), requirements for economic rates of return, appropriate governance and implementation structures (including a structure for the selection of projects) and transparency requirements relating to the use OCEF funding (“*OCEF Operations Manual*”).

OCEF will seek to leverage MCC Funding through partnerships with private companies, non-governmental organizations, communities or other entities that demonstrate viable off-grid, clean energy solutions for Benin.

Unless MCC otherwise agrees, Off-Grid Tranche Funding will finance the OCEF Activity’s grants for Window Two. Accordingly, initial Disbursement for any grants for Window Two will be subject to the conditions governing Disbursements for the Off-Grid Tranche as set forth in Annex VI.

(b) Environmental and Social Mitigation Measures.

According to MCC Environmental Guidelines, the Enabling Environment for Off-Grid Electricity Activity is considered a “Category C” project because it is not expected to have significant environmental or social impacts that cannot be mitigated. The Enabling Environment for Off-Grid Electricity Activity will incorporate, as appropriate, safety and resource efficiency principles consistent with MCC Environmental Guidelines, including the IFC Performance Standards.

According to MCC Environmental Guidelines, the OCEF Activity is considered a “Category D” project because it is a facility and will use MCC Funding to finance subprojects that may potentially result in adverse environmental and social impacts. The OCEF Operations Manual will address requirements for the preparation and approval of the assessment and management of environmental and social impacts including the need to comply with the IFC Performance Standards for any project proposed under the OCEF Activity. Consistent with IFC Performance Standard 4, emphasis will be placed on community and occupational safety.

(c) Social Inclusion and Gender Integration.

The Off-Grid Electricity Access Project, through the OCEF Activity, will solicit innovative solutions to address the energy deficits of poor and rural communities. To ensure that the OCEF Activity meets the energy needs of women, criteria for project selection will include technology solutions that will reduce women's time and labor burdens such as electrified water pumps, improved cookstoves and mechanized grinders.

To support the development of a robust supply chain of affordable, clean and efficient energy solutions where traditional distribution channels do not exist, the Off-Grid Electricity Access Project will seek to adapt successful women's energy entrepreneurship models to the Beninois context. Entrepreneurship training will increase women's capacity to plan strategically, analyze local markets and manage microenterprise. Women will be connected to existing microfinance institutions to facilitate the purchase of inventory for resale. Such inventory might include solar lamps, clean cookstoves and other products that women perceive existing demand for in their own communities. The Off-Grid Electricity Access Project therefore is expected to have a direct impact on low-income women both by creating income-generating opportunities and by supplying appliances that decrease women's time and labor burdens.

(d) Donor Coordination.

As with the rest of this Compact, the Off-Grid Electricity Access Project has and will continue to benefit from coordination among the Parties and other donors. In particular, GIZ and *Stichting Nederlandse Vrijwilligers* have been working with private sector actors (including large businesses such as the cellular services provider MTN Benin and small, independent businesses that sell household solar products) to develop market-driven, sustainable solutions for off-grid electrification. In developing the Off-Grid Electricity Access Project, MCC benefited from discussions with these and other donors and entities.

(e) USAID.

MCC worked with USAID to understand its experience with off-grid electrification through the Beyond the Grid initiative, part of Power Africa, and also to identify firms and organizations that would be potentially interested in partnering with MCC through the Off-Grid Electricity Access Project.

(f) Sustainability.

The primary risks to the sustainability of the Off-Grid Electricity Access Project are the unclear legal and regulatory framework that leads to limited off-grid investment, the low purchasing power of the majority of households in Benin and the lack of awareness or risk aversion to the adoption of new technologies. The Enabling Environment for Off-Grid Electricity Activity is intended to address this risk. At the individual project level, the sustainability for mini-grids or household solar products will depend on the project developer/sponsor's ability to deliver a quality service for a price that is both affordable and profitable. The Facility Manager will be required to carefully examine the financial and business models for all proposed projects and to select only those that meet established standards established under the OCEF Operations Manual. Another mitigant is through the Public Information and Education Activity under the

Policy Reform and Institutional Strengthening Project, which will educate consumers about solar and other technologies for lighting, cooking and other household needs.

(g) Policy, Legal and Regulatory Reforms.

In support of the Off-Grid Electricity Access Project, and in addition to the conditions set forth in Annex VI, MCA-Benin II will adopt the OCEF Operations Manual.

C. IMPLEMENTATION FRAMEWORK

1. MCA-Benin II.

(a) Structure and Establishment.

The Government will establish an accountable entity, MCA-Benin II, as an autonomous entity of public nature and utility under the laws of Benin. MCA-Benin II will not be under the control of any state controlling body and it will have operational and legal independence, including, inter alia, the ability to (i) enter into contracts in its own name; (ii) sue and be sued; (iii) establish a bank account in its own name; (iv) expend MCC Funding and the Government Contribution; and (v) engage contractors, consultants and/or grantees, including, without limitation, a procurement and fiscal agent. The Government will include MCA-Benin II with respect to the Government's coordination of bilateral or multilateral development assistance projects related to the Program.

MCA-Benin II's internal operations will be governed by the decree creating it and by its bylaws, each in form and substance satisfactory to MCC.

MCA-Benin II will be administered, managed, and supported by the following bodies: (i) a board of directors (the "**Board of Directors**"); (ii) a management team; and (iii) one or more Stakeholders' Committees (as defined below).

(b) Board of Directors.

The Board of Directors will have ultimate responsibility for the oversight, direction, and decisions of MCA-Benin II, as well as the overall implementation of the Compact. The Board of Directors will be comprised of nine voting members, plus three or more non-voting members. The voting members of the Board of Directors will include the following representatives:

- (i) Representative of the President, who will also serve as Chair of the Board;
- (ii) A representative of the Ministry of Economic Development, Public Policies Evaluation and Promotion of Good Governance;
- (iii) A representative of the Ministry of Economy, Finance and Denationalization Programs;
- (iv) A representative of the Ministry of Energy, Oil and Mining Exploration and Renewable Energy Development;

- (v) A representative of the Ministry of Environment, Climate Change Management, Reforestation and Natural and Forest Resources Protection;
- (vi) A representative of the National Assembly;
- (vii) A private sector representative from the Chamber of Commerce and Industry of Benin;
- (viii) One representative from a civil society organization; and
- (ix) One representative from a civil society organization different from (viii) above.

The members of the Board of Directors may be represented by alternates appointed pursuant to MCA-Benin II's governing documents. In addition, a representative of the Ministry of Foreign Affairs, MCA-Benin II's National Coordinator, and MCC's Resident Country Director in Benin will serve as non-voting members of the Board.

The process of selecting the Board members will be agreed in writing by the Parties and will be consistent with the Governance Guidelines. The Government acknowledges and agrees that both: (A) continuity of Board membership; and (B) authority of Board members to represent their respective ministry or organization, are each critical to fulfilling their duties and implementing the Program.

(c) Management Team.

The Management Team, as defined below, will report to the Board of Directors and will have principal responsibility for the day-to-day operations and management of the Compact.

The Management Team will be led by a National Coordinator and will be composed of directors and officers as agreed between the Parties and consistent with the Governance Guidelines (the "**Management Team**"). The Management Team will be selected after an open and competitive recruitment and selection process (or its equivalent), and the appointment of each member of the Management Team is subject to MCC approval. The directors will be supported by appropriate additional staff to enable the Management Team to execute its roles and responsibilities. Upon written notice by MCC to MCA-Benin II, the selection of candidates for additional positions within MCA-Benin II will be subject to MCC approval.

(d) Stakeholders' Committee(s).

(i) Composition. MCA-Benin II will be assisted by one or more stakeholders' committees, (each, a "**Stakeholders' Committee**"), which will be created according to a process in accordance with MCC's Governance Guidelines and as approved by MCC. Without limiting the foregoing, as required in MCC's Governance Guidelines, each Stakeholders' Committee will be composed of *inter alia*, program beneficiaries, regional and local government representatives, entities with an interest or involvement in the implementation of the Compact, key NGOs and any applicable civil society and private sector representatives.

