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

Approved by the Board of Directors on 3 December 2025[1]

THE REPUBLIC OF BENIN

MONO COUFFO BORGOU ELECTRIFICATION

[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]

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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

AFD	Agence Française de Développement (French Development Agency)
AfDB	African Development Bank
AIP	European Union Africa Investment Platform
AIT	Average Interruption Time
ASIN	Agence Nationale des Systèmes d'Information et du Numérique (National Agency for Information and Digital Systems)
CRP	Cybersecurity Resilience Programme
E&S	Environment and Social
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
ESAP	Environmental and Social Action Plan
ESDD	Environmental and Social Due Diligence
ESIA	Environmental and Social Impact Assessment
ESP	Environmental and Social Policy
ESR	Environmental and Social Requirement
EU	European Union
EUR	Euro
FCFA	West African CFA Franc (also: XOF)
GAP	Gender Action Plan
GET	Green Economy Transition
IMF	International Monetary Fund
ISO	International Organization for Standardization
IT	Information Technology
kWh	Kilowatt-hour
MDB	Multilateral Development Bank
MW	Megawatt
OCCO	EBRD Office of the Chief Compliance Officer
OT	Operational Technology
PEDER	Projet d'Extension et de Densification Électrique des Réseaux (Network Extension and Density Project)
PERU	Projet d'Électrification Rurale (Rural Electrification Project)
PIA	Project Implementation Advisor
PIU	Project Implementation Unit
PRERA	Projet de Renforcement et d'Extension des Réseaux Électriques de la SBEE (SBEE Electricity Network Reinforcement and Extension Project)
RAP	Resettlement Action Plan
S&P	Standard and Poor
SBEE	Société Béninoise d'Énergie Électrique (Benin Electricity Company)
SBPE	Société Béninoise de Production d'Électricité (Benin Electric Power Production Company)
SDG	Sustainable Development Goal
SEP	Stakeholder Engagement Plan
SSF	Shareholder Special Fund (EBRD)
TC	Technical Cooperation
TI	Transition Impact
UN	United Nations
USD	United States Dollar
WAPP	West African Power Pool

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 the Société Béninoise d'Énergie Électrique ("SBEE", or the "Company"), a state-owned national utility responsible for the distribution and supply of electricity throughout Benin, are submitted for consideration by the Board of Directors.

The facility will consist of a sovereign loan of up to EUR 30.0 million to the Borrower to be on-lent to the Company. The proceeds of the operation will finance electrification of the rural Mono, Couffo and Borgou regions in western and north-eastern Benin, aiming to connect 120,000 new households to the national grid across 750 villages and cities (the "Project"). The EBRD loan is part of an overall investment package of EUR 173.0 million, that includes financing from Agence Française de Développement ("AFD") for EUR 50.0 million, the European Investment Bank ("EIB") for EUR 62.5 million, and a EUR 29.5 million investment grant from the EU's Africa Investment Platform ("AIP"). In addition, the Project has benefited from the European Union's ("EU") financial support during the preparatory study phase. The Project is part of the country's electrification programme Projet d'Extension et de Densification Electrique des Réseaux + ("PEDER+").

The expected transition impact of the Project stems from (i) Resilient quality through improved network reliability, increased network capacity and connectivity, reduced technical losses, integration of fault detection systems, and strengthened cybersecurity of the Company's information technology ("IT") and operational technology ("OT") systems and (ii) Integrated quality through expanded access to reliable electricity, improving essential public services and connecting local populations in the most underserved rural areas of Benin to new economically viable pathways, particularly women. The Project is *Gender Additional* by supporting the development of a Gender Action Plan ("GAP") led by the Company and supported by a consultant financed by the lenders. The GAP will ensure that gender-responsive considerations are integrated into the Project design and implementation with a focus on supporting local communities. The plan will also include awareness-raising campaigns on gender-based violence and workers' conduct in coordination with AFD, the lead financier.

The post-signing package includes: i) a Cybersecurity Resilience Programme ("CRP") that will support SBEE in strengthening its cybersecurity in line with national and international best practices, financed by either TaiwanBusiness – EBRD Technical Cooperation Fund or the Shareholder Special Fund ("SSF"); ii) Lender Supervisory Services, providing enhanced Project monitoring across environmental and social aspects and overall compliance with the Bank's financing requirements; iii) a Biodiversity Management Plan supporting compliance with EBRD's ESR6 policy requirement; and iv) a focused Business Integrity Action Plan, designed to strengthen the Company's governance and integrity controls; with Technical Cooperations ("TC") (ii)-(iv) to be financed by SSF. Board approval is requested for a total of EUR 645,000 for three TC assignments funded by SSF: ii) a Lender's Supervisory Service Consultant, iii) a Biodiversity Management Plan, and (iv) a focused Business Integrity Action Plan.

I am satisfied that the operation is consistent with [REDACTED], the Energy Sector Strategy, the Strategy for the Promotion of Gender Equality, the Bank's Approach to Accelerating the Digital Transition 2021-2025, the Green Economy Transition Approach 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

