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TECHNICAL ASSISTANCE REPORT—PUBLIC INVESTMENT MANAGEMENT ASSESSMENT

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BENIN

Public Investment Management Assessment

Bruno Imbert, Mouhamadou Sy, Bacari Koné, Louis d'Humières, Pierre Roumegas, Nicoletta Feruglio, Mathias Gogohounga, and Angelo Donou

Technical Report

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ACRONYMS AND ABBREVIATIONS

AE	Commitment Authorization
AFRITAC	African Regional Technical Assistance Center
ANCB	National Association of Municipalities of Benin
APR	Annual Performance Report
ARCEP	Regulatory Authority for Electronic Communications and Postal Service
ARE	Regulatory Authority for Electricity
ARMP	Public Procurement Regulatory Authority
BAI	Analysis and Investigation Bureau
BCEAO	Central Bank of West African States
BD	Board of Directors
CAA	*Caisse autonome d'amortissement*
CAPPP	Public-Private Partnership Support Unit
CAS	Special Allocation Account
CDCP	Accrual Accounting
CFAF	CFA Franc
CONAFIL	National Local Finance Commission
CP	Payment Appropriation
CSE	Monitoring and Assessment Committee
CSPEF	Economic and Financial Program Monitoring Unit
CSPP	Flagship Project Monitoring Committee
DGB	General Directorate of Budget
DGCL	General Directorate of Local Units of Government
DGML	General Directorate of Materials and Logistics
DGPED	General Directorate of State Holdings and Denationalization
DGPSIP	General Directorate of Public Investment Programming and Monitoring
DGTCP	General Directorate of Treasury and Public Accounting
DNCMP	National Directorate of Public Procurement Control
DOB	Budget Strategy Discussions
DPBEP	Multiyear Budget and Economic Programming Paper
DPIP	Public Investment Programming Directorate
DPP	Programming and Forecasting Directorate
DPPD	Multiyear Expenditure Programming Paper
EU	European Union
FAD	Fiscal Affairs Department, IMF
FADEC	Municipality Development Support Fund
FC	Financial Control Unit
GDP	Gross Domestic Product
GIP	Public Investment Management

GIZ	German Cooperation Authorities
IGF	Inspectorate General of Finance
IMF	International Monetary Fund
IS	Information Systems
LOLF	Organic Law on Budget Laws
MEF	Ministry of Economy and Finance
MEM	Ministry of Energy and Mining
MEPM	Ministry of Primary and Infant Education
MIT	Ministry of Infrastructures and Transportation
MPD	State Ministry Responsible for Planning and Development
MTBF	Medium-Term Budget Framework
MTEF	Medium-Term Expenditure Framework
NBE	Government Budget Nomenclature
PAG	Government Action Program
PAGE	Economic Governance Support Project
PAP	Annual Performance Project
PB	Program Budget
PCE	Government Chart of Accounts
PI	Public Investment
PIMA	Public Investment Management Assessment
PIP	Public Investment Program
PLF	Draft Budget Law
PP	Public Procurement
PPM	Public Procurement Plan
PPP	Public-Private Partnership
PTA	Annual Work Plan
RGCP	General Regulation on Public Accounting
SBEE	*Société béninoise d'énergie électrique* [Electricity company of Benin]
SIAPIP	Integrated Public Investment Analysis and Programming System
SIGFIP	Public Financial Management Information System
SIGFP	Integrated Public Financial Management System
SIGMAP	Public Procurement Management Information System
SSA	Sub-Saharan Africa
TA	Technical Assistance
TFP	Technical and Financial Partners
TOFE	Table of Government Financial Operations
TSA	Treasury Single Account
WAEMU	West African Economic and Monetary Union
WB	World Bank

PREFACE

At the request of the authorities of Benin, a technical assistance mission from the Fiscal Affairs Department (FAD) of the International Monetary Fund (IMF), including experts from the World Bank, visited Cotonou from October 19 until November 1, 2017, to conduct an evaluation of the public investment management system using the Public Investment Management Assessment (PIMA) methodology. The mission, led by Mr. Bruno Imbert (Economist, FAD), included Messrs. Mouhamadou Sy (Economist, FAD), Bacari Koné (Advisor, Regional Technical Assistance Center for West Africa—AFRITAC West), Pierre Roumegas and Louis d'Humières (Experts, FAD), and Ms. Nicoletta Feruglio and Messrs. Mathias Gogohounga, and Angelo Donou (Governance Specialists, World Bank).