(ii) **Roles and Responsibilities.** The Stakeholders' Committee(s) will be responsible for continuing the consultative process throughout implementation of the Compact. While the Stakeholders' Committee(s) will not have any decision-making authority, the Stakeholders' Committee(s) will be responsible for reviewing, at the request of the Board or the Management Team, certain reports, agreements and documents related to the implementation of the Compact in order to provide advice and input to MCA-Benin II regarding the implementation of the Program.

2. Implementing Entities.

Subject to the terms and conditions of this Compact, the Program Implementation Agreement and any other related agreement entered into in connection with this Compact, the Government may engage one or more entities of the Government to implement and carry out any Project or Activity (or a component thereof) under this Compact (each, an "***Implementing Entity***"). The appointment of any Implementing Entity will be subject to review and approval by MCC. The Government will ensure that the roles and responsibilities of each Implementing Entity and other appropriate terms are set forth in an agreement, in form and substance satisfactory to MCC.

3. Fiscal Agent.

Unless MCC agrees otherwise in writing, the Government will engage a fiscal agent (a "***Fiscal Agent***"), which will be responsible for assisting the Government with its fiscal management and assuring appropriate fiscal accountability of MCC Funding. The duties of the Fiscal Agent will include those set forth in the Program Implementation Agreement and an agreement, in form and substance satisfactory to MCC, between the Government and the Fiscal Agent.

4. Procurement Agent.

Unless MCC agrees otherwise in writing, the Government will engage one or more procurement agents (collectively, the "***Procurement Agent***") to carry out and certify specified procurement activities in furtherance of this Compact. The roles and responsibilities of the Procurement Agent will be set forth in the Program Implementation Agreement and an agreement, in form and substance satisfactory to MCC, between the Government and the Procurement Agent. The Procurement Agent will adhere to the procurement standards set forth in the MCC Program Procurement Guidelines and ensure procurements are consistent with the procurement plan adopted by the Government pursuant to the Program Implementation Agreement, unless MCC agrees otherwise in writing.

ANNEX II
MULTI-YEAR FINANCIAL PLAN SUMMARY

This Annex II summarizes the Multi-Year Financial Plan for the Program.

1. General.

A multi-year financial plan summary (“*Multi-Year Financial Plan Summary*”) is attached hereto as Exhibit A to this Annex II. By such time as specified in the Program Implementation Agreement, the Government will adopt, subject to MCC approval, a multi-year financial plan that includes, in addition to the multi-year summary of estimated MCC Funding and the Government’s contribution of funds and resources, the annual and quarterly funding requirements for the Program (including administrative costs) and for each Project and Activity, projected both on a commitment and cash requirement basis.

2. Government Contribution.

During the Compact Term, the Government will make contributions, relative to its national budget and taking into account prevailing economic conditions, as are necessary to carry out the Government’s responsibilities under Section 2.6(a) of this Compact. These contributions may include in-kind and financial contributions (including obligations of Benin on any debt incurred toward meeting these contribution obligations). In connection with this obligation the Government has developed a budget over the Compact Term to complement MCC Funding through budget allocations to each of the Projects and Program Administration. The Government will make a contribution of approximately US\$28,125,000 (or 7.5 percent of the amount of MCC Funding provided under this Compact) over the Compact Term. The Government will allocate such contribution in the national budget according to a multi-year plan. The Government will provide evidence of the approval thereof to MCC prior to entry into force. In the event that deobligation of the On-Grid Tranche Funding or the Off-Grid Tranche Funding occurs in accordance with Section 8.3(a) of this Compact, the obligation for the corresponding Government contribution will cease to apply. Such contributions will be in addition to the Government’s spending toward such Project Objectives in its budget for the year immediately preceding the establishment of this Compact. The Government’s contribution will be subject to any legal requirements in Benin for the budgeting and appropriation of such contribution, including approval of the Government’s budget by its legislature. The Parties may set forth in the Program Implementation Agreement or other appropriate Supplemental Agreements certain requirements regarding this Government contribution, which requirements may be conditions precedent to the Disbursement of MCC Funding. During implementation of the Program, the Government’s contributions may be modified or new contributions added with MCC approval, provided that the modified or new contributions continue to advance the Project Objectives.

EXHIBIT A TO ANNEX II
MULTI-YEAR FINANCIAL PLAN SUMMARY

(US\$)							
Compact Program Tranche I and CIF	CIF	Year 1	Year 2	Year 3	Year 4	Year 5	Total
1. Policy Reform & Institutional Strengthening Project							
1.1 Policy, Regulation, and Institutional Support Activity	973,000	4,381,800	6,544,800	5,462,800	2,867,800	1,678,800	21,909,000
1.2 Utility Strengthening Activity	500,000	907,800	4,315,800	5,167,800	4,315,800	2,111,800	17,319,000
1.3 Public Information & Education Activity	200,000	400,000	1,000,000	400,000	-	-	2,000,000
Sub-total	1,673,000	5,689,600	11,860,600	11,030,600	7,183,600	3,790,600	41,228,000
2. Electricity Generation Project - Tranche I							
2.1 Photovoltaic Generation Activity (Tranche I)	6,090,000	12,235,800	12,235,800	11,518,400	-	-	42,080,000
2.2 Thermal Generation Activity	610,000	2,494,800	4,934,800	3,713,800	721,600	-	12,475,000
2.3 Hydroelectric Generation Activity	104,000	263,800	471,800	479,400	-	-	1,319,000
Sub-total	6,804,000	14,994,400	17,642,400	15,711,600	721,600	-	55,874,000
3. Electricity Distribution Project							
3.1 Regional Grid Strengthening Activity	200,000	767,800	1,245,800	2,039,800	3,705,800	253,800	8,213,000
3.2 Cotonou Grid Strengthening Activity	1,879,000	14,619,800	21,979,800	16,864,800	11,748,800	6,267,800	73,360,000
3.3 National Electricity Dispatch Activity	700,000	8,409,800	9,806,800	8,413,800	807,600	-	28,138,000
Sub-total	2,779,000	23,797,400	33,032,400	27,318,400	16,262,200	6,521,600	109,711,000
4. Off-Grid Electricity Access Project - Tranche I							
4.1 Off-Grid Clean Energy Facility Activity (Tranche I)	-	1,055,800	6,055,800	13,167,400	-	-	20,279,000
4.2 Enabling Environment for Off-Grid Electricity Activity	1,000,000	2,055,800	1,555,800	505,800	551,600	-	5,669,000
Sub-total	1,000,000	3,111,600	7,611,600	13,673,200	551,600	-	25,948,000
5. Monitoring and Evaluation							
5.1 Monitoring and Evaluation	350,000	700,000	788,000	1,050,000	1,050,000	1,312,000	5,250,000
Sub-total	350,000	700,000	788,000	1,050,000	1,050,000	1,312,000	5,250,000
6. Program Administration and Oversight							
6.1 MCA-Benin II	4,344,000	4,412,000	3,536,000	3,472,000	3,617,000	5,192,000	24,573,000
6.2 Fiscal Agent	500,000	1,000,000	1,000,000	1,000,000	1,000,000	1,333,000	5,833,000
6.3 Procurement Agent	500,000	1,000,000	1,000,000	1,000,000	1,000,000	1,333,000	5,833,000
6.4 Audit	50,000	100,000	125,000	150,000	175,000	150,000	750,000
Sub-total	5,394,000	6,512,000	5,661,000	5,622,000	5,792,000	8,008,000	36,989,000
Total MCC Funding - Tranche I and CIF	18,000,000	54,805,000	76,596,000	74,405,800	31,561,000	19,632,200	275,000,000
Compact Program On-Grid Tranche							
2. Electricity Generation Project - On-Grid Tranche							
2.1 Photovoltaic Generation Activity (On-Grid Tranche)	-	-	-	31,730,000	30,000,000	18,270,000	80,000,000
Total MCC Funding - On-Grid Tranche	-	-	-	31,730,000	30,000,000	18,270,000	80,000,000
Compact Program Tranche Off-Grid Tranche							
4. Off-Grid Electricity Access Project - Off-Grid Tranche							
4.1 Off-Grid Clean Energy Facility Activity (Off-Grid Tranche)	-	-	-	4,000,000	10,000,000	6,000,000	20,000,000
Total MCC Funding - Off-Grid Tranche	-	-	-	4,000,000	10,000,000	6,000,000	20,000,000
Total MCC Funding	18,000,000	54,805,000	76,596,000	110,135,800	71,561,000	43,902,200	375,000,000

ANNEX III

DESCRIPTION OF THE MONITORING AND EVALUATION PLAN

This Annex III summarizes the monitoring and evaluation plan for this Compact (“*M&E Plan*”). The actual structure and content of the M&E Plan, which may differ from those specified in this Annex III, will be agreed to by MCC and the Government in accordance with MCC’s *Policy for Monitoring and Evaluation of Compacts and Threshold Programs* (the “*MCC M&E Policy*”). In addition, the M&E Plan may be modified from time to time as described in the MCC M&E Policy without requiring an amendment to this Annex III. The M&E Plan will be posted publicly on the MCC Website and updated as necessary.