BENIN - Mono Couffo Borgou Electrification - DTM 56301	
Transaction / Board Decision	Board approval[2] is sought for a sovereign loan of up to EUR 30 million with an up to 18-year maturity [REDACTED] in favour of the Republic of Benin (the "Borrower"). The proceeds of the operation will be allocated to Société Béninoise d'Énergie Électrique ("SBEE" or the "Company"), the state-owned national utility responsible for the distribution and supply of electricity in Benin, to finance the electrification of the rural Mono, Couffo and Borgou regions in western and north-eastern Benin, aiming to connect 120,000 new households to the national grid across 750 villages and cities (the "Project"). The Project aligns with the World Bank and African Development Bank ("AfDB")-led Mission300, which aims to electrify 300 million Africans by 2030 through first-time grid access and network upgrades. The Project will be co-financed by AFD, EIB and benefit from an EU AIP grant. Approval is also requested for a total of EUR 645,000 for three TC assignments funded by SSF: (i) a Lender's Supervisory Service Consultant, (ii) a Biodiversity Management Plan, and (iii) a focused Business Integrity Action Plan.
Client	SBEE is the state-owned utility responsible for electricity distribution and supply in Benin. SBEE oversees the maintenance and expansion of the low and medium voltage network. From 2024, the Government delegated SBEE's operation through a distribution service agreement to Eranove, a private Africa-focused utility service provider. By the end of 2024, SBEE had 911,185 users, managed 17.6 thousand km of distribution network, and employed more than 2,000 employees. It achieved a total revenue of FCFA 203 billion (c. EUR 309 million equivalent) in 2024.
Main Elements of the Proposal	**<u>Transition impact:</u>** <u>Primary Quality</u> – **Resilient** - The Project will improve system reliability by modernising and densifying the distribution network across 15 rural communes, reducing outage frequency and duration. Furthermore, the Project will strengthen the Company's cybersecurity resilience, through the enhancement of its IT and OT systems, aligning with national regulations and international cybersecurity standards. <u>Secondary Quality</u> – **Integrated** - The Project directly supports the Government's goal of universal electricity access by 2030, contributing to an [REDACTED] increase in the national electricity access rate. The Project will bring first-time grid service to at least 120,000 households [REDACTED] and 854 schools and colleges, thus benefiting c. 2.8 million people across 750 localities in Mono, Couffo, and Borgou. [REDACTED] **<u>Additionality:</u>** **Financing structure** – EBRD, along with AFD and EIB, offer sovereign financing that is not available from commercial sources on appropriate terms for a large-scale project of strategic importance. **Standard setting** – <u>Gender Additional</u> **-** The Project will support the development of a GAP through the loan-funded Project Implementation Unit ("PIU") and construction supervision consultant, integrating gender-responsive considerations into the Project design and implementation alongside awareness-raising campaigns on gender-based violence and workers' conduct. **<u>Sound banking:</u>** The Project satisfies sound banking given acceptable quality of sovereign risk.
Key Risks	**<u>Sovereign risk:</u>** <u>[REDACTED]</u>. These risks are significantly mitigated by the government's fiscal management and ongoing economic diversification efforts. Benin's sovereign ratings have seen recent upgrades by S&P (BB-) and Moody's (B1), positive outlook. **<u>Project implementation risk</u>**: This is a comprehensive Project that extends over several regions across Benin, and involves the implementation of a Resettlement Action Plan (RAP), which adds to its complexity. This will be mitigated through the provision of a loan-funded PIU and consultants to provide oversight of all construction activities, including support for procurement and implementation of the Environmental and Social Action Plan ("ESAP") and the RAP.
Strategic Fit Summary	The Project is consistent with [REDACTED] the Energy Sector Strategy , the Strategy for the Promotion of Gender Equality , the Bank's Approach to Accelerating the Digital Transition 2021-2025 , the Green Economy Transition Approach 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 30 million in favour of the Republic of Benin ("the Borrower") to be on-lent to SBEE as part of [REDACTED] investment programme to finance rural electrification of the Mono, Couffo and Borgou regions in western and north-eastern Benin (the "Project"). The loan will have a tenor of up to 18 years [REDACTED]. The Bank mobilised TC funding to support (i) Technical Due Diligence, (ii) monitoring of the Project (Lender Supervisory Service Consultant), (iii) facilitating the development of a Biodiversity Management Plan and ensuring compliance with EBRD's ESR6 policy requirement (Biodiversity Management Plan), (iv) strengthening SBEE's governance and internal controls through a focused Business Integrity Action Plan, and (v) implementing a cybersecurity resilience programme within the Company (Cybersecurity Resilience Due Diligence).
Mutual Reliance	As AFD is the lead financier, a Project Implementation Agreement ("PIA") will be signed with AFD under which the Project will follow AFD's procurement policies and rules.
Existing Exposure	None.
Maturity / Repayment	Up to 18 years [REDACTED]
Potential AMI eligible financing	None.
Use of Proceeds - Description	*<u>Project Scope</u>* The EBRD portion of the Project of up to EUR 30 million will be directed to finance (i) the extension, rehabilitation and densification of low and medium voltage network and the upgrade of the national grid in the three regions of Mono, Couffo and Borgou; (ii) the PIU and construction supervision services consultants, who will oversee all construction activities, including procurement support and the implementation of the ESAP and RAP; and (iii) audit, evaluation and stakeholder engagement Consultants. [REDACTED]
Financing Plan	[REDACTED]
Key Parties Involved	Borrower: Republic of Benin Company: SBEE Co-lenders: AFD and EIB Grant provider: EU AIP
Conditions to effectiveness / disbursement	[REDACTED]
Key Covenants	[REDACTED]
Other material agreements	Loan Agreement between the Borrower and the Bank Project Agreement between SBEE and the Bank Project Implementation Agreement between AFD and the Bank Subsidiary Loan Agreement between the Borrower and the Company

Associated Donor Funded TC and Blended Concessional Finance	**Pre-signing TCs:** **TC 1: External Technical Due Diligence:** the Bank engaged a technical due diligence consultant to carry out a comprehensive technical review of the Project filling the gaps left by previous feasibility studies and ensuring compliance with EBRD's technical requirements. The scope of work also included a review of Project design to ensure minimal impact on avifauna. Total budget: EUR 85,000 funded by SSF. **Post-signing TCs** **TC 2: Lender Supervisory Service Consultant for procurement, technical and E&S:** the Bank will hire lender's monitoring consultants to oversee the technical, procurement and E&S aspects of the Project, ensuring they are implemented in accordance with the Bank's policies and procedures**.** Total estimated budget: EUR 500,000 funded by SSF. **TC 3: Cybersecurity Resilience Due Diligence**, including assessment of cybersecurity vulnerabilities / risks and development of recommendations improving SBEE's IT and OT security systems and alignment with national and international cybersecurity standards. The TC cost of approximately EUR 40,000 will be funded under the Cybersecurity Resilience Program **TC 4: Biodiversity Management Plan** to support compliance with EBRD's ESR6 especially on projects located within internationally protected areas (Ramsar site). This TC will facilitate the development of a Biodiversity Management Plan in collaboration with the Company with the aim to (i) ensure construction activities align with the ESAP's biodiversity requirements, (ii) establish a biodiversity monitoring framework and (iii) define and agree on actions that contribute to the management of the Ramsar site. Total estimated budget: EUR 70,000 funded by SSF. **TC 5: focused Business Integrity Action Plan** to support SBEE through a Business Integrity Action Plan (BIAP) designed to strengthen the Company's governance and integrity controls by enhancing its anti-corruption compliance and related policies and procedures. A consultant engaged by the Bank will conduct a gap analysis, draft, and assist SBEE with the implementation of the focused BIAP and supporting policies in line with international good practice (such as ISO 37001). Total estimated budget: EUR 75,000 funded by SSF. **Client contributions** The above TC assignments will be non-reimbursable TCs required to support the Project. The Company will support the TC assignments with in-kind contributions. **B. Blended Concessional Finance** N/A. The EU AIP grant mobilised by AFD, with EBRD referenced as a Team Europe partner.
[REDACTED]	

