

**DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

Approved by the Board of Directors on 25 March 2026¹

REPUBLIC OF BENIN

GRAND NOKOUÉ SOLID WASTE

[Redacted in line with the EBRD's Access to Information Policy]

[Information considered confidential has been removed from this document in accordance with the EBRD's Access to Information Policy (AIP). Such removed information is considered confidential because it falls under one of the provisions of Section III, paragraph 2 of the AIP]

¹ As per section 1.4.8 of EBRD's Directive on Access to Information (2024), the Bank shall disclose Board reports for State Sector Projects within 30 calendar days of approval of the relevant Project by the Board of Directors. Confidential information has been removed from the Board report.

For the avoidance of any doubt, the information set out here was accurate as at the date of preparation of this document, prior to consideration and approval of the project.

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ABBREVIATIONS / CURRENCY CONVERSIONS

AGETUR	Agence d'Exécution des Travaux Urbains
ARMP	Public Procurement Regulatory Authority
DGEC	Directorate General for Environment and Climate
EIB	European Investment Bank
EOAP	Equal Opportunity Action Plan
E&S	Environment and Social
ESAP	Environmental and Social Action Plan
ESDD	Environmental and Social Due Diligence
ESP	Environmental and Social Policy
ESR	Environmental and Social Requirement
EU	European Union
EUR	Euro
FCFA	West African CFA Franc (also: XOF)
GAP	Government Action Programme
GBVH	Gender-Based Violence and Harassment
GDP	Gross Domestic Product
GET	Green Economy Transition
GHG	Greenhouse Gas
IMF	International Monetary Fund
LM	Lender's Independent Monitor
MDB	Multilateral Development Bank
MEF	Ministry of Economy and Finance
MLET	Ministry of Living Environment and Transport
MR	Mutual Reliance for Procurement in Jointly Co-Financed Public Sector Operations outside the EU
MSW	Municipal Solid Waste
NGO	Non-Governmental Organisation
PA	Paris Alignment
PIA	Project Implementation Agreement
PIU	Project Implementation Unit
PPAD	Procurement Policy and Advisory Department
PR	Point de Regroupement (Waste Collection Points)
S&P	Standard and Poor's
SDGs	Sustainable Development Goals
SGDS	Société de Gestion des Déchets et de la Salubrité
SME	Small and Medium-sized Enterprise
SSA	Sub-Saharan Africa
SSF	Shareholder Special Fund (EBRD)
TC	Technical Cooperation
TDD	Technical Due Diligence
TI	Transition Impact
USD	United States Dollar

1 EUR = 655.957 FCFA (West African Franc; pegged to the Euro)

PRESIDENT’S RECOMMENDATION

This recommendation and the attached Report concerning an operation in favour of the Republic of Benin (the “Borrower”), for the benefit of Société de Gestion des Déchets et de la Salubrité (“SGDS”, or the “Company”), a state-owned company in charge of the collection, treatment and disposal of solid waste throughout Benin, are submitted for consideration by the Board of Directors.

The facility will consist of a sovereign loan of up to EUR 35.5 million to the Republic of Benin to finance the development and modernisation of the municipal solid waste (“MSW”) management system in the Grand Nokoué region, located in southern Benin, aimed at improving waste collection, recovery, treatment and environmental performance on disposal facilities (the “Project”). The Project is expected to shift the current [REDACTED] system towards a fully modern, integrated and more sustainable recycling system, combining both innovative technologies and practices. The Bank’s loan is co-financed by a EUR 35.5 million sovereign loan from the European Investment Bank (“EIB”) under the Mutual Reliance for Procurement in Jointly Co-Financed Public Sector Operations Outside the EU (“MR”).

The Project’s primary transition impact is expected to be derived from the *Green* quality by introducing for the first time in Benin innovative green technologies and practices. The Project is expected to materially increase waste recovery and recycling rates, reduce CO₂ emissions and promote circular economy. The secondary transition quality is *Well-Governed*, reflecting the Bank’s first policy engagement in the infrastructure sector of the Sub-Saharan Africa (“SSA”) region, through the development and implementation of a framework enabling the recovery of waste-removal fees through utility bills. This reform aims to strengthen financial sustainability [REDACTED]. The Project is “*Gender Additional*” as it includes the development of an Equal Opportunities Action Plan (“EOAP”), supporting SGDS in building a more inclusive workforce nationwide.

Technical Cooperation (“TC”) support for this operation is expected to be funded by the EBRD Shareholder Special Fund (“SSF”), and will include: (i) a Lender’s Independent Monitor (“LM”), providing enhanced monitoring across environmental and social aspects, procurement, disbursement, and overall compliance with the Bank’s financing requirements; (ii) support to operationalise the governance arrangements between SGDS and utility concessionaires and strengthen tariff-related coordination to improve household fee collection; and (iii) promote gender equality initiatives.

I am satisfied that the operation is consistent with [REDACTED] the Infrastructure Sector Strategy, the Bank’s Green Economy Transition Approach 2021-2025, the Strategy for the Promotion of Gender Equality, and with the Agreement Establishing the Bank.

I recommend that the Board approve the proposed loan substantially on the terms of the attached Report.

Odile Renaud-Basso

BOARD DECISION SHEET

REPUBLIC OF BENIN – Grand Nokoué Solid Waste - DTM 56247	
Transaction / Board Decision	Board approval ² is sought for a sovereign loan of up to EUR 35.5 million to the Republic of Benin to finance half of the EUR 71 million investment programme for the development and modernisation of the municipal solid waste (“MSW”) system in the Grand Nokoué region, in southern Benin, aimed at improving the waste collection, treatment and environmental performance of disposal facilities (the “Project”). The proceeds of the operation will be allocated to Société de Gestion des Déchets et de la Salubrité (“SGDS”, or the “Company”) and will benefit a region of approximately 2.8 million people. The Project will be co-financed by a parallel sovereign loan of EUR 35.5 million from the European Investment Bank (“EIB”).
Client	The borrower is the Republic of Benin (the “Borrower”), represented by the Ministry of Economy and Finance (“MEF”). SGDS, as the state-owned company in charge of the collection, treatment and disposal of solid waste in Benin, is in charge of the Project implementation, under the supervision of the Ministry of the Living Environment and Transport (“MLET”).
Main Elements of the Proposal	Transition Impact: <i>Primary quality – Green:</i> The Project is expected to increase waste recovery and recycling across the Grand Nokoué region, significantly reducing greenhouse gas (“GHG”) emissions by diverting waste from existing landfills and supporting the circular economy. The Project will bring about the first large-scale use of recycling, sorting and composting systems in Benin, [REDACTED]. <i>Secondary quality – Well-Governed:</i> The Project strengthens sector governance through a policy engagement to establish a framework for recovering waste-removal fees [REDACTED]. Additionality: (i) Financing structure: provision of long-term sovereign financing [REDACTED] allowing the closure of a financing gap; (ii) Sector reform: policy and institutional support to strengthen coordination across Benin’s utilities and improve SGDS’ operational efficiency; and (iii) Standard-setting: strengthening gender standards by supporting the development of an Equal Opportunities Action Plan (“EOAP”). Sound banking: The Project satisfies sound banking given the acceptable quality of the sovereign risk.
Key Risks	Sovereign risk: mitigated by the Government’s fiscal management and ongoing economic diversification efforts. Strong fiscal discipline; International Monetary Fund (“IMF”) support; and improving sovereign credit ratings: BB-/Stable (S&P); B1/Positive (Moody’s); and B+/Positive (Fitch, upgraded outlook in January 2026). Project implementation risk: due to the Project scale, technical complexity and multi-stakeholder coordination. Mitigants include the establishment of a dedicated project implementation unit by SGDS, which will be supported by an EIB-funded Project Implementation Unit (“PIU”) technical support. The EBRD-funded Lender’s Independent Monitor (“LM”) will ensure timely implementation and oversight of the Project. SGDS’s success in expanding pre-collection coverage and strong government backing also mitigate implementation risk. [REDACTED]
Strategic Fit Summary	The Project is consistent with [REDACTED], the Infrastructure Sector Strategy, the Bank’s Green Economy Transition Approach 2021-2025, and the Strategy for the Promotion of Gender Equality, and with the Agreement Establishing the Bank.