The Government will provide MCA-Benin II and MCC, as the case may be, with any information as may be required for the completion of the M&E Plan. In addition, the Program Implementation Agreement will stipulate, as necessary, a timeframe for the amendment and restatement of this Annex III.

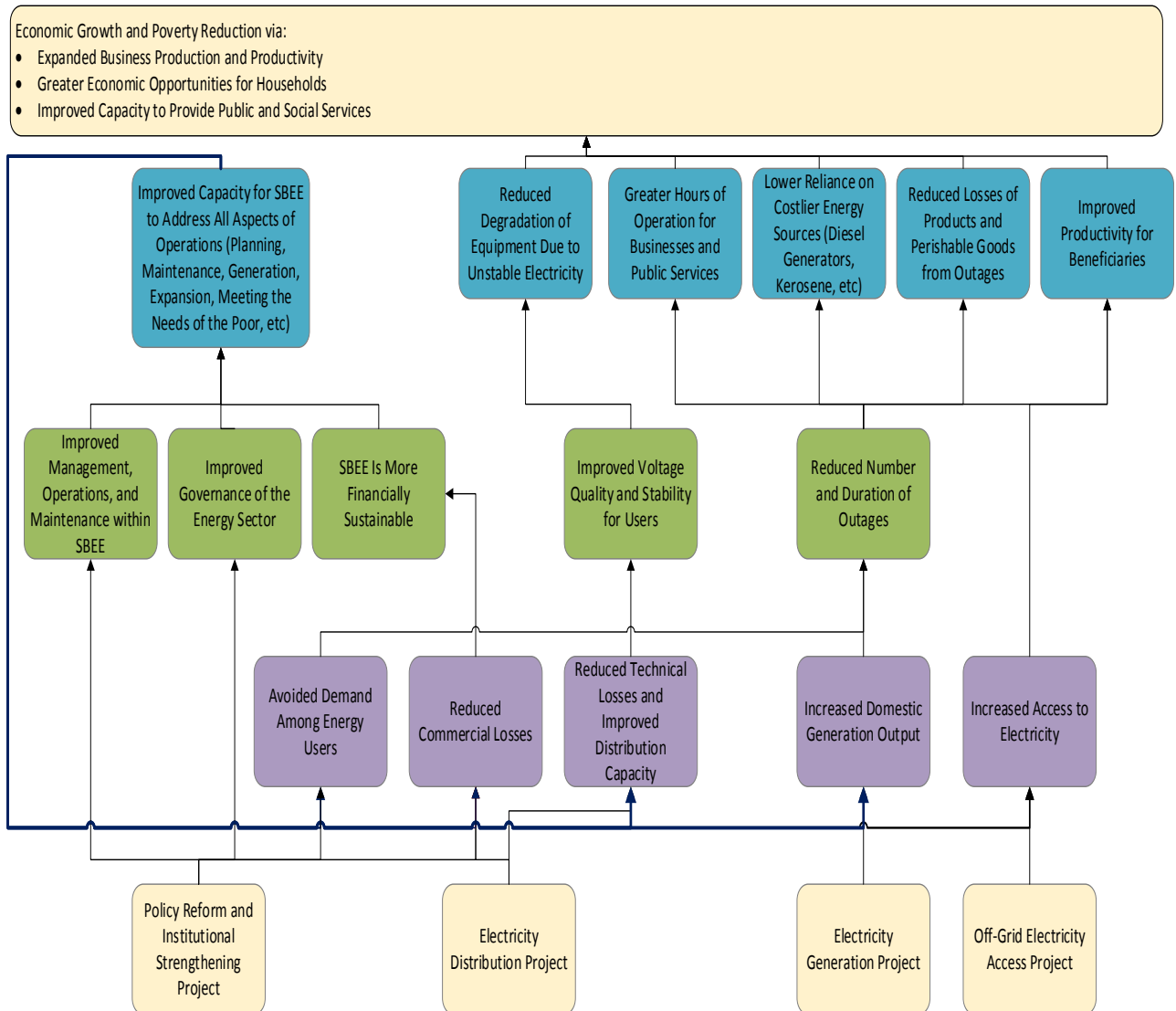
1. Objective.

MCC and the Government will formulate and agree to, and the Government will implement or cause to be implemented, an M&E Plan that explains in detail how and what MCC and MCA-Benin II will: (a) monitor to determine whether the Projects are on track to achieve their intended results (“*Monitoring Component*”), and (b) evaluate to assess implementation strategies, provide lessons learned, determine cost effectiveness and estimate the impact of Compact interventions (“*Evaluation Component*”). The M&E Plan will summarize all indicators that must be reported to MCC on a regular basis, as well as a description of any complementary data to be collected for evaluation of the Program. The M&E Plan will also include any monitoring and evaluation (“*M&E*”) requirements that MCA-Benin II must meet in order to receive Disbursements, and will serve as a communication tool so that MCA-Benin II staff and other stakeholders clearly understand the objectives and targets MCA-Benin II is responsible for achieving. The results of M&E activities, measured by monitoring data and evaluations, will be made publicly available on the website of MCA-Benin II and on the MCC Website.

2. Program Logic.

The M&E Plan will summarize the Compact logic model, which illustrates how the Projects, Activities and sub-Activities (as necessary) contribute to Compact Goals, Program Objectives, and Project Objectives. The Compact logic model will be complemented by lower-level logic models at the Project, Activity, and/or sub-Activity levels (as necessary) depending on Compact design and implementation. All logic models will clearly summarize the outputs, outcomes, and goals expected to result from the Program. A description of the logic underlying each Project is included below.

Compact Program Logic



This Compact is designed to have a concentrated impact on the following key problem areas within Benin’s electricity sector:

- technical and infrastructure weaknesses (including electricity supply and the stability of the electric network); and
- key constraints that have led to grid weaknesses (including the policy and regulatory framework and operational capability of the actors in the sector).

The Electricity Distribution Project and the Electricity Generation Project will address technical and infrastructure weaknesses by: (i) increasing the supply of electricity; (ii) increasing the capacity of the network to deliver that supply; (iii) improving voltage quality and stability of the electric network; and (iv) reducing the frequency and duration of outages. These outcomes will

be accomplished by increasing the amount of energy (kWh) available to the grid, reductions in technical losses, and maintenance and network capacity, stability and management improvements.

In addition, new grid connections will be added under the Cotonou Grid Strengthening Activity and the Off-grid Electricity Access Project will lay the regulatory groundwork for off-grid interventions and fund a variety of off-grid solutions to energy access.