INVESTMENT PROPOSAL SUMMARY

1. STRATEGIC FIT AND KEY ISSUES

1.1 STRATEGIC CONTEXT

Across Sub-Saharan Africa, over 600 million[3] people lack access to electricity, with rural areas accounting for nearly 80%[2] of the unelectrified population. Despite growing recognition of the need for universal access, progress has been slow, and electrification has struggled to keep pace with population growth. In 2023, less than USD 2.5 billion was committed across the region for new electricity access connections, far below the estimated USD 15 billion per year required to meet universal access targets by 2030[2]. Financing remains a major constraint, particularly for rural electrification, which continues to receive disproportionately low levels of investment.

Benin mirrors the regional trends with only 43% of the population connected to the grid, and a stark urban-rural divide in electrification (71% vs. 13%[4]). The outdated grid infrastructure results in frequent outages and high transmission and distribution losses [REDACTED]. Expanding and modernising Benin's distribution and transmission network is required due to (i) strong demand growth for electricity at 6.3% p.a. (World Bank) requiring significant investment in the grid to deliver power to consumers; (ii) dependency on unreliable imports from the neighbouring countries for more than 50% of its electricity supply leading to frequent power cuts; and (iii) ambitious targets to increase renewable energy generation from 6.5% (IEA, 2023) of total generation to 30% by 2030. Successfully integrating renewable energy into Benin's energy mix will require continued efforts to rehabilitate and strengthen the national grid, crucial to reliably accommodate additional generation sources.

To address these challenges, the Government has adopted a national strategy for electrification, targeting universal access by 2030. Rural electrification is a key pillar of Vision Benin 2025 (2000), the country's scheme for economic development, operationalised through the National Development Plan and Government Action Programme. This has translated into several grid modernisation initiatives, including the Projet d'Electrification Rurale (PERU), the Projet d'Extension et de Densification Electrique des Réseaux (PEDER) programmes and its extended phase (PEDER+), aimed at reinforcing and extending the distribution network, particularly in underserved regions.

The Project forms part of the PEDER+ electrification programme led by the Government and SBEE with support from Team Europe partners including the EU, AFD, EIB and EBRD. It will enhance grid stability and expand rural electricity access across three key regions (Mono, Couffo and Borgou) where access to electricity rates remain particularly low at 22%, 12%, and 50%, respectively. The Project will, therefore, target vulnerable and remote population enabling economic development in sectors such as tourism and agriculture. [REDACTED]

Under Eranove's strategic direction, SBEE has set performance targets aimed at reducing national technical losses [REDACTED]. The Project will directly support this objective through targeted infrastructure upgrades and improved operational efficiency, [REDACTED]. Beyond strengthening the system reliability, the Project embodies a balanced approach to infrastructure expansion and

3 Financing Electricity Access in Africa Report published by IEA, October 2025.
4 Benin Pacte Energie, September 2025.

environmental sustainability, aligning with Benin's national objective of universal electrification by 2030 and supporting the integration of renewable energy into the grid.

The Project also contributes to the objectives of Mission 300 ("M300") initiative led by World Bank and AfDB, which aims to connect 300 million people in Africa to electricity by 2030, through the mobilisation of USD 90 billion for least-cost grid expansion and policy reform. In alignment with these objectives, the Project will increase the national electricity access rate [REDACTED] providing first-time grid access to c. 120,000 households, benefiting [REDACTED] people across Mono, Couffo, and Borgou regions and electrifying 854 schools. The Project will also rehabilitate and densify existing networks to improve reliability (via fault detection, remote switching and capacity upgrades) and supporting governance improvements at SBEE. The Project creates a scalable model for rural grid roll-out that can be replicated across Benin and the region, in line with the M300 principles.

[REDACTED] The Project is also aligned with the **Strategy for Promotion of Gender Equality 2021-2025** by i) scaling up infrastructure investments that enhance access to sustainable and reliable services in the underserved areas and ii) supporting together with other lenders, the development of a GAP through the PIU and with the support of the loan-funded PIU and construction supervision services consultants, ensuring that gender-responsive considerations are integrated into the Project design and implementation, with a focus on supporting local communities (including vulnerable persons and groups, people with disabilities, and social minorities). The GAP will also include awareness-raising campaigns on gender-based violence, sexual exploitation and abuse, and workers' conduct.

The Project is consistent with the strategic directions of the **Energy Sector Strategy** to *"deliver resilient, efficient and inclusive energy systems"* by a) "*enhancing energy efficiency and productivity"* through the rehabilitation of the existing network, thereby improving grid resilience and increasing capacity and connectivity while reducing system losses; and b) providing access to reliable electricity for all, including the most vulnerable. The Project also aligns with the strategic objective to "*accelerate the decarbonisation of energy*" by "*upgrading and expanding power networks to integrate renewable energy sources"*. In the broader context of the Energy Sector Strategy the Project acts as a catalyst for moving towards cleaner energy sources.