² Article 27 of the AEB provides the basis for this decision.

ADDITIONAL SUMMARY TERMS FACTSHEET

EBRD Transaction	Sovereign loan of up to EUR 35.5 million in favour of the Republic of Benin to be on-lent to SGDS as part of a EUR 71 million investment programme to finance the development and modernisation of the municipal solid waste management system in the Grand Nokoué region, in southern Benin, covering the economic and administrative capitals, Porto Novo and Cotonou, as well as other relevant municipalities such as Ouidah, Abomey-Calavi and Sèmè-Kpodji. The loan will have a tenor of up to 18 years [REDACTED]. The Project will be co-financed by a EUR 35.5 million sovereign loan from the EIB. The Project covers a region of approximately 2.8 million people, which represents c. 20% of the Beninese population and c. 30% of national gross domestic product (“GDP”).
Mutual Reliance	Yes. The Project is co-financed with the EIB, and a Project Implementation Agreement (“PIA”) will be signed with the EIB under which the Project will follow EIB’s Guide to Procurement. The Project will be the first SSA project co-financed under the Mutual Reliance for Procurement in Jointly Co-Financed Public Sector Operations Outside the EU (“MR”) [REDACTED]. Under the Mutual Reliance Arrangement, the EIB leads procurement for the Project while ensuring a single, non-duplicative process that satisfies both banks’ procurement requirements, as the frameworks are mutually compatible.
Existing Exposure	EUR 30 million under Project Mono Couffo Borgou Electrification
Maturity / Repayment	18 years [REDACTED].
Potential AMI eligible financing	None.
Use of Proceeds - Description	The EBRD portion of the Project, of up to EUR 35.5 million, will be specifically directed to finance improving waste collection points (or <i>points de regroupement</i> , “PRs”), construction of waste sorting centres, composting plants, a pilot biogas plant for test-runs, landfill gas collection systems, and an upgrade of leachate management systems, as well as ancillary works at the landfills, including applying final capping layers for closed landfill cells, alongside the acquisition of waste collection trucks and containers. The use of proceeds will be controlled and monitored through periodic progress reports and monitoring visits, including those provided and conducted by a Bank-appointed TC-funded LM. [REDACTED]
Investment Plan	[REDACTED]
Financing Plan	[REDACTED]
Key Parties Involved	<i>Borrower:</i> Republic of Benin, through the MEF; <i>Project Entity:</i> SGDS; <i>Overseeing Ministry:</i> MLET; <i>Co-lender:</i> EIB
Conditions to disbursement	[REDACTED]
Key Covenants	[REDACTED]
Security / Guarantees	Sovereign loan to the Republic of Benin.
Other material agreements	Loan Agreement between the Borrower and the Bank Project Agreement between SGDS and the Bank Project Implementation Agreement between EIB and the Bank Subsidiary Loan Agreement between the Borrower and the SGDS Loan Agreement between the Borrower and EIB
Associated Donor Funded TC	<i>Pre-signing TCs:</i> TC 1: External Technical, Environmental and Social Due Diligence: the Bank engaged a technical, environmental and social due diligence consultant to carry out a

and Blended Concessional Finance	<p>comprehensive technical review of the Project [REDACTED]. Total budget: three assignments totalling EUR 225,000 funded by SSF.</p> <p>Post-signing TCs:</p> <p><u>TC2: Lender’s Independent Monitor</u>, the Bank will hire consultants to oversee the technical, procurement and environmental and social (“E&S”) aspects of the Project, ensuring implementation proceeds in accordance with the Bank’s policies and procedures. Total estimated budget: EUR 300,000 funded by SSF.</p> <p><u>TC3: Economic Governance framework</u>, the Bank intends to support the operationalisation of the governance arrangements between SGDS and utility concessionaires, [REDACTED] and develop SGDS's institutional capacity to promote gender equality through the implementation of an EOAP. Total estimated budget: EUR 350,000 funded by SSF.</p>
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[REDACTED]

INVESTMENT PROPOSAL SUMMARY

1. STRATEGIC FIT AND KEY ISSUES

1.1 STRATEGIC CONTEXT

Municipal solid waste management in Benin is characterised by low formal collection coverage, particularly outside major cities, leaving a large share of household waste unmanaged [REDACTED] Historically, there was no clear institutional framework establishing the roles and responsibilities of the various stakeholders covering the MSW management sector in the Republic of Benin. [REDACTED]

These weaknesses were clearly exposed in October 2010, when Benin experienced catastrophic floods affecting more than 680,000 people across 55 of the country’s 77 communes, where unmanaged solid waste blocked drains and clogged channels, overwhelming drainage infrastructure. In response, the Government of Benin requested support from the World Bank to urgently intervene through the provision of a rapid response funding programme, the “Benin Emergency Urban Environment Project”, which aimed to mitigate environmental and health impacts linked to obstructed drainage systems.

Acknowledging these risks, the Government of Benin prioritised the development of the MSW sector and decided to engage in an integrated state-led approach to improve service efficiency and overall sector performance in the Grand Nokoué region, the most densely populated and rapidly growing area of Benin, which generates over 600,000 tonnes of MSW per year and is projected to reach c. 2 million tonnes per year of waste produced by 2050. Historically, MSW in the Grand Nokoué region was directly overseen by the municipalities, where waste collection service coverage rate was c. 20% over the Grand Nokoué region, reflecting structural weaknesses in delivering sustainable and effective services. In 2018, the Government delegated pre-collection, transportation, sorting and final disposal of MSW in the region to a newly established state-owned entity, SGDS. Within only five years, SGDS improved overall services provision, reaching a waste collection rate of over 70% in the Grand Nokoué region, ultimately leading to Cotonou being named as the third cleanest city in Africa in 2025.³

Building on this performance, the Government emphasized the usage of an institutional platform for a scalable public-private delivery model: a single, professionalised utility that mobilises private sector capabilities through structured contracts with local Small and Medium Enterprises (“SMEs”), while setting a unified strategy, service-quality standards and performance oversight. Accordingly, in 2021, the Government decided to expand the mandate of SGDS nationwide.