The Policy Reform and Institutional Strengthening Project will address key constraints that have led to grid weaknesses by:

- Improving the overall governance of the power sector, including improved policy and institutional frameworks and capabilities for IPPs, energy efficiency, and tariffs, and support to the independent regulator and updates to the Benin Electricity Code. These components are expected to improve the overall functioning of the sector by improving governance, planning and financing; and
- Improving SBEE's governance, financial sustainability, human resources, asset and other management, and maintenance. Improved capacity within SBEE, combined with the sector-wide improvements from the Policy, Regulation, and Institutional Support Activity, are expected in the long-term to help improve all aspects of operations, enabling SBEE to better address the technical, as well as operational challenges, of providing sufficient and stable energy through Benin's distribution network.

The planned improvements in the quality and availability of energy are expected to contribute to increased productivity, greater hours of operation for businesses and public services, lower reliance on costlier energy sources (such as generators and kerosene), reduced losses of products and perishable goods and reduced degradation to equipment due to fluctuations in voltage. These long term outcomes are expected to promote economic growth by furthering the Program Goal.

(c) Projected Economic Benefits and Beneficiaries.

The economic analysis for this Compact utilizes a consumer surplus approach to estimate the net benefits of the Program. The data for the economic analysis comes from a nationwide survey of over 5,700 households and businesses of their willingness to pay for electrical power. A key finding of the survey was the presence of a large secondary market for electricity in Benin, which accounts for nearly one-third of all household connections nationwide. The secondary market is a function of the high cost of and delay in connecting to the grid, and in those markets neighbors sell to neighbors at, in some cases, twice the price charged by the utility.

The current estimated Program-level economic rate of return ("**ERR**") is 12 percent. Key parameters influencing the ERR include the willingness to pay for electric power in secondary markets.

The M&E Plan will also define in detail the persons or entities expected to benefit from the Program. Beneficiary analysis is an extension of economic rate of return analysis that seeks to disaggregate the total increase in income to determine specifically which segments of society

will benefit from the Compact Projects and Activities. MCC considers beneficiaries¹ of Projects and Activities to be those people who experience better standards of living as a result of the Project or Activity (as the case may be) through higher real incomes.

Over the life of the Compact, 1,968,668 households (approximately 9.8 million people) are expected to benefit from the Program. The ratio between the present value of benefits and the present value of costs for the Program is US\$1.11. Of that amount, US\$0.04 benefit the “extremely poor”, US\$0.03 benefit the “poor”, US\$0.47 benefit the “near poor”, and US\$0.57 benefit the “not poor”². Of the US\$1.11, US\$0.83 benefit people with direct connections to the SBEE network, while US\$0.28 benefit consumers in secondary markets in which direct customers of SBEE sell electricity to their neighbors.

The M&E Plan will also outline key assumptions and risks that underlie the accomplishment of the theory of change summarized in the Program logic. However, such assumptions and risks will not excuse any Party’s performance unless otherwise expressly agreed to in writing by the other Party.

With respect to the Policy Reform and Institutional Strengthening Project, the assumptions are:

- ARE has the capability and autonomy required to fulfill its regulatory responsibilities;
- A tariff policy and the Tariff Plan are adopted and implemented by the Government, leading to additional financing for the sector;
- Energy efficiency standards, labeling and quality control are created, implemented and enforced by the Government;
- An improved IPP framework will be sufficient for businesses to overcome other impediments to investing in Benin and that businesses will have sufficient assurance and trust that they will be paid for the electricity they produce;
- Governance, management, operational and financing improvements yield more effective service delivery and maintenance by SBEE; and
- The public understands and supports electricity sector policy reforms and new electricity and energy efficiency technologies and approaches.

¹ As used in this Compact, the term “beneficiary” has the meaning described in MCC’s *Guidelines for Economic and Beneficiary Analysis*.

² “Extremely poor” are defined as households earning under US\$1.25 per day, “poor” are households earning between US\$1.25 and US\$2 per day, “near poor” are households earning between US\$2 and US\$4 per day, and “not-poor” are households earning above US\$4 per day.

With respect to the Electricity Generation Project and the Electricity Distribution Project, the key assumptions are:

- Policy reforms required to release \$80 million in funding for the Electricity Generation Project will be completed on schedule;
- The Projects are able to reduce the frequency and duration of outages to the point that appreciable benefits accrue to beneficiaries;
- The distribution network improvements lead to greater network capacity, voltage stability and improved network management and operations;
- Infrastructure investments under this Compact will be properly maintained after the Compact Term and equipment will continue to function for the duration of its expected lifespan; and
- Tariffs will be cost-reflective such that the Government has sufficient funds to operate the infrastructure funded hereunder; and
- Construction of the Onigbolo-Parakou 161 kV CEB transmission line will be completed prior to the end of the Compact Term.

With respect to the Off-Grid Electricity Access Project, the key assumptions are:

- Policy reforms required to release \$20 million in funding for the Project will be completed on schedule;
- Users currently without access to electricity (who also are disproportionately poor) will be able to afford, understand and accept new off-grid solutions; and
- The improved regulatory and institutional frameworks will not only be necessary, but also sufficient for businesses to make concrete investments in Benin.

3. Monitoring Component.

As defined in the MCC M&E Policy, monitoring is the continuous, systematic collection of data on specified indicators to provide indications of progress toward objectives and the achievement of intermediate results along the way. To monitor progress toward the achievement of results of this Compact, the Monitoring Component of the M&E Plan will identify: (a) the Indicators (as defined below); (b) the definitions of the Indicators; (c) the sources and methods for data collection; (d) the frequency for data collection; (e) the party or parties responsible for collecting and analyzing relevant data; and (f) the timeline for reporting on each Indicator to MCC. It should be noted that some indicators will continue to be tracked after the Compact Term as necessary.

The M&E Plan will measure the results of the Program using quantitative, objective and reliable data (“*Indicators*”).

(i) The M&E Plan will establish baselines for every Indicator (each, a “*Baseline*”). An Indicator’s Baseline should be established prior to the start of the corresponding Project, Activity and/or Sub-Activity. Baselines demonstrate that the problem can be specified in measurable terms, and are thus a prerequisite for adequate intervention design. The Government will collect Baselines on the selected Indicators or verify already collected Baselines where applicable.

(ii) The M&E Plan will establish a benchmark for each Indicator that specifies the expected value and the expected time by which the result will be achieved (“*Target*”).

(iii) The M&E Plan will indicate which Indicators will be disaggregated by gender, income level, age and beneficiary types to the extent practical and applicable.

(iv) MCC’s Common Indicators (as described in the MCC M&E Policy) will also be included as relevant.

(v) Subject to prior written approval from MCC and in accordance with the MCC M&E Policy, the Government may add Indicators or refine the definitions and Targets of existing Indicators.

(vi) MCA-Benin II must report to MCC on monitoring Indicators in the M&E Plan on a quarterly basis using an Indicator Tracking Table (“*ITT*”) in the form provided by MCC. No changes to Indicators, Baselines or Targets may be made in the ITT until the changes have been approved in the M&E Plan. Additional guidance on Indicator reporting is contained in *MCC’s Guidance on Quarterly MCA Disbursement Request and Reporting Package*. In the case that MCA-Benin II submits a six-month disbursement request, the ITT must still be submitted quarterly.

Key Indicators that can be reported on at least an annual basis will be included in quarterly monitoring indicator reports, while Indicators that require survey data or a longer time period to track will be tracked through the evaluations. The M&E Plan will contain the monitoring Indicators listed in the tables below.

The Indicators listed below are not exhaustive. Instead, they represent data that has been deemed, at this stage, important to collect. Additional outcome, output and process Indicators will be developed for each Project as design and implementation details are further defined.