Furthermore, the Project is fully aligned with the Bank's **Approach to Accelerating the Digital Transition** as it will strengthen SBEE's cybersecurity posture, building upon the digitalisation and cybersecurity roadmap the Company had started implementing under a previous solar project financed by AFD (Delfissol). The Project will support SBEE in aligning with national regulations and pursuing compliance with international standards [REDACTED]. The Project is aligned with the **Green Economy Transition Approach,** which seeks to promote green, low-carbon, and resilient economies within the regions where the EBRD operates, as the Project contributes to CO2 emissions savings, incorporates adaptation measures and is 78% GET-eligible.

The Project contributes to the following UN Sustainable Development Goals ("SDG"s): SDG 5: Gender Equality, SDG 7: Affordable and Clean Energy, SDG 8: Decent Work and Economic Growth and SDG 10: Reduced Inequality.

1.2 TRANSITION IMPACT

Score: 69
Primary Quality: Resilient

Obj. No.	Objective	Details
1.1	*The project will assist the client to move towards international best practice in terms of system reliability or flexibility with significant reduction in statistics such as Average Interruption Time (AIT), which other DSOs in the country can also benchmark as best practice.*	The Project will significantly improve system reliability by modernizing and densifying the distribution network across 15 rural communes, contributing to reduced outage frequency and duration. The Project supports SBEE in aligning with international best practices for system reliability and flexibility. It targets significant reductions in reliability metrics such as Average Interruption Time ("AIT") through infrastructure upgrades including fault detectors, remote-controlled switches, and rehabilitation of HTA/BT lines. These improvements build on SBEE's recent progress. [REDACTED] These gains reflect SBEE's commitment to reliability and provide a strong foundation for further improvements under the Project.
1.2	*The project helps the client achieve industry accepted standards for cyber resiliency and/or higher cybersecurity/data protection regulatory compliance (e.g., ISO 27001, NIS and/or GDPR compliance or equivalent)*	As a critical infrastructure operator, SBEE is required to carry out annual cybersecurity audits under the authority of the national cybersecurity agency (Agence Nationale des systemes d'information et du numerique – "ASIN") and has to comply with national cybersecurity regulations. The Project helps SBEE achieve alignment with international best practices of CIS18 IG1[REDACTED]. This will be monitored by a combination of self-assessment, the final report by the consultant, and validation through technological means by the EBRD Digital Hub.

Secondary Quality: Integrated

Obj. No.	Objective	Details
2.1	*The project will support network extension to previously not connected populations.*	Currently, the grid infrastructure in Benin is insufficient, with only 43% of the population connected to the grid, and a stark urban-rural divide in electrification (71% vs. 13%). The Project will extend, rehabilitate, and densify the medium-voltage and low-voltage distribution network to bring first-time grid service to the previously unconnected populations across 750 localities in 15 communes of Mono, Couffo, and Borgou, enabling at least 120,000 new household

		connections[REDACTED] in line with the World Bank / AfDB Mission 300 goal of connecting 300 million people in Africa to electricity by 2030.

Delivery risks: Project implementation and completion risks, such as construction delays, cost overruns, or technical performance issues, could ultimately impact the overall project timeline and, consequently, the achievement of the targeted TI objectives. Mitigating factors include: (i) SBEE's positive track record in implementing similar projects with other MDBs; (ii) the appointment of PIU and construction supervision services consultants, who will oversee all construction activities, including support for procurement and the implementation of the ESAP and RAP; (iii) the Borrower's and SBEE's commitment to ensure necessary funds are available to successfully complete the Project; and (iv) the contingency included in the Project's estimated investment cost to cover potential cost overruns, which has been deemed appropriate by an independent technical consultant.

Digital Approach: The Project is aligned with the Adaptation area of intervention outlined in the EBRD Approach to Accelerating the Digital Transition 2021-2025 , as it will enable the Company to enhance its cybersecurity resilience. The cybersecurity component of the Project is in support of the Resilient Transition Quality as outlined above and in monitoring indicators 2.2 and 2.3.

1.3 ADDITIONALITY

Identified triggers: No triggers identified	**Description:** n/a
Additionality sources	**Evidence of additionality sources**
Financing Structure - EBRD offers financing that is not available in the market from commercial sources on reasonable terms and conditions, e.g. a longer grace period. Such financing is necessary to structure the project.	[REDACTED] Commercial banks do not currently have the long-term foreign currency liquidity to finance SBEE's substantial investment plan.
Financing Structure - 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.	EBRD's investment is essential to closing the financing gap for the Project, enabling timely implementation across all targeted regions. The Bank's contribution complements funding from other partners, including the EU, AFD, and EIB.
Standard-setting: Gender Additional: Client seeks/makes use of EBRD expertise for adoption of **gender standards and international best practices on GBVH safeguards**	The Project will integrate gender-considerations throughout the Project design and implementation to ensure that women's needs and perspectives are effectively reflected and addressed, for instance, through enhancing the street lightning in the most underserved rural areas. Furthermore, the Project will involve a GAP ensuring that gender-responsive considerations are integrated into the Project design and implementation, with a focus on supporting local communities (including vulnerable persons and groups, people with disabilities, and social minorities). The implementation of the GAP will be led by the PIU and supported by all the lenders through the loan-funded PIU and Construction Supervision Services Consultants. The GAP will

	also include awareness-raising sexual violence, sexual exploitation and abuse, and workers' conduct.

1.4 SOUND BANKING - KEY RISKS

Risks	**Probability / Effect**	**Comments**
Project Specific Risks		
Implementation Risk	High / High	This is a comprehensive Project that extends over several regions across Benin, with high implementation risk. In addition, the Project will involve the implementation of the RAP, which adds to its complexity. *Mitigants: The Project is a strategic priority for the Government of Benin and benefits from the strong coordination among Team Europe partners, including the EU, AFD, and EIB. While the Project spans multiple regions and involves complex procurement and implementation phases, SBEE is well positioned to manage these aspects. In addition, a Lender Supervisory Service Consultant will be appointed to report to EBRD to safeguard the requirements, ensuring timely delivery and risk mitigation throughout the implementation phase.*
Governance Risk	Medium/High	[REDACTED] *Mitigants: These risks are mitigated by the appointment of Eranove through a distribution service agreement, which has introduced robust internal controls. SBEE is subject to multiple layers of national oversight and benefits from donor-supported governance reforms. The PIU will be responsible for procurement which will follow AFD procurement Guidelines. SBEE's current management has demonstrated a clear commitment to transparency and accountability [REDACTED]. Finally, the Bank also intends to support SBEE's efforts to strengthen its governance structure through a TC aimed at developing a Focused Business Integrity Action Plan (BIAP). Under this TC, a consultant engaged by the Bank will conduct a gap analysis, prepare the focused BIAP, and assist SBEE in its implementation in line with international good practices (such as ISO 37001). The detailed scope will be agreed with the Company.*
FX risk	Low / Medium	The loan is denominated in euros and the Project costs are in FCFA. *Mitigants: The peg between the FCFA and the EUR limits the foreign exchange risk.*
External Risks		
Cybersecurity Risk	Medium / Medium	The Project falls under the Management Approach to Cybersecurity in the Sustainable Infrastructure sector, [REDACTED]. As the Approach is being rolled out gradually, EBRD will be deploying a post-signing TC to support the client with alignment, with an emphasis on improving SBEE's IT and