Despite these improvements, sorting and recycling practices in the Grand Nokoué region remain largely informal and limited. Formal source-separation of recyclables and biowaste and treatment of mixed municipal solid waste prior to landfilling is almost non-existent, with only 0.4% of the generated MSW currently being recycled. As a result, waste management practices remain heavily dependent on final

³ Jeune Afrique. Ville d’Afrique les plus propres en 2025 : Kigali toujours leader, Cotonou dans le top 3. 11 December 2025. <https://www.jeuneafrique.com/1748549/economie-entreprises/ville-dafrique-les-plus-propres-en-2025-kigali-toujours-leader-cotonou-dans-le-top-3/>

disposal at landfills and almost the entire MSW generated is discharged at the two existing landfills, Ouèssè and Takon, where older cells did not have appropriate control measures such as an impermeable base lining system or landfill gas collection and leachate treatment systems.

As part of the Clean Oceans Initiative, a joint effort launched by EIB, AFD and KfW in 2018, which the Bank joined in 2022, which aims to contribute to the improvement of environmental infrastructure in targeted countries for cleaner and more sustainable oceans, EIB commissioned a technical, economic and environmental due diligence to identify a bankable, integrated solution to support the Government of Benin in addressing the existing challenges and the modernisation of the municipal solid waste sector in the Grand Nokoué region. The Project is the outcome of this preparatory work, aimed at supporting, in a phased approach, the transition towards a fully integrated waste management system in the Grand Nokoué region, focused on improving waste recovery, treatment and environmental performance of disposal facilities.

Building upon the strong cooperation between EBRD and EIB, the proposed Project was selected as a “Joint Project” under the Framework Project Cooperation Agreement between EBRD and EIB signed in 2025, which aims to simplify the appraisal process and create synergies between the institutions for co-financed projects. The cooperation extends further into the implementation phase with a PIA to be signed between the two institutions for procurement of jointly financed works, goods and services under the MR signed between EIB and the Bank.

The Project represents the first nationwide effort to introduce innovative green technologies by transforming Benin’s current MSW system from a disposal-oriented system towards a fully integrated and more sustainable recycling-oriented model, though introducing composting, anaerobic digestion from food waste and methane abatement technologies, currently not available in the country. The introduction of these new technologies has the objective of materially increasing recycling rates from a negligible 0.4% to 10%, reducing CO₂ emissions by c. 75,744 tonnes per year through reduction of landfilled waste and methane abatement and promoting a circular economy. Furthermore, the proposed Project is aligned with material EU environmental standards (including the EU Landfill Directive) and is structured to meet the Bank’s Environmental and Social Requirements (“ESR”). The Project moves the broader waste management system towards alignment with the EU requirement as set out in the EU Waste Framework Directive (2008/98/EC).

Despite the efforts made by the Government of Benin to implement a legal and regulatory framework in the MSW sector and strengthen SGDS’ institutional role, there are still important gaps in governance, stakeholder engagement and financial sustainability. To move from policy-design to effective implementation, the Bank will launch an Economic Governance TC for an amount of EUR 350,000, the Bank’s first regulatory reform engagement in the infrastructure sector in the SSA region. The TC will support in the preparation of the necessary arrangements to improve cost recovery mechanisms in place and clearer allocation of roles between SGDS and service providers, thereby addressing key institutional bottlenecks currently constraining service quality and long-term sustainability of the sector. Moreover, the TC will support SGDS in strengthening gender standards by developing and implementing an Equal Opportunities Action Plan to increase women’s participation in technical and leadership roles, enhance recruitment and career pathways through educational partnerships, and build organisational capacity for gender responsive HR and gender-based violence and harassment (“GBVH”) prevention, addressing the current underrepresentation of women in the sector (15% of staff).

[REDACTED] The Project is consistent with the Infrastructure Sector Strategy given that it is “*encouraging sustainable waste management practices*” and with the Bank’s Green Economy Transition Approach 2021-2025 given the focus on solid waste management, which was identified as one of the “*important environmental challenges*.” The Project is also aligned with the Strategy for the Promotion of Gender Equality given that the Project is a “*green economy investment that promotes women’s access to economic opportunities*” via the EOAP. The Project contributes to the following UN Sustainable Development Goals (“SDG”s): SDG 8: Decent Work and Economic Growth, SDG 11: Sustainable Cities and Communities, SDG 12: Responsible Consumption and Production, SDG 13: Climate Action and SDG 14: Life Below Water.

1.2 TRANSITION IMPACT

Primary Quality: Green

Obj. No.	Objective	Details
1.1	<i>The percentage of EBRD use of proceeds that supports a green economy transition and therefore qualifies as GET finance exceeds 50%.</i>	The Project qualifies for 100% Green Finance as it delivers substantial environmental benefits, including increased waste collection, recycling and recovery and EU-aligned landfill and leachate management, while also achieving significant GHG mitigation through organic-waste diversion and methane capture, reducing CO ₂ emissions by c. 75,744 tonnes per year. It further enhances climate resilience of the region by reducing potential drainage blockage, limiting soil and water-body contamination and strengthening the systems and the region's capacity to withstand extreme rainfall events and flooding enabling adaptation to climate change.
1.2	<i>The project introduces one of the first three of its kind green products or technologies that are innovative at the national or regional level.</i>	The Project represents the first nationwide effort to introduce certain innovative green technologies. The Project supports the transition of Benin's current solid waste model from a disposal-oriented waste management system towards a fully integrated and more recycling-oriented system, introducing large-scale composting-anaerobic digestion from food waste (through the pilot biogas plant) and methane abatement technologies for the first time in Benin. These technologies, currently not available in the country, have the objective of materially increasing recycling rates, reducing CO ₂ emissions and promoting a circular economy approach across the waste value chain.

Secondary Quality: Well-Governed

Obj. No.	Objective	Details
2.1	<i>The project entails a policy dialogue initiative that has been assessed as Excellent by the sector economist</i>	<p>The proposed policy dialogue is the first policy engagement in waste management in SSA and aligns with the upcoming Economic Governance Strategic and Capital Framework priority. The initiative has received strong endorsement from SGDS management. [REDACTED] In addition, an EOAP will be developed at the company level, as SGDS expands its operations, potentially paving the way for broader human -capital work under future operations.</p> <p>EBRD's engagement is expected to drive systemic transformation in Benin's waste management sector. [REDACTED]</p>

Risks to TI delivery

Delivery risks to the transition impact relate to (i) the involvement of multiple institutional stakeholders, combined with potential capacity constraints and limited technical expertise; and (ii) potential delays in the construction and implementation of the Project. These risks are mitigated by (a) the presence of a dedicated PIU which will be created by SGDS, supplemented by the EIB loan-funded PIU technical support as well as the EBRD TC-funded LM which together will ensure timely implementation and effective project oversight; (b) full support from the Government of Benin, as evidenced by its commitment to sector reform and development; and (c) SGDS's strong track record in modernising waste services in Grand Nokoué, demonstrated by the increase in collection coverage from 20% in 2019 to over 70% in 2024.