Table 1.1: Monitoring Indicators

Policy Reform and Institutional Strengthening Project					
Result	Indicator	Definition	Unit	Baseline	Year 5 Target
Short-term Outcomes					
Reduced Commercial Losses	Collection Rate	Total Revenue from Paid Invoices / Total Amount Invoiced	Percentage	TBD	TBD
Demand Reduction by the Government	kWh of electricity saved through public sector energy efficiency practices	Demand reduction by Government ministries through energy efficient practices and equipment	kWh	0	TBD
				(2014)	
Medium-term Outcomes					
Increased Cost Recovery for SBEE	Total Electricity Sold	The total MWh of electricity sales to all customer types	MWh	840,546 (2012)	TBD
	Operating Cost-Recovery Ratio	Total Revenue Collected / Total Operating Cost (defined as operating expenses plus depreciation)	Percentage	TBD	TBD

Electricity Generation Project					
Result	Indicator	Definition	Unit	Baseline	Year 5 Target
Short-term Outcomes					
Increased Domestic Generation Output	Total Electricity Supply	Total system supplied, in MWh, produced or imported in a year	MWh	1,073,809 (2012)	TBD
	Power Plant Availability	Unweighted average across all power plants of the following: Total number of hours (in the quarter) that a plant is able and available to produce electricity / total number of hours in the same timeframe	Percentage	TBD	TBD
	Installed Capacity	Total installed generation capacity, in MW, of plants within the country (excluding CEB plants)	MW	108 (2012)	TBD
	Total Number of MWh Produced Domestically	The number of MWh of energy produced domestically in Benin on an annual basis	MWh	8,333 (2012)	TBD
	Share of Renewable Energy	Total installed capacity of on- or off-grid renewable electricity sources, in MW, as a percentage of total installed capacity	Percentage	4% (2012)	TBD

Electricity Distribution Project

Short-term Outcomes

Result	Indicator	Definition	Unit	Baseline	Year 5 Target
Reduced Technical Losses	Distribution System Losses	1 – [Total MWh Billed / Total MWh received from transmission]	Percentage	TBD	TBD
	Technical Losses	1- [Total MWh transmitted / Total MWh invoiced]	Percentage	TBD	TBD

Medium-term Outcomes

Result	Indicator	Definition	Unit	Baseline	Year 5 Target
Reduced Frequency and Duration of Outages	System Average Interruption Duration Index (SAIDI)	Sum of durations, in customer-hours, of all customer interruptions in a given quarter / Total number of customers connected to network in the same timeframe	Hours	TBD	TBD
	System Average Interruption Frequency Index (SAIFI)	Sum of the number of customers who experienced an interruption in a given quarter / Total number of customers connected to network in the same timeframe	Number	TBD	TBD
Improved Voltage Quality	Voltage Quality	Percentage of time within $\pm 10\%$ voltage range	Percentage	TBD	TBD

Off-Grid Access Project

Medium-term Outcomes

Increased Access to Electricity	New Customers with Access to Off-Grid Energy	The number of new connections (whether households or other entities) who gain access to electricity as a direct result of Compact Activities	Number	0	TBD
				(2014)	

4. Evaluation Component.

While good program monitoring is necessary for program management, it is not sufficient for assessing ultimate results. MCC therefore advocates the use of different types of evaluations as complementary tools to better understand the effectiveness of its programs. As defined in the MCC M&E Policy, evaluation is the objective, systematic assessment of a program's design, implementation and results. MCC is committed to making its evaluations as rigorous as warranted in order to understand the causal impacts of its programs on the expected outcomes and to assess cost effectiveness. The Evaluation Component of the M&E Plan may contain three types of evaluation activities as necessary: (i) independent evaluations (impact and/or performance evaluations); (ii) self-evaluation, and (iii) special studies, each of which is further described in the MCC M&E Policy.

(a) Independent Evaluations.

Every Project must undergo a comprehensive, independent evaluation (impact and/or performance) in accordance with the MCC M&E Policy. The Evaluation Component of the M&E Plan will describe the purpose of the evaluation, methodology, timeline, required MCC approvals and the process for collection and analysis of data for each evaluation. All independent evaluations must be designed and implemented by independent, third-party evaluators. If the Government wishes to engage an evaluator, the engagement will be subject to the prior written approval of MCC. Contract terms must be acceptable to MCC and ensure non-biased results and the publication of results.

For each independent evaluation, MCA-Benin II is expected to review and provide feedback to independent evaluators on the evaluation design reports, evaluation materials (including questionnaires), baseline report (if applicable) and any interim/final reports in order to ensure proposed evaluation activities are feasible, and final evaluation products are technically and factually accurate.

Evaluation plans and methodologies for each Project have not yet been fully developed. However, MCC and MCA-Benin II intend to develop impact evaluation designs for the Electricity Generation Project, the Electricity Distribution Project, and the Off-Grid Electricity Access Project, while performance evaluations are more likely for the Policy Reform and Institutional Strengthening Project. The Parties anticipate that the evaluation plans for each Project will be generally in the substance set forth below.

(b) Electricity Generation Project and Electricity Distribution Project Evaluation.

The defined logics of the Electricity Generation Project and the Electricity Distribution Project are closely linked, with the combined goals of reducing the frequency and duration of outages and improving voltage quality and stability. These technical improvements are expected to further the Program Goal.

The evaluation methodology currently being considered for these Projects is the interrupted time series methodology, which would use technical data on grid quality measured repeatedly and with high frequency to examine the expected intermediate outcomes in electricity quality and delivery. To examine the longer-term expected outcomes, the interrupted time series data could

be supplemented by potential household and/or enterprise surveys to conduct a pre- and post-assessment at changes in long-term effects of changes in outages and voltage quality at the household or firm-level.

In addition to questions regarding the quality of Project design, the soundness of the Program logic, the fidelity of Program implementation and lessons learned (common questions for all evaluations), the Electricity Generation Project and Electricity Distribution Project Evaluation could be focused on answering the following questions:

Electricity Generation Project and Electricity Distribution Project Evaluation Questions
1. What impact have Project Activities had on the frequency and duration of outages?
2. What impact have Project Activities had on voltage quality and stability?
3. To what extent has the increase in energy generation and/or the reduction in technical losses contributed to reducing the gap between the demand and supply of on-grid electricity?
4. To what extent are energy users changing their energy habits and sources (such as moving away from the use of generators, kerosene)? Have the changes (if any) resulted in cost savings?
5. To what extent have energy users experienced a reduction in losses (due to spoilage or damaged equipment) as a result of Project interventions?
6. What changes in operations have public and social service institutions experienced as a result of changes in the reliability or quality of energy delivered?

(c) The Policy Reform and Institutional Strengthening Project Evaluation.

The Policy Reform and Institutional Strengthening Project is aimed at improving the functioning both of SBEE as well as the functioning of the sector as a whole. To examine these effects, potential performance evaluation options are being explored.

In addition to questions regarding the quality of Project design, the soundness of the Program logic, the fidelity of Program implementation and lessons learned (common questions for all evaluations), the Policy Reform and Institutional Strengthening Project Evaluation could be focused on answering the following questions:

Policy Reform and Institutional Strengthening Project Evaluation Questions
Regarding Energy Efficiency:
1. To what extent were new standards and labeling implemented during the Compact, and to what extent were those standards enforced?
2. To what extent has there been uptake of new energy efficient products by the government and by households and businesses?
Regarding IPPs:
1. To what extent were new policies and frameworks for IPPs implemented?
2. Have new firms made investments in new generation in Benin? If not, why not? What are the constraints to investment that remain?

Regarding Tariff Policy:
1. To what extent has the Tariff Plan been implemented?
2. Are the structures and procedures in place to allow recurring adjustments to the tariff, such that it will be able to remain cost-reflective into the future?
3. How has the new tariff structure affected SBEE's balance sheet? What changes (if any) have they experienced or implemented as a result?
Regarding ARE and SBEE Management Changes:
1. Does ARE have the resources and capacity necessary to operate as an autonomous entity and successfully carry out its mission?
2. As a result of any improvements (if any) to the level of independence of decision making, what changes in sector functioning have occurred? What have the changes enabled SBEE (or other actors in the sector) to do as a result?
Regarding the Utility Strengthening Activity:
1. Has SBEE been able to improve its level of cost recovery?
2. How has the efficacy of overall SBEE management changed as a result of Project interventions? What have the changes enabled SBEE to do that it couldn't previously?
3. Does SBEE have the technical and financial capacity to continue maintaining MCC investments after the Compact ends? How about non-MCC-funded infrastructure?
Regarding the Public Information and Education Activity:
1. Does the public understand policy changes in the electricity sector (e.g., on the need for cost-reflective tariffs?)
2. Does the public understand and adopt energy efficient practices and appliances?
3. Does the public understand and accept solar and other non-conventional generation technologies?