		OT security systems and alignment with national and international cybersecurity standards.
Political Risk	Low / Medium	As a state-owned enterprise, SBEE is closely tied to the government, which creates sovereign risk, [REDACTED]. <u>*Mitigants:*</u> *SBEE's structural importance makes it a government priority. [REDACTED] The Project received the support from the European Union and international financial institutions and is part of a broader electrification programme launched by the Government of Benin PEDER+ electrification programme.*
Sovereign risk	Low / Medium	Benin faces moderate sovereign risk and a strong macroeconomic outlook [REDACTED] Benin's debt structure is favourable, [REDACTED]. <u>*Mitigants:*</u> *Benin has demonstrated a strong commitment to fiscal discipline and reform, supported by ongoing IMF programmes and recent upgrades by S&P (BB-) and Moody's (B1), both with positive outlook. [REDACTED]*

2. MEASURING / MONITORING SUCCESS

Primary Quality: Resilient

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
1.1	Practices of the relevant stakeholder improved (system reliability)	System Reliability: The Project will rehabilitate and extend the transmission grid in 3 remote and rural regions : Mono, Couffo and Borgou. By upgrading the grid to modern standards, it will , improve power quality, reduce undelivered energy and deliver a more reliable and resilient system.	[REDACTED]	[REDACTED]	[REDACTED]
1.2	Improved cybersecurity standards [Donor TC]	Demonstration of substantial alignment with one or more aspects of a recognised cybersecurity standard (CIS 18 Implementation Group 1) thanks to improved IT and OT cyber resilience.	[REDACTED]	[REDACTED]	[REDACTED]

1.3	Demonstrated quantitative evidence of client's improved cyber resilience [Donor TC]	Increased cyber-resilience, calculated through the reduction in number of known vulnerabilities and system misconfigurations facing the Internet [REDACTED] The cybersecurity TC that will be put in place under the CRP [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Secondary Quality: Integrated

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
2.1	Expanded access of infrastructure across regions	The Project will expand the access and availability of the reliable electricity across 750 localities in 15 communities of Mono, Couffo and Borgou administrative regions in Benin, directly benefiting at least 120,000 households[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2.2	Number of individuals with improved access to energy services (f/m)	The Project will expand the access to reliable electricity to at least 120,000 households, [REDACTED].	[REDACTED]	[REDACTED]	[REDACTED]
2.3	Physical capacity of the client extended or modernised: Length of transmission lines	The Project will allow to extend over 270km of transmission lines, and rehabilitate and densify over 220Km of transmission lines.	[REDACTED]	[REDACTED]	[REDACTED]

Additional Indicators

Indicator type	Monitoring indicator	Details	Baseline	Target	Due date
Advisory & Policy Indicators	Business advisory recommendations agreed: Gender action plan approved	The Project will support the development of a Gender Action Plan, ensuring that gender-responsive considerations are integrated into the Project design and implementation, with a focus on supporting local communities living near the construction site (including vulnerable persons and groups, people with disabilities, and social minorities). The plan will	[REDACTED]	[REDACTED]	[REDACTED]

		also include awareness-raising campaigns on gender-based violence, sexual exploitation and abuse, and workers' conduct.			

3. KEY PARTIES

3.1 BORROWER

The Borrower is the Republic of Benin represented by the Ministry of Finance.

3.2 SPONSOR

SBEE is the national electricity utility of Benin, responsible for distribution of electricity across the country. The Company operates under the Public and Semi-Public Enterprises Law No. 88-005 of April 26, 1988 and is overseen by the Ministry of Energy, Water, and Mines. The Company's mission aligns with the government's goal of providing reliable, sustainable, and affordable energy access for all Beninese citizens. In January 2024, SBEE underwent a major transformation with the management transition to Eranove under a two-year delegated management contract. The Company published 29 strategic initiatives to optimize grid reliability, expand customer access, and introduce digital solutions for better efficiency. In July 2025, SBEE appointed a new Director General, Hippolyte Ebagnitchie, an Ivorian citizen who formerly served as the Director General of l'Anare-Ci, the electricity regulator of Côte d'Ivoire.

Eranove is a private leading pan-African industrial group specializing in electricity and water management, with experience in public-private partnerships (PPPs) across West and Central Africa. With over 8,600 employees, the group develops, finances, and operates power plants, electricity networks, and water distribution systems, ensuring stable and sustainable infrastructure for millions of people. In Côte d'Ivoire, Eranove is a major electricity provider through CIPREL, an independent power producer with an installed capacity of 946 MW. The group also includes Compagnie Ivoirienne d'Électricité (concession operator) and SODECI (water utilities), with the latter supporting water access for urban and rural communities. In Togo, Eranove developed and now runs a 65 MW combined cycle gas turbine power plant.

Key operational highlights of 2024 for SBEE

- **Financial Performance:** The Company achieved total revenue of 203 billion CFA francs (EUR 309 million) in 2024. SBEE announced a 2024 net projected profit of 17 billion CFA francs (c. EUR 26 million) and net cash flow of 7.5 billion CFA francs (c. EUR 11.4 million). However, financial execution rates were lower than expected and the actual financial results are yet to be shared by the Company.
- **Subscriber Growth:** The number of electricity users increased by 10%, reaching 911,185 (compared to 827,554 in 2023). The prepaid subscriber base grew by 18% to 574,181 users.
- **Network Improvements**: The electricity distribution network of SBEE expanded to 11,102 km (low voltage) and 6,596 km (medium voltage) in 2024. However, power outages increased, with the average outage duration (TMC) rising by 79% to 161 hours.