1.3 ADDITIONALITY

Identified triggers: No triggers identified	Description: n/a
Additionality sources	Evidence of additionality sources
<p>Financing Structure:</p> <ul style="list-style-type: none"> - EBRD offers financing that is not available in the market from commercial sources on reasonable terms and conditions [REDACTED]Such financing is necessary to structure the project. - EBRD offers a tenor, which is longer than available to the client in the market on reasonable terms and conditions. - Public sector: EBRD investment is needed to close the funding gap. At the same time, EBRD does not crowd out other sources, such as from IFIs, government, commercial banks and/or complements them. 	<ul style="list-style-type: none"> - [REDACTED]The offered 18-year tenor ensures affordability for a much-needed development and modernisation of the MSW management system in the Grand Nokoué region. - EBRD's investment is essential to closing the financing gap present for the Project, as the EIB loan was signed in December 2024, and thus enabling timely implementation across all targeted municipalities. Therefore, the Bank's contribution complements funding from EIB, the co-financer, and does not crowd out other public or commercial sources.
<p>Policy, sector, institutional, or regulatory change: EBRD's involvement in a project is considered additional when it is designed to trigger a change in the policy, sector, institutional or regulatory framework, or enhance practices at the sector or country level (e.g., an introduction of cost-reflective pricing of energy, water etc.)</p>	<p>EBRD's involvement supports meaningful improvements in economic governance by strengthening SGDS's institutional framework [REDACTED]. The Project will help SGDS to operationalise and put in place the required arrangements through a phased action plan and standard collaboration agreements.</p>
<p>Standard-setting: Client seeks/makes use of EBRD expertise for the adoption of gender standards and/or equal opportunities action plans.</p>	<p>Gender SMART: The Project will support SGDS in adopting stronger gender standards by developing and operationalising a comprehensive EOAP, through TC support. With women representing only [REDACTED] the EOAP will provide a practical roadmap to increase women's participation in technical and leadership positions, strengthen recruitment and career development pathways through partnerships with local educational institutions, and build the capacity of SGDS management and all staff to apply gender responsive human resources and GBVH prevention practices.</p>

1.4 SOUND BANKING - KEY RISKS

Risks	Probability / Effect	Comments
Implementation risk	Medium/ High	Implementation risks are significant due to the Project's large scale and complexity, covering five municipalities and ultimately serving a population of c. 2.8 million. The Project spans the entire waste management chain, including pre-collection, collection, sorting, composting and final disposal. Risks stem from multi-actor coordination and technical challenges in deploying new infrastructure. <i>Mitigants: The Project is a strategic priority for the Government of Benin. A robust governance framework has been established involving SGDS and relevant ministries, supported by a dedicated EIB-funded PIU which will be established by SGDS. While the Project spans multiple regions and involves complex procurement and implementation phases, SGDS is well positioned to manage these challenges, as demonstrated by the improvement of the waste management system in Grand Nokoué region since 2019, when only 20% of households had access to pre-collection services (this increased to c.77% by 2024). In addition, a Bank-funded LM will be appointed to ensure Bank requirements are complied with, ensuring timely delivery and risk mitigation throughout the implementation phase.</i>
Construction and cost over-run risk	Medium / Medium	The Project includes a comprehensive modernisation of the MSW system of Grand Nokoué. This creates risk of cost over-run, including potential underestimation of capital and operational expenditures, or price volatility in equipment and construction materials. <i>Mitigants: The risk of cost overruns is mitigated by several features of the Project's design and by the extensive technical due diligence ("TDD") already undertaken by EIB and complemented and updated by a Bank-funded TDD [REDACTED] The TDD includes detailed assessments of landfill conditions, existing collection points, transfer stations, and proposed sorting and composting sites, reducing the likelihood of underestimating civil works requirements, remediation needs, or environmental control costs. The Project also builds on substantial existing infrastructure (such as the Ouèssè and Takon landfills) which limits exposure to unforeseen technical challenges. The presence of an EIB-funded PIU also minimises cost over-run risk by acting as an additional layer to ensure appropriate procurement and Project implementation. [REDACTED].</i>
Political risk	Medium / Medium	[REDACTED]
Sovereign risk	Medium / Medium	Benin faces moderate sovereign risk despite a strong macroeconomic outlook. Key concerns include low GDP per capita, persistent external imbalances, and exposure to foreign currency debt. Regional security risks and global market volatility also pose potential challenges. While Benin's debt structure is favourable, any deterioration in the political or external environment could affect debt servicing capacity, particularly given the sovereign nature of the loan. <i>Mitigants: Benin has demonstrated a strong commitment to fiscal discipline and reform, supported by ongoing IMF programmes and illustrated by the recent rating outlook change from Stable to Positive by Fitch in January 2026 (which also affirmed a B+ rating). The country's debt is mostly concessional and fixed-rate, with proactive debt management helping to reduce refinancing risks. The Project aligns with national priorities, further mitigating sovereign exposure and supporting long-term macro-fiscal stability.</i>
Cybersecurity risk	Low / Low	Technical due diligence on the Project has concluded that the cybersecurity risk on the Project is very low to none, as the Project has no critical digital

		component or any third-party communication to any of the Project equipment.
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2. MEASURING / MONITORING SUCCESS

Transition Impact Monitoring Indicators

TI indicator(s), primary Quality: Green

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
1.1	Waste recovered, recycled or re-used (in percentage over total collected annually)	Estimated share of collected waste that is effectively recovered, recycled or re-used.	[REDACTED]	[REDACTED]	[REDACTED]
1.2	CO ₂ e emissions reduced (tonnes/year)	Estimated reduction of [REDACTED] CO ₂ emissions per year once the Project has been implemented. This is due to landfill gas capture and destruction; diverting biodegradable waste from landfill via composting; and improved waste-collection fleet efficiency.	[REDACTED]	[REDACTED]	[REDACTED]
1.3	New or updated technology introduced	Implementation of [REDACTED] composting plants, sorting centres [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

TI indicator(s), secondary Quality: Well-Governed

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
2.1	Recommended policy or strategy or regulatory framework/ standard agreed by relevant stakeholder(s)	Design and signing of a collaborative framework (“convention de collaboration”) between SGDS and the utility concessionaires that operationalises Presidential Decree No. 2025-191.	[REDACTED]	[REDACTED]	[REDACTED]
2.2	Improved operational standards	Increased share of invoices delivered to end-users [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2.3	Improved operational standards	Increased share of invoices paid by end-users. [REDACTED].	[REDACTED]	[REDACTED]	[REDACTED]

2.4	Project implementation support completed: Action plan for expansion of products/services agreed	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
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Additional Indicators: Gender SMART

Indicator type	Monitoring indicator	Details	Baseline	Target	Due date
Advisory & Policy Indicators	Practices of the relevant stakeholder improved (equal opportunity practices of the client)	With TC support, SGDS will adopt and implement an EOAP to support efforts to increase women's participation in technical and leadership roles, strengthen recruitment and career-development pathways through collaboration with local educational institutions, build capacity of management and staff on gender-responsive practices and GBVH prevention.	No	Yes	[REDACTED]

3. KEY PARTIES

3.1 BORROWER

The Borrower is the Republic of Benin represented by the Ministry of Finance. An overview of the Borrower's public debt sustainability and sovereign profile is presented in *Section 5.2* below.

3.2 MINISTRY OF LIVING ENVIRONMENT AND TRANSPORT

The Ministry of Living Environment and Transport ("MLET") is the national ministry responsible for environmental policy, waste management oversight, sanitation, climate action, and urban environmental health in Benin. It acts as the government authority supervising SGDS, the state-owned waste management company.