During its visit, the mission met with the staff involved in investment management within the Ministry of Economy and Finance (MEF) and the Ministry of Planning and Development (MPD): the Economic and Financial Program Monitoring Unit (CSPEF), the focal point of the mission; the General Directorate of Budget (DGB); the General Directorate of Treasury and Public Accounting (DGTCP); the General Directorate of the Programming and Monitoring of Public Investment (DGPSIP); the National Directorate of Public Procurement Control (DNCMP); the General Financial Inspection (IGF); the Financial Control Unit (CF); the General Directorate of Government Holdings and Denationalization (DGPED); and the *Caisse Autonome d'Amortissement* (CAA). The mission also met with the Directorates of Programming and Forecasting (DPP); and the Ministries of Pre-school and Primary Education (MEPM), Infrastructures and Transportation (MIT), and Energy and Mining (MEM).

In addition, the mission held discussions with representatives of local entities: the General Directorate of Local Governments (DGCL), the National Commission for Local Finance (CONAFIL), the National Association of Municipalities of Benin (ANCB); representatives of regulatory authorities for electronic communications and postal service (ARCEP) and electricity (ARE); and representatives of some of Benin's technical and financial partners: the World Bank, the European Union, the German cooperation (GIZ), and the Netherlands cooperation offices. Last, the mission met with representatives from a number of institutions: the National Assembly, through the Finance Commission; the Supreme Court, through the Audit Office; and the Presidency of the Republic, through the Bureau of Analysis and Investigation (BAI).

The mission also met twice with His Excellency, Romuald Wadagni, Minister of Economy and Finance, to whom it presented its conclusions at the end of its visit. In addition, the mission met with His Excellency, Abdoulaye Bio Tchane, State Minister for Planning and Development.

The mission is particularly grateful to Dieudonne Dahoun, Central Director for Expenditure Supervision, and Hermann Takou, Technical Secretary, CSPEF, for their support in the organization of the mission. The mission is sincerely grateful to all of the organizations with which it met for their accessibility, frank discussions, and warm welcome. The mission would also like to extend its sincere thanks to Karim Barhoumi, IMF Resident Representative in Benin, for his valuable support.

MAIN CONCLUSIONS OF THE MISSION

1. **The Public Investment Management Assessment (PIMA) of Benin has brought to light an institutional framework of high quality but ineffective implementation.** In accordance with the PIMA methodology applied in several countries, the mission focused on assessing the institutional strengths (such as the legal framework and organization) for each institution in the analytical framework, as well as its effective implementation. Benin was found to have a high-quality, relatively complete institutional framework. The country outperforms its peers in this regard, not only compared with the average for the countries of the subregion (the West African Economic and Monetary Union—WAEMU), but also the Sub-Saharan African countries that have already conducted a PIMA exercise (Figure 1). The effectiveness of the framework, however, is weak.

2. **The current management framework limits the sustainability and quality of investments, despite the substantial resources and efforts that have been devoted to these activities.** Although Benin devotes a larger share of its GDP, on average, to public investment than other WAEMU countries, its stock of capital has been deteriorating steadily for the past two decades. Moreover, the quality of the country's infrastructure, which is inferior to that of its neighbors, has been on a steady decline during the recent period (see Section I, Context).

3. **The PIMA assessment is consistent with this diagnosis and identifies important weaknesses in several phases of the investment management process.** Project selection and ex-ante and ex-post assessments are not conducted systematically, and the current procedures require substantial reorganization. This situation has resulted in low-quality projects, which encounter substantial difficulties during the implementation phases. The different stages of the execution phase are given low scores, particularly regarding the protection of investments, availability of financing, and implementation management. This situation should be compared with the low rate of execution of investment expenditure, which has been observed for several years. Weaknesses in terms of capacity and information systems as well as marginal consideration of maintenance and maintenance costs complete this diagnosis.