Major Initiatives and Projects in 2024 for SBEE

- **Infrastructure Development**: Investments of 104 billion CFA francs (c. 159 million EUR) were allocated for grid expansion and 50 billion CFA francs (c. 76.3 million EUR) for maintenance and upgrades.
- **Customer Service Enhancements:** Up to 88% of prepaid electricity purchases were processed online and resolution rate of customer complaints improved to 81%.
- The number of outages decreased by 17% to 8,083 incidents.
- Employee Training & Human Resources initiatives: Workforce increased by 3%, with 2,038 employees in 2024. Training programs focused on electrical safety, fraud prevention, and digital transformation were carried out.

SBEE and Eranove have set investment objectives for the year 2025-2026, with the focus on infrastructure expansion, digitalization, and operational improvements. Notably the plan aims to reduce outage durations [REDACTED], improve the network efficiency rate [REDACTED], and expand electricity access [REDACTED]. Under Eranove's strategic direction, SBEE has also set performance targets aimed at reducing national technical losses [REDACTED]. The investment needs for network expansion amounts to c. EUR 240 million under the investment programme 2025-2026.

4. MARKET CONTEXT

Benin's energy sector is characterized by a high dependence on imported electricity and thermal energy generation. The government, supported by international partners such as the EU and MDBs (the World Bank, AfDB, AFD, EIB, EBRD) is pursuing reforms to improve energy access and security, with a strategic focus on expanding renewable energy and modernizing infrastructure, while increasing access across the country.

Generation and Demand: Benin has an installed generation capacity of c.181 MW, primarily from the Maria Gleta thermal plant (127 MW) and the Defissol solar plant (25 MW). In 2023, thermal sources accounted for 93.5% of domestic generation while solar contributed 6.5% (IEA, 2023). Electricity demand is estimated to grow at 6.3% annually (World Bank), driven by urbanization and industrial development. Imports from Nigeria, Ghana, and Togo remain essential, though vulnerable to geopolitical and technical disruptions.

Key Stakeholders: The sector is unbundled and includes:

- **SBPE**: State-owned generation and power importer.
- **SBEE**: Distribution utility, managed by Eranove under a delegated contract.
- **Communauté Électrique du Bénin**: Transmission operator co-owned by Benin and Togo.
- **Autorité de Régulation de l'Électricité**: Regulatory authority overseeing tariffs and market rules. Private Independent Power Producers and mini-grid operators are active but face high capital costs and regulatory delays.

Tariffs and Regulation: SBEE's revenue stream is based on electricity tariffs paid by consumers, and is subject to regulation by the ARE. Historically, households typically had to pay FCFA 85,000 (EUR 129.60) upfront for a basic connection; since 2022, the government began subsidizing connection charges, with connection costs c. FCFA 10,000-20,000 (EUR 15-30). SBPE sells electricity to SBEE, with most recent tariff rates being 55.54 FCFA/kWh (EUR 8.5cts/kWh, 2023). In 2019, the Government adopted progressive adjustments of the electricity tariffs, to enable SBEE to improve its performance and quality of service and reach cost-recovery. However, the increase in tariffs for affordable bands were cancelled due to the impact of the COVID-19 crisis (World Bank). The following tariff bands are applicable today, as per the SBEE website:

- **Social Band**, which applies to very small consumers (households using less than 20 kWh/month). Energy rate is 88 FCFA per kWh (EUR 13**.**4/kWh), with a fixed charge of 500 FCFA per kVA **(**EUR 76cts/kVA). The purpose of this band is to help low-income households access affordable electricity.
- **Tranche 1** applies to normal consumption until 250 kWh/month. The energy rate is 125 FCFA per kWh (EUR 19cts/kWh), and the fixed charge is 500 FCFA per kVA (EUR 76cts/kVA).
- **Tranche 2** applies to consumption above 250 kWh/month. The energy rate is 148 FCFA per kWh (EUR 23cts/kWh) , and fixed charge is 500 FCFA per kVA (EUR 76cts/kVA).
- **Prepaid Low Voltage** is for customers using prepaid meters. The pricing is simplified, with no consumption bands. It is priced at 125 FCFA /kWh (EUR 19cts/kWh), with a fixed charge of 500 FCFA per kVA (EUR 76cts/kVA).

Infrastructure and Investment: Benin is investing in grid modernization, including the PRERA project and smart meter deployment. Technical losses remain high [REDACTED], but ongoing efforts aim to improve reliability and expand access. The country's participation in the West African Power Pool (WAPP) supports regional energy integration.

Renewable Energy Strategy and Targets: Benin aims to achieve 30% renewable energy in its electricity mix by 2030.Hydropower, biomass and wind potential are being explored, though financing and regulatory barriers persist. According to the International Energy Agency (IEA), renewable sources made up 6.5% of Benin's total electricity generation in 2023, with solar energy being the sole contributor to this share. Solar PV occupies a central place in SBPE's strategy: following the commissioning of the 25 MW Illoulofin solar plant in Pobè in July 2022, SBPE is developing several new projects, including solar PV plants in Bohicon, Djougou, Parakou, and Natitingou.

5. FINANCIAL / ECONOMIC ANALYSIS

5.1 HISTORICAL FINANCIALS

[REDACTED]

5.2 SOVEREIGN CREDIT ANALYSIS

[REDACTED]

5.3 ECONOMIC ANALYSIS/SENSITIVITY ANALYSIS

[REDACTED]

5.4 PROJECTED PROFITABILITY FOR THE BANK

[REDACTED]

6. OTHER KEY CONSIDERATIONS

6.1 ENVIRONMENT

Category B (ESP 2024). Extension and densification of the power distribution network in semi-urban and rural areas, leading to the construction and rehabilitation of up to 4,000 km low-voltage lines, is associated with site-specific environmental and social impacts that can be managed with the implementation of an ESAP. The Project will have significant social benefits, enabling almost 120,000 new household connections to the grid in 3 different regions of Benin.