The Directorate General for Environment and Climate ("DGEC") is the technical body of the Ministry in charge of implementing the national environment policy and climate action. The DGEC's role is to define environmental indicators, monitor pollution levels and ensures that large-scale sanitation activities comply with national environmental standards. The DGEC provides strategic oversight to ensure that waste management operations contribute effectively to carbon footprint reduction and climate resilience. In close cooperation with SGDS, the DGEC guarantees that urban sanitation efforts are not only efficient but also aligned with broader sustainable development policies and ecological preservation. Furthermore, the DGEC also assists MLET in the relationships with SGDS. For instance, the DGEC is a member of the monitoring and evaluating committee for SGDS' activities and funding.

3.3 SOCIETE DE GESTION DES DECHETS ET DE LA SALUBRITE (SGDS)

SGDS will be in charge of overall Project implementation, including procuring of the various Project components. SGDS will establish a PIU team to oversee the project implementation, which will be

supported by an independent EIB-loan funded PIU consultant, including supervision engineers. Implementation will be closely monitored by the LM.

SGDS is a state-owned entity overseen by the MLET in charge of municipal solid waste and sanitation services in Benin, although operations are currently focused in the Grand Nokoué region (southern Benin) and in Parakou (northern Benin). Following the Government Action Plan (“GAP”) 2016-2021, under which the Government prioritised the development of urban sanitation and MSW sector, SGDS was incorporated in 2018 by Decree No. 2018-542, with the aim to transition to an integrated state-led approach to improve service efficiency and overall sector performance. Given the positive results achieved in the Grand Nokoué region, SGDS mandate was later extended nationwide in 2021 through Decree No. 2021-181. SGDS is responsible for the municipal solid waste system, overseeing the whole solid waste chain, from pre-collection to final disposal in landfills. Beyond solid waste operations, SGDS also manages street sweeping, public space sanitation, stormwater drainage cleaning, and the elimination of illegal dumpsites, often through subcontracted private enterprises. Together, this system has enabled the region to transition from low and inconsistent collection levels to a highly structured, multimodal waste transport and disposal model capable of serving a rapidly growing urban population.

SGDS is undergoing significant expansion. It plans to extend waste services beyond the current five Grand Nokoué municipalities into neighbouring communes, progressively reaching full national coverage by 2040. SGDS’ revenue model includes both user fees and budgetary subsidies from the MEF. Collection of waste management fees only began at the start of 2025. The TC programme within this Project aims to improve invoice delivery and fee collection.

3.4 OTHER RELEVANT PARTIES

Small-Medium Enterprises, *Petites et Moyennes Entreprises* or *Groupements d’Intérêt Économique* are the operators contracted by SGDS [REDACTED] to carry out pre-collection, street cleaning and drain maintenance. They are responsible for collecting waste directly from households and transporting it to the PRs, ensuring daily service continuity and proper waste collection in areas with difficult access. [REDACTED]

Agence d’Exécution des Travaux Urbains (“AGETUR”) is a major Beninese urban development established in 1990 as a public limited company, with a shareholding structure composed of c. 75% private investors and 25% public entities and bodies, including the Beninese State, SOEs and municipalities. Within this Project, AGETUR operates as a technical service provider for SGDS under a 7-year contract signed in 2023 and is responsible for the day-to-day operation and maintenance of the Takon and Ouèssè landfills, including waste reception, spreading and compaction, daily cover application, leachate management and general site upkeep.

AGETUR operates as a delegated project manager for the Government of Benin, with a proven track record and extensive experience in developing infrastructure projects, including roads, drainage and sanitation works. Key projects where AGETUR was involved include the reconstruction of the Dantokpa market, following a fire in 2015, the implementation of an agricultural infrastructure project in Ouémé Valley and drainage and stormwater management in Cotonou.

Municipalities are the key territorial partners in the MSW sector. While SGDS oversees MSW operations in the Grand Nokoué region, the municipal authorities maintain their statutory role in public hygiene and local sanitation, serving as a vital provider for community engagement, facilitating equipment deployment and ensuring sanitation services are effectively provided in their geographical area to ensure minimum environmental and health standards.

4. MARKET CONTEXT

Solid waste management remains one of Benin’s most persistent environmental and public-health challenges, particularly in rapidly urbanising areas. Historically, the sector has been characterised by low waste collection service coverage, fragmented service delivery, and widespread reliance on informal dumping and burning, leading to recurrent flooding, drainage obstruction, air pollution and elevated risks of disease transmission. Nationally, only around 22% of urban households had access to formal waste collection, while rural disposal remained over 90% unmanaged, primarily through open burning or uncontrolled dumping. These practices contributed to severe impacts on human health, environmental degradation, contamination of waterways and proliferation of disease vectors.

To address these systemic shortcomings, the Government of Benin adopted a Sanitation Master Plan for Grand Nokoué in 2015, establishing a strategic roadmap for sanitation and solid waste reforms in the metropolitan area. This plan was operationalised through two successive phases of the GAP:

GAP 2016–2021 – Prioritising the Living Environment

Under its third pillar, seventh strategic axis, this programme repositioned the *living environment* as a pillar of sustainable development, strengthening the institutional role of the Ministry of Living Environment and Sustainable Development (current MLET) and promoting a balanced and sustainable territorial development, including large urban-environment projects designed to improve sanitation, urban services and environmental quality, preparing the grounds for a unified operator to replace the fragmented landscape of municipal and non-governmental organization (“NGO”) led services.

GAP 2021–2026 – Consolidation and Expansion

Building on the infrastructure and governance reforms of the first GAP, the current phase focuses on continuing and expanding interventions aimed at improving sanitation, urban services, and environmental quality, alongside further institutional strengthening, regulatory enforcement and embedding sustainability. A major policy driver in this phase is the Law No. 2022-04 on Public Hygiene, which clarifies municipal obligations, strengthens enforcement tools, and supports the rollout of a unified national operator.

Institutional Transformation: Creation of SGDS

This reform trajectory culminated in the creation of SGDS SA in 2018 through Decree No. 2018-542, establishing the company as Benin’s national operator for urban waste and sanitation services. SGDS was mandated to replace the fragmented model that previously relied on nearly 90 NGOs in Cotonou alone, cooperating together under framework agreements such as the *Coordination des Organisations Non Gouvernementales pour la Gestion des Déchets Solides et Ménagers dans Cotonou*, and which suffered from inconsistent coverage, limited oversight, and low collection performance.

SGDS’s creation in 2018 marked a structural shift in Benin’s waste governance, replacing the previously fragmented municipal and NGO-led system with a unified, professionalised framework anchored in standardised planning and operational procedures. Under this model, SGDS manages the full MSW chain while integrating over 100 SMEs and cooperatives through delegated management contracts, coordinated supervision, harmonised training standards and a common dispatch system. This hybrid public–private structure preserved the socio-economic role of local operators while embedding them into a regulated, performance-monitored service network. Operational reforms, including a modernised compactor-truck fleet, GPS-tracked routes, reinforced pre-collection networks, expanded transfer infrastructure and engineered landfills, rapidly translated into service improvements, raising formal collection coverage in the Grand Nokoué region from roughly 22% before 2018 to around 77% by 2024, significantly reducing informal dumping and strengthening environmental and public-health outcomes across Grand Nokoué.