4. **Recognizing these weaknesses, the authorities in 2016 adopted an ambitious investment plan, the government action program (PAG), which is designed to stimulate Benin's economic and social development.** Investments in flagship sectors have been identified as means to support this development; the PAG provides recourse primarily to new financing mechanisms, such as public-private partnerships (PPPs), to ensure the realization of these investments. Implementation of the PAG is required to sustainably strengthen the public investment management framework in Benin and to close the efficiency gap found in relation to international best practices.

5. The PIMA mission to Benin took these contextual factors into account to propose tailored measures designed to improve the efficiency and impact of public investment. The recommendations are designed with the twofold objectives of making management more efficient and helping to achieve the objectives of the PAG. The recommendations and the action plan derived from the assessment are based on four complementary areas focusing on (1) improving the institutional framework; (2) availability and sustainability of financing; (3) more effective project preparation and implementation; and (4) more sustainable investments (see Section III). Special attention is also devoted to factors that will help to improve and modernize investment management. Accordingly, specific developments focus on the following four areas: (1) the implementation of commitment authorizations and capital appropriations; (2) the selection process of investment projects; (3) the management of payment deadlines; and (4) the management of risks regarding PPPs.

Figure 1. PIMA Results: International Comparisons

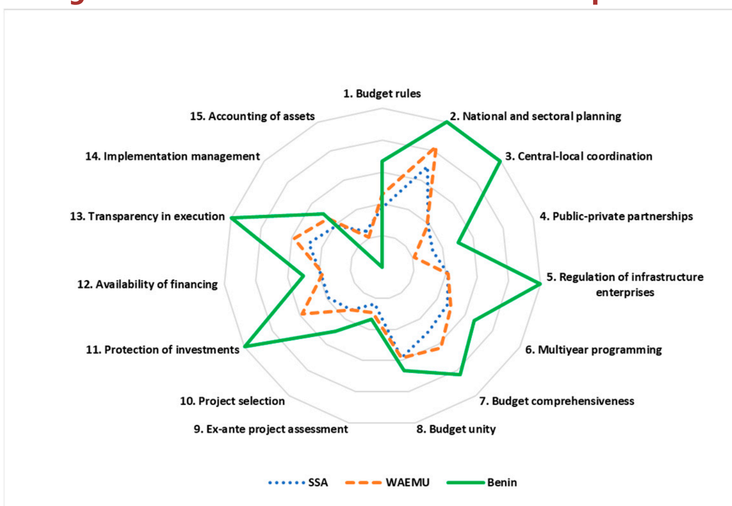


Figure 2. PIMA Results: Institutional Framework and Efficiency

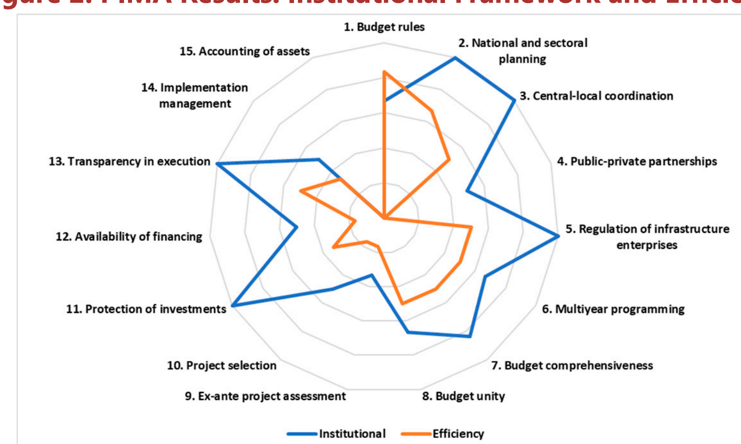


Table 1. Summary of the Assessment

	Areas/Institutions	Institutional strength	Effectiveness	Priority of reforms
1	**Fiscal rules**	**Medium.** Although fiscal policy is guided by permanent rules, these rules do not specifically protect capital expenditure.	**High.** Fiscal rules should be respected by 2019. Debt remains below the WAEMU threshold but is rapidly increasing.	*
2	**National and sectoral planning**	**High.** National and sectoral strategies have been prepared and disclosed to the public. Some sectoral policies have both outcome and physical indicators.	**Medium.** Not all of the line ministries have sectoral policy papers, and investment cost figures are not comprehensive.	**
3	**Central-local coordination**	**Medium.** A coordination framework exists, and transfers are allocated objectively, although efforts are in progress to complete the system. Substantial delays were observed for informing beneficiaries.	**Medium.** In practice, local governments do not resort to borrowing. Earmarked transfers and their distribution by municipality are determined without objective criteria.	**
4	**Public-private partnerships**	**Medium.** The legal framework exists, but it has problematic elements, such as an excessively broad definition of the types of contracts that can be designated as PPPs, or the absence of limits on the accumulation of explicit or conditional commitments.	**Low.** The unit responsible for assessing fiscal risks, and the unit responsible for the financial assessment of projects prior to approval, have yet to become operational.	***
5	**Regulation of infrastructure enterprises**	**Medium.** Although infrastructure contracts are open to competition, in practice, independent authorities regulate prices for certain sectors.	**Medium.** Regulation is effective in some sectors but not in others, due to insufficient resources for enforcement.	**
6	**Multiyear programming**	**Medium.** Multiyear projections and ceilings on capital expenditure are prepared by taking into account the full costs of the projects. PIPs are not published.	**Medium.** Substantial data discrepancies are observed between the different programing exercises and between programing and implementation.	**