Environmental and Social Due Diligence ("ESDD") has been carried out in-house and consisted in meetings with the implementing agency SBEE (Societe Béninoise d'Energie Electrique), as well as the review of the full ESIA to international standards prepared for the Project before EBRD involvement. The assessment also considered SBEE's past environmental, social, health and safety performance, particularly regarding land acquisition and stakeholder engagement. Bank's ESDD considered and complemented the ESDD carried out by AFD and EIB as potential co-lenders.

The ESDD identified that the Company has the capacity to structure the Project according to EBRD ESRs. The Company already has E&S management procedures in place and will cause the contractors to implement the necessary Environment, Social, Health and Safety management plans in line with EBRD ESR1. Labour management procedures will also be implemented at contractors' and sub-contractors' levels, including a workers' grievance mechanism. Any worker accommodation will need to comply with International Finance Corporation-EBRD corresponding guidance (2009). Construction work will frequently happen in proximity to the public, so a Community Health and Safety Management plan, including traffic and worker influx management, will be developed. The plan will contain specific provisions to address GBVH risks.

The Company has a Land Acquisition and Livelihood Restoration Framework that was prepared in 2021 under a previous power distribution project financed by international lenders, which is based on the World Bank's ESS5 and provides a robust foundation for this new investment. In addition, the Company has developed three project-specific Resettlement Action Plans for the three project regions based on extensive field work. The Company is committed to the implementation of ESS5 standards, which align with EBRD ESR5 requirements for avoidance, minimisation and compensation of physical and economic displacement, as well as livelihood restoration. However, there are some limited instances where the displacement will result from the implementation of local land zoning plans, which are the responsibility of the local administrations and are part of a national effort to formalise spatial planning and land tenure across Benin and are not under the responsibility of the Company. In these cases, the Company may not be able to ensure full compliance with EBRD's requirements, even though efforts will be made to ensure due process and consultations in line with national requirements. Taking a precautionary approach, the EBRD will exclude these instances, where full alignment with ESR5 cannot be achieved, from financing. Prior to Project deployment at the local level, the detailed land tenure and asset surveys will be updated as basis for calculating and socialising entitlements with the affected households. Meaningful consultation will need to be carried out and livelihood restoration measures informed by feedback from affected people. The implementation of the principles and processes set out in the Framework, the RAPs and detailed local censuses will be monitored regularly during implementation and audited after completion.

Specific hazardous material storage and waste management procedures will be developed before construction, including emergency response procedures to manage any incidental spillage. Herbicides will also be banned on site. Overall, the Project will have limited air emissions, minimal wastewater generation, and minor use of hazardous materials. The Project footprint will cover circa 50% of the Ramsar site and UN biosphere reserve of the Mono delta, and, while neither the integrity nor conservation objectives of the site are affected, specific management measures will need to be developed to minimize impact. No construction activities will be carried out in the core area of the biosphere. Several terrestrial fauna Priority Biodiversity Features were identified on site, and other management measures such as pre-construction surveys, clear demarcation of the working and storage areas, and appropriate training to workers will be implemented to eliminate any risks of impact on these species during construction. Sensitive trees may need to be removed for the Project and, should impact not be avoided, replantation or support to specific conservation programs would be implemented to ensure No Net Loss of such species, in accordance with ESR 6. Specific design will be implemented on the poles and the lines (insulation, installation of deterrents and flight divertors) to minimize risks of electrocution and collision on avifauna, and burial of the lines located in the vicinity of water bodies will be explored. Monitoring programs will be developed on sensitive lines and specific offsets will need to be implemented in consultation with the authority of the Ramsar site and other relevant stakeholders should any impact be reported on these species. These measures will form a Biodiversity Mitigation and Enhancement Plan ("BMEP") that will be developed prior to any construction work, supported through TC, as a condition precedent to disbursement of the loan.

A precautionary chance find procedure will be established to handle any accidental archaeological discoveries during the construction phase. A Stakeholder Engagement Plan ("SEP") including a grievance process will be developed for the Project. While early engagement with the authorities and adjacent communities has been undertaken by the implementing agency through local resources, dedicated Community Liaison Officers will be designated in the several zonal offices of the Company before the commencement of the construction phase, responsible for the implementation of the Land Acquisition and Livelihood Restoration Plan engagement, SEP, and management of external grievances throughout the lifetime of the Project.

The ESAP already developed for the Project will be updated and agreed with the Company and co-lenders before Board. The implementation of the ESAP will be supported by an external party. The NTS, Land Acquisition Framework and SEP of the Project will be disclosed in English and French on the Company and Bank websites. The Company will report annually on E&S compliance and ESAP progress. This will be supplemented by external monitoring.

6.2 INTEGRITY

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

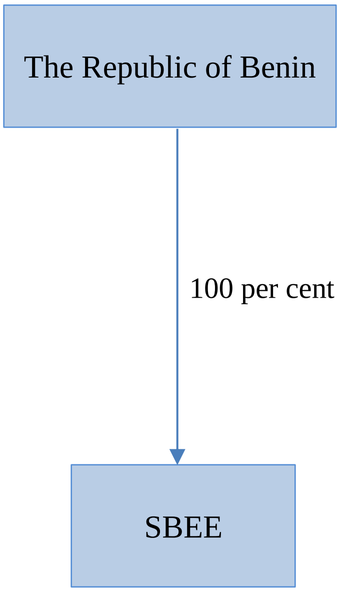
All actions required by applicable EBRD procedures relevant to the prevention of money laundering, terrorist financing, and other integrity issues have been taken with respect to the Project; the Project files contain the integrity checklists and other required documentation, which have been properly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

ANNEXES TO OPERATION REPORT

ANNEX 1 – TRANSITION IMPACT SCORING CHART

[REDACTED]