(d) Off-grid Electricity Access Project.

The Evaluation design for the Off-Grid Electricity Access Project will be determined once final Project design is completed. The final list of Evaluation questions will continue to be defined into the CIF period, but an initial list of potential research questions is below. In addition to questions regarding the quality of Project design, the soundness of the Program logic, the fidelity of Program implementation and lessons learned (common question for all evaluations), the Evaluation could be focused on answering the following questions:

Potential Research Questions
1. To what extent has the Off-Grid Policy been implemented?
2. From the perspectives of sector actors, how helpful has the new policy been for facilitating new entries to the off-grid market? And from the perspective of potentially interested companies/organizations?
3. Outside of the OCEF Activity, how many new entrants are there to the off-grid market in Benin? What were their experiences with the new process?
4. To what extent has access to electricity changed as a result of the OCEF Activity?

(e) Self-Evaluation.

Upon completion of the Compact Term, both MCC and MCA-Benin II will comprehensively assess three fundamental questions: (i) did the Program meet the Program and Project Objectives; (ii) why did the Program meet or not meet the Program and Project Objectives; and (iii) what lessons can be learned from the implementation experience (both procedural and substantive). The MCA-Benin II staff will draft the Compact Completion Report (“*CCR*”) in the last year of the Compact Term to evaluate these fundamental questions and other aspects of Program performance. Each MCA-Benin II department will be responsible for drafting its own section to the CCR for its own activities, subject to cross-departmental review. After MCA-Benin II staff drafts the CCR, relevant MCC staff will draft a completion report evaluating these same questions in the format and according to the timeline required by MCC’s M&E policy.

(f) Special Studies.

Plans for conducting special studies will be determined jointly between the Government and MCC before the approval of the M&E Plan. The M&E Plan will identify and make provision for any special studies, *ad hoc* evaluations and research that may be needed as part of the monitoring and evaluating of this Compact. Either MCC or the Government may request special studies or *ad hoc* evaluations of Projects, Activities, or the Program as a whole, prior to the expiration of the Compact Term.

The results of all evaluations will be made publicly available in accordance with the MCC M&E Policy.

5. Data Quality Reviews.

Data Quality Reviews (“*DQR*”) are a mechanism to review and analyze the utility, objectivity, and integrity of performance information. DQRs are to cover: (a) quality of data; (b) data collection instruments; (c) survey sampling methodology; (d) data collection procedures; (e) data entry, storage and retrieval processes; (f) data manipulation and analyses; and (g) data dissemination. MCC requires that an independent entity conduct the DQR, such as a local or international specialized firm or research organization, or an individual consultant, depending on the size of the Program or Project in review. The frequency and timing of data quality reviews must be set forth in the M&E Plan; however, MCC may request a DQR at any time. DQRs should be timed to occur before or early enough in the Compact Term that meaningful remedial measures (if any) may be taken depending on the results of the review. The methodology for the review should include a mix of document and record reviews, site visits, key informant interviews and focus groups.

6. Other Components of the M&E Plan.

In addition to the monitoring and evaluation components, the M&E Plan will include the following components:

(a) Management Information System. The M&E Plan will describe the information system that will be used to collect data, store, process and deliver information to relevant stakeholders in such a way that the Program information collected and verified pursuant to the

M&E Plan is at all times accessible and useful to those who wish to use it. The system development will take into consideration the requirement and data needs of the components of the Program, and will be aligned with existing MCC systems, other service providers, and ministries; and

- (b) Budget. A detailed cost estimate for all components of the M&E Plan.

7. Responsibility for Developing the M&E Plan.

MCC desires to “[refrain] from requesting the introduction of performance indicators that are not consistent with countries’ national development strategies.”³ For this reason, primary responsibility for developing the M&E Plan lies with the M&E directorate of MCA-Benin II with support and input from MCC’s M&E and economist staff. The M&E Plan must be developed in conjunction with key stakeholders, including MCA-Benin II leadership and sector leads, the MCC Resident Country Mission, and other MCC staff (such as Environmental and Social Performance and Gender and Social Inclusion), as well as external stakeholders, as applicable. While the entire M&E Plan must be developed collaboratively, MCC and MCA-Benin II Project/Activity leads are expected to guide the selection of Indicators at the process and output levels that are particularly useful for management and oversight of Projects and Activities.

8. Approval and Implementation of the M&E Plan.

The approval and implementation of the M&E Plan, as amended from time to time, will be in accordance with the Program Implementation Agreement, any other relevant Supplemental Agreement and the MCC M&E Policy. All M&E Plan modifications proposed by MCA-Benin II must be submitted to MCC for prior written approval. The M&E Plan may undergo peer review within MCC before the beginning of the formal approval process.

9. Post-Compact M&E Plan.

As part of the planning process for winding up the Program at the end of the Compact Term, MCC and MCA-Benin II will develop a post-Compact M&E Plan designed to observe the persistence of benefits created under this Compact. This plan should describe future monitoring and evaluation activities, identify the individuals and organizations that will undertake these activities and provide a budget framework for future monitoring and evaluation. The post-Compact M&E Plan should build directly off the Compact M&E Plan.

³ Busan Partnership for Effective Development Cooperation, Busan Outcome Document, 1 December 2011, p. 5.

ANNEX IV
CONDITIONS PRECEDENT
TO DISBURSEMENT OF COMPACT IMPLEMENTATION FUNDING

This Annex IV sets forth the conditions precedent applicable to Disbursements of Compact Implementation Funding (each, a “*CIF Disbursement*”). Capitalized terms used in this Annex IV and not defined in this Compact will have the respective meanings assigned thereto in the Program Implementation Agreement. Upon execution of the Program Implementation Agreement, each CIF Disbursement will be subject to all of the terms of the Program Implementation Agreement, except that the conditions to each CIF Disbursement will continue to be those set forth in this Annex IV.

1. Conditions Precedent to Initial CIF Disbursement.

Prior to the initial CIF Disbursement, the Government (or MCA-Benin II) must have delivered to MCC:

- (i) an interim fiscal accountability plan acceptable to MCC; and
- (ii) a CIF procurement plan acceptable to MCC.

2. Conditions Precedent to all CIF Disbursements (Including Initial CIF Disbursement).

Each of the following must have occurred or been satisfied prior to each CIF Disbursement:

(a) The Government (or MCA-Benin II) has delivered to MCC the following documents, in form and substance satisfactory to MCC:

(i) a completed Disbursement Request, together with the applicable Periodic Reports, for the applicable Disbursement Period, all in accordance with the Reporting Guidelines;

(ii) a certificate of the Government (or MCA-Benin II), dated as of the date of the CIF Disbursement Request, in such form as provided by MCC;

(iii) if a Fiscal Agent has been engaged, a Fiscal Agent Disbursement Certificate; and

(iv) if a Procurement Agent has been engaged, a Procurement Agent Disbursement Certificate.

(b) If any proceeds of the CIF Disbursement are to be deposited in a bank account, MCC has received satisfactory evidence that: (i) the Bank Agreement has been executed; and (ii) the Permitted Accounts have been established.

(c) Appointment of an entity or individual to provide fiscal agent services, as approved by MCC, until such time as the Government provides to MCC a true and complete

copy of a Fiscal Agent Agreement, duly executed and in full force and effect, and the fiscal agent engaged thereby is mobilized.

(d) Appointment of an entity or individual to provide procurement agent services, as approved by MCC, until such time as the Government provides to MCC a true and complete copy of the Procurement Agent Agreement, duly executed and in full force and effect, and the procurement agent engaged thereby is mobilized.