7	**Budget comprehensiveness**	**High.** Capital expenditure is generally executed as part of the budget.	**Medium**. Budgeting of external financing is problematic, AE/CP are not yet fully implemented, and the integration of PPPs into the budget remains to be clarified.	**

Areas/Institutions		Institutional strength	Effectiveness	Priority of reforms
8	**Budget unity**	**Medium.** Current and capital expenditure budgets are prepared by two different ministries but are submitted jointly to Parliament.	**Medium.** Coordination between fiscal years is limited, and budgeting of recurrent expenditure remains insufficient.	**
9	***Ex-ante* project assessment**	**Low.** There is no regulatory or methodological framework that is sufficiently formalized or disclosed to the public to assess investment projects.	**Low** Outside of major externally financed projects, feasibility studies are not systematic, and cost-benefit analyses are rarely conducted.	***
10	**Project selection**	**Medium.** A selection procedure is planned based on a technical review by the ministry of planning on the basis of unpublished criteria.	**Low.** The selection process is insufficiently transparent, and the criteria are not systematically applied. The capacity to obtain further expert appraisals during the preselection phase is limited.	***
11	**Protection of investments**	**High.** The institutional framework protects investments during budget execution, and the budget documentation clearly incorporates the full costs of the projects.	**Medium.** The effectiveness of investment protection mechanisms will not be visible until the information systems are fully operational.	***
12	**Availability of financing**	**Medium.** The regulatory texts include the different programming and management tools but leaves the possibility of domiciliating external financing in commercial banks.	**Low.** Although funds are generally disbursed in a timely manner, the availability of financing is adversely affected by weaknesses in the tools and the financing outside the TSA.	***
13	**Transparency in execution**	**High.** The institutional framework provides for open, transparent public procurement operations, physical and financial project monitoring, and ex-post external audits.	**Medium.** There is scope for improvement in public procurement management. The lack of coordination between the stakeholders of the physical-financial and audit follow-up hinders transparent execution.	**
14	**Implementation management**	**Medium.** There are rules on project management and ex-post assessment. Adjustments are limited to public procurement contract riders.	**Low.** Management of project implementation is problematic, and ex-post reviews or assessments are not conducted.	***
15	**Accounting of public assets**	**Low.** Gradual implementation of accrual-basis accounting by 2019 requires a more operational institutional framework.	**Low.** The inventory of public assets is partial, the balance sheets do not contain reliable information on nonfinancial assets, and there is no amortization.	***

I. PUBLIC INVESTMENT IN BENIN: CONTEXT

6. **Public investment is one of the main tools for the implementation of public policies.** Public investment is the public expenditure of the central government, local government, public enterprises, and public agencies for the supply of infrastructure and goods of public utility or for the improvement of service to users. Public investment is an important mechanism to support a country's economic and social development. Accordingly, the construction of social amenities, such as schools and hospitals, is essential to promote human development and reduce inequalities. Moreover, the construction of infrastructure impacts economic growth and poverty reduction.