National Reference for Integrated Solid Waste Management

Thanks to its strong results, the Grand Nokoué system has become Benin’s national benchmark for modern municipal solid waste management, demonstrating how structured governance, private sector mobilisation through integration of SMEs into formal service chains and coordinated infrastructure planning can collectively expand collection coverage, improve operational efficiency and reduce environmental and public-health risks. With secondary cities still achieving only about 20% formal collection coverage according to the World Bank⁴, the government extended in 2021 SGDS’s mandate nationwide, particularly to underserved northern regions, with the objective of, leveraging on the built know-how, replicating the Grand Nokoué model by rolling out professionalised collection services, mechanised sorting and composting facilities, and unified landfill management across the country.

[REDACTED]

5. FINANCIAL / ECONOMIC ANALYSIS

[REDACTED]

⁴ Kaza, Silpa, Lisa Yao, Perinaz Bhada-Tata, and Frank Van Woerden. 2018. What a Waste 2.0: A Global Snapshot of Solid Waste Management to 2050. Urban Development Series. Washington, DC: World Bank. <https://datatopics.worldbank.org/what-a-waste/>

5.2 SOVEREIGN CREDIT ANALYSIS

[REDACTED]

5.3 ECONOMIC ANALYSIS

[REDACTED]

5.4 SENSITIVITY ANALYSIS

[REDACTED]

5.5 PROJECTED PROFITABILITY FOR THE BANK

[REDACTED]

6. OTHER KEY CONSIDERATIONS

6.1 ENVIRONMENT

Categorised B (ESP 2024) since the impacts are site-specific and readily identified and addressed through mitigation measures. While the Project will further improve the Grand Nokoué conurbation's solid waste management and has the potential to create increased formal employment in the sector, it also has the potential for direct adverse E&S impacts including soil and groundwater impacts, and limited land-related economic or/physical displacement. No direct adverse impacts are anticipated with regards to employment by SGDS and its business partners, including the SMEs operating the local waste collection and the sorting cooperatives. An Environmental and Social Action Plan ("ESAP") has been developed and agreed with SGDS.

The Environmental and Social Due Diligence ("ESDD") was undertaken by independent consultants, including through site visits and extensive engagement with SGDS. Its scope includes the multiple smaller waste collection points operated by subcontracted SMEs, existing transfer stations and a selection of proposed sites for new sorting and composting centres, as well as the two existing landfills.

The ESDD indicates that the existing cells at the Takon and Ouèssè landfills which will be closed as part of the Project to facilitate landfill gas collection consist of old cells, do not have impermeable baselining systems. New cells, including those which are currently operating are constructed broadly in line with the requirements of the EU Landfill Directive. Current monitoring on groundwater in the vicinity of these sites does not indicate significant leachate migration and associated groundwater contamination, however further investigation and monitoring will be required during Project implementation to confirm this. The risk will be significantly reduced in the long-term by the Project investments, aligned with the requirements of the EU Landfill Directive. This includes formal capping and closure of existing cells and the installation of new advanced leachate treatment system. Flaring is proposed for treatment of gas at Ouèssè and due to the predicted low volumes of gas at Takon, an oxidation system (oxidation layers) will be used instead.

The existing waste collection points are associated with environmental and health and safety risks and impacts including to the workforce and nearby residents, and their rehabilitation, which is part of the Project use of proceeds, will include improvements to wastewater management, sanitation, security and welfare facilities and health and safety measures. The site-specific impacts of the sorting and composting centres and the pilot biogas unit will include air and odour emissions, noise, disturbance from windblown litter, traffic safety, occupational health and safety and pollution from unplanned spills. Composting plants will use open windrow technology and be designed and operated in accordance EU Best Available Techniques. The due diligence has identified that several or the originally proposed sites for composting and sorting are unlikely to be suitable and sites will be re-evaluated and selected during Project implementation, with support from the EIB loan-funded PIU. The ESAP includes requirements for site selection and additional assessments to further define necessary site-specific mitigations.

The wider lake and mangrove area including the metropolitan areas in the Grand Nokoué region is designated as Ramsar, Key Biodiversity Area and biosphere sites and therefore qualifies as critical habitat. The main potential impacts on biodiversity are associated with any vegetation clearance required for sorting/composting centres, discharge of treated leachate and unplanned discharges/spills to the lake. The installation of advanced leachate treatment is anticipated to have positive impacts on water quality and associated biodiversity. As the site-selection for the new project components has not been finalised, any impacts to critical habitat trigger species will be avoided where possible and any additional actions taken as required in accordance with ESR6 and included in the ESAP.

As the site-selection for the new Project components has not been finalised, the potential physical and economic displacement impacts and required mitigations related to land acquisition (e.g. for the new sorting sites) have been assessed on the basis of potential locations. Economic activities and assets were identified at these sites and hence some limited economic displacement impacts can reasonably be expected. As an example, activities related to market gardening, rabbit breeding, and water extraction from boreholes were present on one site. Loss of access to this land will be associated with livelihood impacts, should the site be selected. Two wooden/tin structures potentially used as dwellings are present at another site and use of this site may lead to physical displacement. Detailed processes and requirements for detailed surveys, compensations and mitigations for livelihood related impacts are included in the Land Acquisition and Livelihood Restoration Framework and this forms the basis for the site-specific Resettlement Plans that SGDS will need to develop and agree with the Bank prior to any construction.

The workers associated with the Project include both formal operational workers (e.g. SGDS, AGETUR, and waste collection SMEs) and future construction workers, as well as semi-formal sorting cooperatives. The semi-formal cooperative members working on SGDS' site are vulnerable stakeholder groups, comprising a significant number of women. The social due diligence concluded that the Project would not result in a decrease of activity for the cooperatives already operating on SGDS's premises and that improvements to the facilities will result in improved working conditions and productivity, thus enabling higher revenues from reselling recyclables. SGDS has been engaged in a process of progressive formalisation, first of the waste collection SMEs, and to a lesser degree of the sorting cooperatives. Further formalisation of the cooperatives could be beneficial for some of their members in terms of labour protections and access to social security benefits but is also likely to lead to some level of prejudice to those workers unable to integrate a more formal work model, and this would be challenging to mitigate. Extensive requirements are included in the ESAP to ensure adequate engagement and labour/OSH protections for both SME and cooperative workers.

A separate category of informal actors, which are not directly impacted Project stakeholders, are the informal waste pickers operating outside and independently of any SGDS sites and operations. While no quantitative data was available, it is understood that they continue to play a significant role in the region's solid waste sector. However, it is not possible to assess and attribute any potential indirect impacts to the Project itself as the formalisation of the sector is part of a broader, longer-term transition. While SGDS has already been applying a logic of integration through formalisation with the creation of the SMEs and cooperatives, there is no official strategy in place. Under the EIB technical assistance, support will be provided to SGDS to formalise the approach to targeting and supporting workers in the informal waste sector, including through the development of a social development strategy.

Affordability of the new waste collection fees charged from the start of 2025 have been assessed by the technical due diligence and have not raised any concerns from a social vulnerability perspective. Affordability will continue to be a central component of the considerations under the economic governance TC programme.

SGDS' existing environmental and social management system will need to be further enhanced, including development of relevant plans to manage construction work and updates to training, health and safety including road safety (including as it relates to new vehicles), environmental monitoring and HR procedures are required to align the systems with the ESRs. SGDS has good existing E&S capacity but will require support through the EIB funded technical support to ensure the Project is developed in accordance with the ESRs. The Bank will monitor the Project closely via independent Lenders Monitor and provide additional assistance on ESAP implementation if required.