(e) MCC is satisfied, in its sole discretion, that (i) the activities being funded with such CIF Disbursement are necessary, advisable or otherwise consistent with the goal of facilitating the implementation of this Compact and will not violate any applicable law or regulation; (ii) no material default or breach of any covenant, obligation or responsibility by the Government, MCA-Benin II or any Government entity has occurred and is continuing under this Compact or any Supplemental Agreement; (iii) there has been no violation of, and the use of requested funds for the purposes requested will not violate, the limitations on use or treatment of MCC Funding set forth in Section 2.7 of this Compact or in any applicable law or regulation; (iv) any Taxes paid with MCC Funding through the date ninety (90) days prior to the start of the applicable Disbursement Period have been reimbursed by the Government in full in accordance with Section 2.8(c) of this Compact; and (v) the Government has satisfied all of its payment obligations, including any insurance, indemnification, tax payments or other obligations, and contributed all resources required from it, under this Compact and any Supplemental Agreement.

(f) For any CIF Disbursement occurring after this Compact has entered into force in accordance with Article 7: MCC is satisfied, in its sole discretion, that (i) MCC has received copies of any reports due from any technical consultants (including environmental auditors engaged by MCA-Benin II) for any Activity since the previous Disbursement Request, and all such reports are in form and substance satisfactory to MCC; (ii) the Implementation Plan Documents and Fiscal Accountability Plan are current and updated and are in form and substance satisfactory to MCC, and there has been progress satisfactory to MCC on the components of the Implementation Plan for any relevant Projects or Activities related to such CIF Disbursement; (iii) there has been progress satisfactory to MCC on the M&E Plan for the Program or relevant Project or Activity and substantial compliance with the requirements of the M&E Plan (including the targets set forth therein and any applicable reporting requirements set forth therein for the relevant Disbursement Period); (iv) there has been no material negative finding in any financial audit report delivered in accordance with this Compact and the Audit Plan, for the prior two quarters (or such other period as the Audit Plan may require); (v) MCC does not have grounds for concluding that any matter certified to it in the related MCA Disbursement Certificate, the Fiscal Agent Disbursement Certificate or the Procurement Agent Disbursement Certificate is not as certified; and (vi) if any of the officers or key staff of MCA-Benin II have been removed or resigned and the position remains vacant, MCA-Benin II is actively engaged in recruiting a replacement.

MCC has not determined, in its sole discretion, that an act, omission, condition, or event has occurred that would be the basis for MCC to suspend or terminate, in whole or in part, this Compact or MCC Funding in accordance with Section 5.1 of this Compact.

ANNEX V

ADDITIONAL CONDITIONS PRECEDENT TO ENTRY INTO FORCE

The following additional conditions precedent will apply to entry into force of the Compact:

1. The Government will have provided evidence that SBEE has improved its corporate governance through the following measures:
 - (a) signature of a *contrat plan* between Government and SBEE that: (i) establishes the operational independence of SBEE in its daily decision-making from the Ministry of Energy, the Council of Ministers, or other political authorities; (ii) identifies performance benchmarks to be met by SBEE; and (iii) affirms the SBEE Strategic Plan 2014-2019;
 - (b) installation of a Board of Directors pursuant to a procedure, approved by the Parties, and nomination based on factors such as technical qualifications and experience in the electric power sector; and
 - (c) competitive recruitment of a Director General.
2. The Government will have provided evidence to MCC of substantial compliance with the Government Arrears Payment Plan.

ANNEX VI

CONDITIONS PRECEDENT TO ON-GRID TRANCHE FUNDING AND OFF-GRID TRANCHE FUNDING

This Annex VI sets forth the conditions precedent applicable to initial Disbursement of On-Grid Tranche Funding and initial Disbursement of Off-Grid Tranche Funding. For the avoidance of doubt, the On-Grid Tranche Funding and Off-Grid Tranche Funding are neither sequential nor dependent.

1. The initial Disbursement of On-Grid Tranche Funding will be subject to the following conditions:

(a) The Government will have implemented an institutional framework, in form and substance satisfactory to MCC, for independent power production that will include, *inter alia*:

(i) clear institutional roles and responsibilities within the Government for the solicitation, evaluation, engagement, implementation and monitoring of IPPs;

(ii) a formal process for the open, fair and competitive solicitation of IPPs;
and

(iii) the development and publication of standard power purchase agreements.

(b) The Government will release a competitive solicitation for an IPP, in form and substance satisfactory to MCC, for a generation project located in Benin.

(c) The Government will be in compliance with the Tariff Plan.

(d) The Government will have provided evidence of substantial compliance with the Government Arrears Payment Plan.

2. As a condition to the initial Disbursement of Off-Grid Tranche Funding, the Government will have implemented and be in compliance with the Off-Grid Policy.

ANNEX VII DEFINITIONS

Activity has the meaning provided in Part B of Annex I.

Additional Representative has the meaning provided in Section 4.2.

AFD has the meaning provided in paragraph 1(d) of Part B of Annex I.

ARE has the meaning provided in paragraph 1(a) of Part B of Annex I.

Audit Guidelines has the meaning provided in Section 3.8(a).

Audit Plan has the meaning provided in Section 3.8(a).

Baseline has the meaning provided in paragraph 3(i) of Annex III.

Benin has the meaning provided in the Preamble.

Benin Electricity Code has the meaning provided in paragraph 1(g) of Part B of Annex I.

Benin-Togo Electricity Code has the meaning provided in paragraph 1(g) of Part B of Annex I.

Board of Directors has the meaning provided in paragraph 1(a) of Part C of Annex I.

CEB has the meaning provided in paragraph 2(d) of Part B of Annex I.

CEB ESHSMS has the meaning provided in paragraph 3(b) of Part B of Annex I.

CIF Disbursement has the meaning provided in the preamble to Annex IV.

Compact has the meaning provided in the Preamble.

Compact Goal has the meaning provided in Section 1.1.

Compact Implementation Funding has the meaning provided in Section 2.2(a).

Compact Records has the meaning provided in Section 3.7(a).

Compact Term has the meaning provided in Section 7.4.

Covered Provider has the meaning provided in the Audit Guidelines.

Disbursement has the meaning provided in Section 2.4.

DQR has the meaning provided in paragraph 3 of Annex III.

Electricity Distribution Project Objective has the meaning provided in paragraph 3(a) of Part B of Annex I.

Electricity Generation Project Objective has the meaning provided in paragraph 2(a) of Part B of Annex I.

Energy Sector Donor Roundtable has the meaning provided in 1(d) of Part B of Annex I.

ERR has the meaning provided in paragraph 2(c) of Annex III.

ESH&S Audit has the meaning provided in 1(b) of Part B of Annex I.

ESIAs has the meaning provided in paragraph 2(b) of Part B of Annex I.

EU has the meaning provided in paragraph 1(d) of Part B of Annex I.

Evaluation Component has the meaning provided in paragraph 1 of Annex III.

Excess CIF Amount has the meaning provided in Section 2.2(d).

Facility Manager has the meaning provided in paragraph 4(a)(ii) Part B of Annex I.

Fiscal Agent has the meaning provided in paragraph 3 of Part C of Annex I.

GIZ has the meaning provided in paragraph 1(d) of Part B of Annex I.

Governance Guidelines means MCC's Guidelines for Accountable Entities and Implementation Structures.

Government has the meaning provided in the Preamble.

Government Arrears Payment Plan means the plan delivered by the Government to MCC on or about June 1, 2015, or as amended and accepted by MCC, to: (a) settle all arrears due to SBEE by all Selected Government Entities that have been incurred prior to the execution of this Compact, and (b) establish the procedure to maintain current all future payments to SBEE.

Grant has the meaning provided in Section 3.6(b).

Hazardous Waste Management Plan has the meaning provided in paragraph 2(b) of Part B of Annex I.

IFC Performance Standards means the Performance Standards on Environmental and Social Sustainability of the International Finance Corporation as such may be in force from time to time.

Implementation Letter has the meaning provided in Section 3.5.

Implementing Entity has the meaning provided in paragraph 2 of Part C of Annex I.

Indicators has the meaning provided in paragraph 3 of Annex III.

Inspector General has the meaning provided in Section 3.7(c).