ANNEX 2 – SHAREHOLDING STRUCTURE



ANNEX 3 – GREEN ASSESSMENTS

SUMMARY

- The Project aims to extend, rehabilitate, and densify the electricity distribution network across the Mono, Couffo, and Borgou regions, connecting 120,000 new households and 854 schools to the national grid, and directly benefiting around 2.8 million people in underserved rural areas. The Project also integrates gender-responsive measures and supports improved cybersecurity and operational resilience for the national utility, SBEE.
- The Project is determined **aligned with both mitigation and adaptation goals of the Paris Agreement.**
- The Project is attributed 78% **Green finance.**
- Climate-related financial risks have been assessed [REDACTED]

[REDACTED]

PARIS ALIGNMENT ASSESSMENT

For Direct finance projects

Alignment with the mitigation goals of Paris Agreement - 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 Projects activity is included in the 'MDBs' aligned list' under the category "Electricity transmission and distribution, including energy access, energy storage and demand-side management".
- The Project is aligned with the EU Taxonomy because it systematically addresses material climate risks—such as flooding, extreme heat, and storms—by integrating targeted adaptation measures into the design and operation of the electricity network, thereby enhancing climate resilience and reducing vulnerability for rural communities in Benin. In addition, the project delivers CO_2 emission reductions from technical losses reduction.
- There are no activities included in the 'non-aligned list'.

Alignment with the adaptation goals of Paris Agreement

The Project is assessed as aligned with the adaptation goals of Paris Agreement (BB2 aligned) conditional on contractors conducting site-specific risk assessments during the execution phase, ensuring that mitigation measures are adapted to the unique conditions of each location.

CLIMATE RELATED FINANCIAL RISK

Carbon transition risk	
Final carbon transition risk score for the key counterparty of risk	[REDACTED]
Evaluation of carbon transition risks for the key counterparty of risk	[REDACTED]

Physical climate risk

Final physical climate risk score for the key counterparty of risk	[REDACTED]
Evaluation of the physical climate risk for the key counterparty of risk (if different from the borrower)	[REDACTED]

GREEN ATTRIBUTION

An adaptation GET share of 50% is attributed to this Project because of the enabling impact of electricity grid strengthening and expansion in the context of rural Benin. This share has been calculated in line with the GET handbook for adaptation.

Step 1: Climate Vulnerability Context: Benin's energy sector faces increasing risks from floods and extreme heat, causing frequent blackouts. These disrupt essential services like healthcare, agriculture, and early warning systems, particularly in rural areas with weak infrastructure.

Step 2: Project Intent: The Project aims to modernise and expand the electricity network in Mono, Couffo, and Borgou, contributing to an [REDACTED] increase in Benin's national electricity access rate, and connecting over 120,000 households and businesses. This supports climate resilience by ensuring reliable energy for vulnerable communities.

Step 3: Link to Climate Vulnerability: The Project directly addresses climate-related disruptions by reinforcing grid infrastructure, enabling critical services to operate during climate shocks. This justifies the 50% GET attribution.

The project also claims GET share from mitigation at 100% for the brownfield capex. The mitigation GET for brownfield investments is assessed in line with the GET handbook, through quantifying technical losses reduction. [REDACTED]

The project consists of a portfolio of investments, which address both mitigation and adaptation. Greenfield capex is eligible to claim 50% from adaptation, while brownfield capex claims 100% GET mitigation. EBRD will support EUR 30 million capex from this portfolio. Total GET share for the project is 78%.

GREEN PROJECT MONITORING PLAN

[REDACTED]

ANNEX 4 - CYBERSECURITY RESILIENCE PROGRAMME

SBEE is a critical national infrastructure operator regulated by the national cybersecurity agency ASIN. As such, its cybersecurity resilience is essential not only for its own operations but for the stability of the national economy. [REDACTED]

SBEE has recently undertaken major steps for strengthening its cybersecurity posture, notably in the framework of the Defissol project jointly supported by the Agence Française de Developpement and the EU. It has notably undertaken an evaluation of its cybersecurity resilience and has formulated an action plan aimed at enhancing its cybersecurity maturity across both IT and OT environments. It has also put in place an ISMS as well as an incident response mechanism.

[REDACTED]

To support SBEE in delivering on its cybersecurity ambitions, the Digital Hub proposes to conduct a cybersecurity capacity building assignment via its Cybersecurity Resilience Programme TC, which will be carried out in the wider framework of an upcoming loan that will be extended to the Company by the EBRD.

The overall objective of the CRP assignment will be to support SBEE in strengthening the cybersecurity resilience and supply chain security of its IT and OT systems in alignment with national regulations and international standards for critical infrastructure such as the EU NIS2 (EU Network and Information Systems Directive (Second Version)) Directive and EU NCCS – Network Code on Cybersecurity. It will build on SBEE’s existing cybersecurity capacities and assets as well as on the company’s existing cybersecurity action plan. [REDACTED]

ANNEX 5 - HISTORICAL FINANCIALS

[REDACTED]

ANNEX 6 - PROJECT IMPLEMENTATION

Procurement classification – *Public*

[REDACTED]

Project implementation arrangements:
The proceeds of the operation will finance the electrification of rural Mono, Couffo and Borgou regions in western and north-eastern Benin, aiming to connect 120,000 new households to the national grid across 750 villages and cities. The EBRD loan is part of an overall investment package, that includes potential financing from the Agence Française de Développement ("AFD") which Procurement Guidelines will apply to the Project, the European Investment Bank ("EIB") and self-financing by SBEE. The Project will also potentially benefit from EU financial support including an investment grant from the EU Africa Investment Platform.

Procurement arrangements:
It has been agreed that the contracts under the proceeds of the loan will be jointly cofinanced with AFD, EIB and the EU Financial support and the Company, AFD being the Lead Financier (LF), hence applying its Procurement Guidelines for AFD-Financed Contracts in Foreign Countries.

EBRD has negotiated a Project Implementation Agreement with AFD for the Project implementation under which the following was agreed:

The Project operations are as follows: [REDACTED]

EBRD will engage a Lender Supervisory Services Consultants and other consultants i.a. for a Business Integrity Action Plan, a Cybersecurity Resilience Due Diligence and Biodiversity Management Plan.

ANNEX 7 - SSF FICHE

[REDACTED]