An ESAP has been developed to address the above impacts and includes agreed actions to ensure the Project is structure to comply with the Bank's ESRs. The Project's Non-Technical Summary, including

summary of the ESAP, Stakeholder Engagement Plan, and LA-LRF will be disclosed by SGDS and the Bank prior to Board.

6.2 INTEGRITY

In conjunction with OCCO, enhanced integrity due diligence was undertaken on SGDS, its shareholders, senior management and other relevant parties. [REDACTED]

All actions required by applicable EBRD procedures relevant to the prevention of money laundering, terrorist financing, and other integrity issues have been taken with respect to the Project; the Project files contain the integrity checklists and other required documentation, which have been properly and accurately completed to proceed.

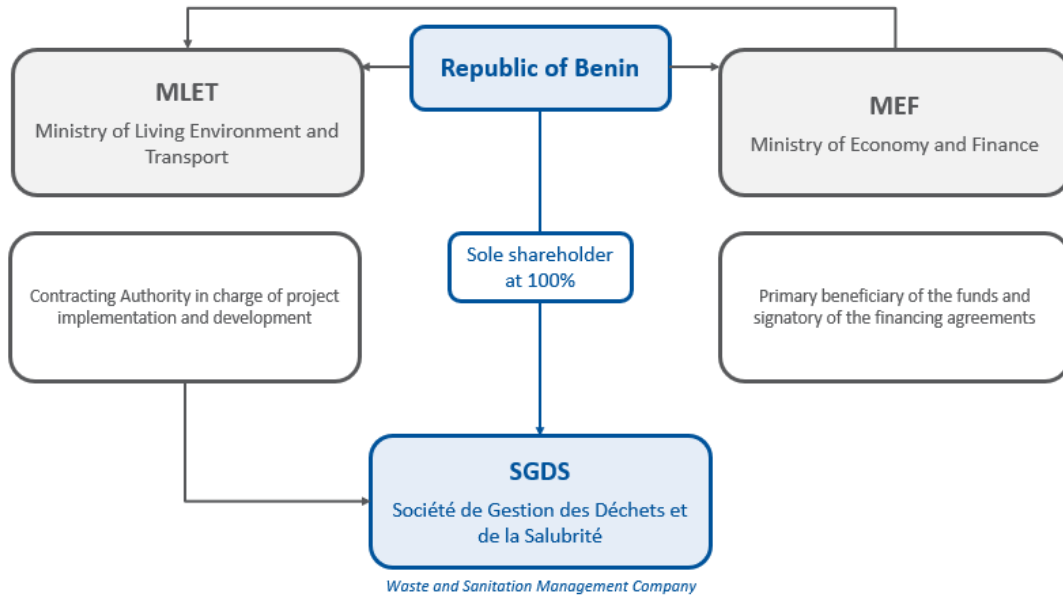
ANNEXES TO OPERATION REPORT

ANNEX 1	TRANSITION IMPACT SCORING CHART
ANNEX 2	SHAREHOLDING STRUCTURE
ANNEX 3	GREEN ASSESSMENTS
ANNEX 4	PROJECT IMPLEMENTATION

ANNEX 1 – TRANSITION IMPACT SCORING CHART

[REDACTED]

ANNEX 2 – SHAREHOLDING STRUCTURE



ANNEX 3 – GREEN ASSESSMENTS

SUMMARY

- The Project aims to modernise the MSW system in the Grand Nokoué region by strengthening waste collection and transport, introducing upstream sorting and treatment of organic waste, and upgrading disposal practices in line with good practice and EU Landfill Directive as well as national requirements.
- The Project is determined **aligned with both mitigation and adaptation goals of the Paris Agreement.**
- The Project is attributed 100% **Green finance.**
- Climate-related financial risks have been assessed [REDACTED].

PARIS ALIGNMENT ASSESSMENT

Alignment with the mitigation goals of Paris Agreement (“PA”) - General screening

The Project is determined as aligned with the mitigation goals of the Paris Agreement based on the application of the Bank’s Paris alignment approach for direct finance.

- The Project’s activity is included in the 'MDBs’ aligned list' under the category “Separate waste collection (in preparation for reuse and recycling), composting & anaerobic digestion of biowaste, material recovery, and landfill gas recovery from closed landfills”.
- All Project components are automatically aligned with the mitigation goals of the Paris Agreement as per the PA Methodology Annex 4 Sectoral Guidance. A breakdown is shown below:

Major Project Component	Relevant section of EBRD’s Paris Agreement Alignment Methodology
Sorting facilities at waste collection points	Globally aligned as per jMDB list <i>PA Methodology A.4.31.a “the collection and transport of non-hazardous waste in source-segregated fractions, including projects involving the separate collection and transport of non-hazardous waste aimed at preparation for reuse or recycling”</i>
Waste sorting centres	
Modernisation of waste collection fleet	
Pilot biogas unit (Anaerobic digestion)	Globally aligned as per jMDB list <i>PA Methodology A.4.31.c “the anaerobic digestion of bio-waste, including the construction and operation of dedicated facilities for the treatment of separately collected bio-waste through anaerobic digestion”</i>
Composting plants	Globally aligned as per jMDB list <i>PA Methodology A.4.31.b “the composting of bio-waste, including projects involving the construction and operation of dedicated facilities for the treatment of separately collected bio-waste through composting with the resulting production and utilisation of compost”</i>
Landfill treatment systems including LFG capture	Globally aligned as per jMDB list <i>PA Methodology A.4.31.e “landfill gas capture and utilisation, including the installation and operation of infrastructure in permanently closed landfills or landfill cells using new or supplementary dedicated technical facilities and equipment installed during or post landfill or landfill cell closure”</i>
Leachate treatment	
Capping	

- There are no activities included in the 'non-aligned list'.
- The Project is aligned with the mitigation goals of PA. A specific assessment was undertaken during technical due diligence in order to substantiate the auto-alignment for most sub-components and particularly for the waste truck fleet.