Intellectual Property means all registered and unregistered trademarks, service marks, logos, names, trade names and all other trademark rights; all registered and unregistered copyrights; all patents, inventions, shop rights, know-how, trade secrets, designs, drawings, art work, plans, prints, manuals, computer files, computer software, hard copy files, catalogues, specifications, and other proprietary technology and similar information; and all registrations for, and applications for registration of, any of the foregoing, that are financed, in whole or in part, using MCC Funding.

IPP has the meaning provided in paragraph 1(a) of Part B of Annex I.

ITT has the meaning provided in paragraph 3(vi) of Annex III.

kV means kilovolts.

kW means kilowatts.

kWh means kilowatt-hour.

Management Team has the meaning provided in paragraph 1(c) of Part C of Annex I.

Master Plan means Plan directeur de développement du sous-secteur de l'énergie électrique au Bénin, to be finalized no later than entry into force of this Compact.

M&E has the meaning provided in paragraph 1 of Annex III.

M&E Plan has the meaning provided in the first paragraph of Annex III.

MCA Act has the meaning provided in Section 2.2(a).

MCA-Benin II has the meaning provided in Section 3.2(b).

MCC has the meaning provided in the Preamble.

MCC Environmental Guidelines has the meaning provided in Section 2.7(c).

MCC Funding has the meaning provided in Section 2.3.

MCC Gender Policy means the MCC Gender Policy (including any guidance documents issued in connection with such policy).

MCC M&E Policy has the meaning provided in the first paragraph of Annex III.

MCC Program Closure Guidelines means the MCC Program Closure Guidelines (including any guidance documents issued in connection with such guidelines).

MCC Program Procurement Guidelines has the meaning provided in Section 3.6(a).

MCC Website means the MCC website at www.mcc.gov.

Monitoring Component has the meaning provided in paragraph 1 of Annex III.

Multi-Year Financial Plan Summary has the meaning provided in Part 1 of Annex II.

MW means megawatts.

MWh means megawatt-hour.

National Framework has the meaning provided in paragraph 4(a)(i) of Part B of Annex I.

NDCC has the meaning provided in paragraph 3(a)(iii) of Part B of Annex I.

OCEF has the meaning provided in paragraph 4(a)(ii) Part B of Annex I.

OCEF Operations Manual has the meaning provided in paragraph 4(a)(ii) Part B of Annex I.

OCEF Windows has the meaning provided in paragraph 4(a)(ii) Part B of Annex I.

Off-Grid Electricity Access Project Objective has the meaning provided in paragraph 4(a) of Part B Annex I.

Off-Grid Policy means an institutional framework, in form and substance satisfactory to MCC, for off-grid electricity generation and distribution networks, that will include, inter alia: (a) clear institutional roles and responsibilities within the Government for off-grid electricity; (b) a procedural framework for licenses and/or concessions of off-grid electricity generation; (c) clarification with respect to ownership, operation and technical standards of off-grid electrical networks; and (d) tariff methodology associated with off-grid electricity generation to provide incentives for private sector participation and ensure sustainability.

Off-Grid Tranche Funding has the meaning provided in Section 2.1.

On-Grid Tranche Funding has the meaning provided in Section 2.1.

Outside Date means, as applicable, thirty (30) months after entry into force for the On-Grid Tranche Funding and twenty four (24) months after entry into force for the Off-Grid Tranche Funding.

Party and Parties have the meaning provided in the Preamble.

PCB has the meaning provided in paragraph 2(a)(ii) of Part B of Annex I.

Permitted Account has the meaning provided in Section 2.4.

Policy Reform and Institutional Strengthening Project Objective has the meaning provided in paragraph 1(a) Part B of Annex I.

Power Africa has the meaning provided in 1(a) of Part A of Annex I.

Principal Representative has the meaning provided in Section 4.2.

Procurement Agent has the meaning provided in paragraph 4 of Part C of Annex I.

Program has the meaning provided in the recitals to this Compact.

Program Assets means any assets, goods or property (real, tangible or intangible) purchased or financed in whole or in part (directly or indirectly) by MCC Funding.

Program Funding has the meaning provided in Section 2.1.

Program Guidelines means collectively the Audit Guidelines, the MCC Environmental Guidelines, the Governance Guidelines, the MCC Program Procurement Guidelines, the Reporting Guidelines, the MCC M&E Policy, the MCC Cost Principles for Government Affiliates Involved in Compact Implementation, the MCC Program Closure Guidelines, the MCC Gender Policy, the MCC Gender Integration Guidelines, the MCC Guidelines for Economic and Beneficiary Analysis, the MCC Standards for Global Marking, and any other guidelines, policies or guidance papers relating to the administration of MCC-funded compact programs, in each case, as such may be posted from time to time on the MCC Website.

Program Implementation Agreement and PIA have the meaning provided in Section 3.1.

Program Objective has the meaning provided in Section 1.2.

Project(s) has the meaning provided in Section 1.2.

Project Objective(s) has the meaning provided in Section 1.3.

Provider means (i) any entity of the Government that receives or uses MCC Funding or any other Program Asset in carrying out activities in furtherance of this Compact or (ii) any third party that receives at least US\$50,000 in the aggregate of MCC Funding (other than as salary or compensation as an employee of an entity of the Government) during the Compact Term.

PV has the meaning provided in paragraph 2(a)(i) of Part B of Annex I.

Ramsar Convention means the Convention on Wetlands of International Importance Especially as Waterfowl Habitat dated February 2, 1971, and as amended by Protocol on March 12, 1982 and as further amended by the Amendments of May 28, 1987.

RAPs has the meaning provided in 2(b) of Part B of Annex I.

Reporting Guidelines means the MCC Guidance on Quarterly MCA Disbursement Request and Reporting Package.

Resettlement Policy Framework has the meaning provided in 2(b) of Part B of Annex I.

SBEE has the meaning provided in 1(a) of Part B of Annex I.

SBEE ESHSMS has the meaning provided in 1(b) of Part B of Annex I.

SCADA has the meaning provided in paragraph 3(a)(iii) of Part B of Annex I.

Selected Government Entities means those Government entities as agreed in writing between the Parties.

Stakeholders' Committee has the meaning provided in paragraph 1(d)(i) of Part C of Annex I.

Supplemental Agreement means any agreement between (a) the Government (or any Government affiliate, including MCA-Benin II) and MCC (including, but not limited to, the PIA), or (b) MCC and/or the Government (or any Government affiliate, including MCA-Benin II), on the one hand, and any third party, on the other hand, including any of the Providers, in each case, setting forth the details of any funding, implementing or other arrangements in furtherance of, and in compliance with, this Compact.

Target has the meaning provided in paragraph 3(ii) of Annex III.

Tariff Plan means the phased implementation plan to be delivered by the Government to MCC on or prior to the first anniversary following the entry into force of this Compact setting out a course of action to move SBEE to full cost recovery tariffs. This full cost recovery tariff should include recovery of operating expenses, financing costs incurred by SBEE, capital replacement charges and capital expansion charges so that tariffs reflect SBEE's long-run marginal costs. The Tariff Plan will also ensure periodic indexation of tariffs for factors including the West African CFA Franc exchange rate, inflation in Benin, and the cost of fuel for thermal generation plants. The Government also will seek to ensure access for poor and vulnerable groups through a lifeline tariff or other mechanism in a manner which is consistent with average total cost recovery and efficient utilization of electricity. The Government will also ensure that feed-in tariffs for IPP are commercially attractive.

Taxes has the meaning provided in Section 2.8(a).

Tranche I Funding has the meaning provided in Section 2.1.

United States Dollars or US\$ means the lawful currency of the United States of America.

USAID has the meaning provided in paragraph 1(e) of Part B of Annex I.

Window One has the meaning provided in paragraph 4(a)(ii) of Part B of Annex I.

Window Two has the meaning provided in paragraph 4(a)(ii) of Part B of Annex I.

Window Three has the meaning provided in paragraph 4(a)(ii) of Part B of Annex I.

Window Four has the meaning provided in paragraph 4(a)(ii) of Part B of Annex I.