Alignment with the mitigation goals of Paris Agreement – specific assessment

- **NDC review:** The Project aligns with Benin’s NDC mitigation objectives for the waste sector, which aim to reduce GHG emissions through improved waste management and landfill measures. The NDC specifically promotes recovery, recycling, and methane capture, all of which are consistent with the Project’s goals. Implementing these measures contributes to the targeted 20% reduction in emissions compared to the reference scenario.
- **Consistency with LCP and/or other credible benchmarks:** The Project is consistent with EU waste legislations and policies (given the absence of a LCP for the waste sector in the country), including the Waste Framework Directive’s hierarchy (prevention, reuse, recycling), the Landfill Directive requirements for containment and leachate treatment, and the progressive separate collection of bio-waste and recyclables. Planned measures such as sorting, composting/AD, and landfill gas capture are directionally aligned with EU good practice.
- **Carbon lock-in tests:** The project is located in an economy where MSW systems are at an early stage of development. With the Project, the client commits to implement EU-compliant treatment and disposal facilities. The Project demonstrates a low risk of carbon lock-in as future plans include source separation at the waste producer level (BDW vs residual MSW) and secondary sorting of recyclables, aligning with international best practice.
- A specific focus in the carbon lock-in test is on the fleet modernization. Fuel quality in Benin remains inconsistent despite a formal 50 ppm sulphur standard. Regulatory requirement does not guarantee the real, consistent and uniform availability of such fuel throughout the supply chain. As in many countries in the region, the standard existed formally, but actual fuel quality varied significantly across import, transport, storage and distribution stages. Available fuel could exceed the regulatory threshold, be subject to mixing during logistical operations or show variability from one supplier to another. This variability represents a significant challenge for EURO 4/5 engines, which are sensitive to fuel quality, making them technically unreliable and prone to frequent failures. Waste collection operations in Benin involve extremely demanding conditions such as, dust, heat, short collection cycles, unpaved roads, that further increase the constraints. Considering the lack of stable and homogenous fuel quality, the operator is expected to procure brand new EURO 3 vehicles⁵ to ensure operational reliability under current fuel and maintenance conditions. Given the relatively short (typically around 7 years) lifetime of waste-collection fleets, the risk of long-term carbon lock-in is limited, and a shift to higher-standard engines can occur once fuel quality stabilises nationwide. The availability of higher quality fuel and enforcement of the local regulations are expected to improve over the course of the next years. The Client has stated their willingness to procure vehicles with higher fuel quality once there is security of supply.

Conclusion: The Project is assessed as aligned with the mitigation goals of Paris Agreement (BB1 aligned).

Alignment with the adaptation goals of Paris Agreement

The Project is determined as aligned with the adaptation goals of the Paris Agreement as it satisfies all three steps of the assessment. All material physical climate risks have been addressed.

CLIMATE RELATED FINANCIAL RISK

GREEN FINANCE ATTRIBUTION

The Project is attributed 100% green finance. This share has been calculated in line with

- Annex 2 mitigation: 7.1 separate collection and transport of source segregated waste fractions.

⁵ It needs to be noted that the transition from Euro 3 to Euro 4/5 delivers substantial reductions in local air pollutants enabled by low-sulphur fuels and advanced after-treatment systems. However, it does not provide a significant improvement in fuel efficiency or greenhouse gas emissions, as Euro pollutant standards do not regulate CO₂ nor target energy efficiency.

- Annex 2 mitigation: 7.2 temporary storage, bulking or transfer of separately collected, source segregated waste fractions.
- Annex 2 mitigation: 7.7 Composting.
- Annex 2 mitigation: 7.12 Landfill-gas capture, abatement or utilisation in new sanitary landfills or landfill cells.
- Annex 3 other environmental: 2.1 Sustainable waste management.
- Annex 4 adaptation finance

The Project will significantly improve waste collection services in the region while promoting waste recovery through the introduction of sorting facilities and composting. Overall, the Project and its sub-components qualify 100% as green finance under “other environmental activities” as it introduces modern, EU-compliant waste management practices in a context where such standards were not previously met. The Project will also help eliminate illegal dumping by diverting waste into controlled, sanitary landfills.

In parallel, Project components will collectively divert organic waste from landfill primarily through sorting and composting leading to reduction in GHG emissions. Methane emissions from the landfill will also be further reduced through LFG collection and flaring. While operations such as composting, sorting centres and LFG pumping increase Scope 2 emissions, these are more than offset by the Project’s significant Scope 1 and Scope 3 reductions. Accordingly, the Project qualifies as a mitigation activity, [REDACTED].

The Project also qualifies as a climate change adaptation activity, as it directly addresses climate-exacerbated vulnerabilities identified in Benin’s NDC and National Adaptation Plan, including extreme rainfall, flooding and the contamination of soils and water bodies from unmanaged waste and leachate. The Project contributes to the Benin Emergency Urban Environment Project, a World Bank financed plan that followed September 2010 catastrophic floods with a focus on interventions to improve urban drainage infrastructure. By introducing EU-aligned leachate treatment, environmental controls and waste-flow measures that substantially reduce drainage blockage, the Project limits pollutant infiltration and strengthens urban hydrological resilience during intense rainfall events and floods, consequently reducing contamination of surrounding soil and water bodies. The integrated system will also increase waste collection and reduce plastic and other waste entering the oceans.

[REDACTED]

ANNEX 4 – PROJECT IMPLEMENTATION

Procurement classification – *Public, sovereign*

[REDACTED]

Contracts risk assessment - **Moderate High**

The Project capital expenditures include several works contracts, and the absence of a formal contract monitoring system may increase the risk of implementation delays and substantial cost overruns. However, these risks will be mitigated using internationally recognised contract forms and conditions (FIDIC) and the engagement of an experienced Project Implementation Unit (PIU) consultant. In addition, a LM will be selected to oversee implementation progress and ensure adherence to agreed timelines and budgets. Regular and systematic monitoring is expected to significantly reduce and manage these risks.

Project implementation arrangements:

The proposed transaction is a sovereign loan of up to EUR 35.5 million to the Republic of Benin for the development and modernisation of the MSW management system in the Grand Nokoué region, in southern Benin, which covers the administrative and economic capitals, Porto Novo and Cotonou, as well as the municipalities of Ouidah, Abomey-Calavi and Sèmè-Kpodji.

The European Investment Bank (“EIB”) and the European Bank for Reconstruction and Development (“EBRD”), jointly co-finance the Project Grand Nokoué Solid Waste (as named by EBRD) and Clean Oceans Initiative Grand Nokoué Benin (as named by EIB). The EIB committed a EUR 35.5 million sovereign loan to finance 50% of the project's estimated cost of EUR 71 million (including capex, contingencies and PIU support). The EBRD co-finances the project up to EUR 35.5 million. [REDACTED]

The Project shall be implemented by SGDS acting as the project executing agency (the “Project Executing Agency”). The sovereign loan will be extended to the Ministry of the Economy and Finance (“MEF”) for the benefit of SGDS, a fully state-owned company in charge of the collection, treatment and disposal of solid waste in Grand Nokoué. SGDS will be responsible for the Project's implementation.

Procurement arrangements:

It has been agreed that all contracts to be financed from the proceeds of the loan will be jointly co-financed with EIB, with EIB undertaking the role of Lead Financier (LF). On this basis all procurement activity will be undertaken in accordance with EIB’s Guide to Procurement for Projects Financed by the EIB. This is in accordance with the Procedural Framework between the EBRD and EIB in respect of Mutual Reliance for Procurement in joint co-financed public sector operations outside the European Union (November 2023). This proposal is consistent with art. 2.6(a) of the Bank’s Procurement Policies and Rules (PPRs) which states: “*This Policy does not apply to the procurement of Goods, Works, Services or Consultancy Services when: (a) a contract is co-financed under an arrangement reached by the Bank with another multilateral or bilateral development institution and where such institution undertakes the leading role in monitoring procurement activities in line with its own procurement procedures, which shall be acceptable to the Bank*”.

EIB will use standard procurement documents suitable for open competitive tendering including the use of relevant and FIDIC Conditions of contracts. [REDACTED]

Additionally, EBRD will engage a LM as well as a Governance consultancy service funded by its own, through an open single stage tender using EBRD Corporate Procurement Guidelines. [REDACTED]

Additional information: The project implementation agreement with EIB is negotiated and signed prior to the commencement of any procurement activity under the project.

[REDACTED]