7. **To achieve its economic and social development objectives, public investment must be effective and productive.** The significant financial cost of public investment projects requires rigorous and transparent management to avoid waste and corruption. The financial cost of public investment has fiscal impacts over a period of years. Public investment need to be both effective and productive: effective to the extent that it maximizes the infrastructure volume and coverage derived from each franc spent; and productive to the extent that it generates economic growth. Moreover, powerful investment in the interest of the community can support fiscal sustainability.

A. Trends in the Stock of Public Capital and Investment

8. **Total investment has stagnated in relative terms in Benin for the past two decades.** Despite a significant increase during the early 1990s, there has been little growth in total investment (Figure 3). Total public and private investment increased by only 0.4 percent from 1995–2015. Within this figure, public investment represents an average of 30 percent, and most investments are supported by the private sector. Despite its smaller share in total investment, public investment is a lever for private investment, in which identical trends are observed.

9. **Benin devotes more of its GDP to public investment than the other countries in the area, albeit erratically.** From 1990–2015, average public investment accounted for 6.5 percent of GDP, which is slightly higher than the average figure of 6.1 percent of GDP observed in the WAEMU during the same period (Figure 4). However, public investment is more volatile in Benin. The average differential from year to year is 1.7 percent of GDP for Benin, while for other WAEMU countries it is 1.2 percent.

10. **The impact of public investment expenditure on economic growth is uncertain.** A number of empirical studies document a direct correlation between public investment and economic growth.[1] Public investment makes it possible to accumulate a stock of public capital,

[1] See, inter alia, Romp and de Han (2007), "Public Capital and Economic Growth: A Critical Survey," *Perspektiven der Wirtschaftspolitik* and Gupta et al. (2014), "Efficiency-Adjusted Public Capital and Growth," *World Economic Development* 57 (C): 164–78.

which, in turn, improves total capital productivity. In the case of Benin, the analysis of the relationship between capital expenditure and growth over 20 years is subject to discussion; high levels of capital expenditure do not systematically lead to robust growth levels. However, during the recent period, the correlation between public investment and growth seems to be on the rise (Figure 5), implying that public investment might be put to greater use to stimulate economic activity.

11. The share of capital expenditure in total budget expenditure is relatively high (an average of 31 percent for 1990–2015). During this period, when the total budget increased more than tenfold, the share of capital expenditure in the total state budget varied between 24 percent in 2006 and 38 percent in 2001 (Figure 6). The capital budget of Benin is characterized by a substantial dependence on external financing, which represents just under one-half of total capital expenditure in the budget from 2011–16, the levels of which can fluctuate substantially from year to year.[2] The overall volume of capital expenditure may change substantially in connection with the government action program (PAG) launched in 2016, with an estimated cost of CFAF 9 trillion. The government plans to provide financing through three mechanisms: (1) concessional loans; (2) mobilization of further domestic resources; and (3) for most of the investments envisaged, through the mobilization of financing from the private sector (Box 1).

12. The government of Benin is relying increasingly on domestic resources to finance its public investment. To stimulate economic growth by strengthening the level of public investment, while preserving public debt sustainability, the government has established the objective of increasing domestic resources, particularly tax revenue. This economic policy thrust is consistent with the Extended Credit Facility (ECF) arrangement signed in April 2017 with the International Monetary Fund (IMF). However, substantial efforts will be required; tax revenue, estimated at 12.6 percent of GDP in 2016, is still far below the threshold of 20 percent established by the WAEMU. Accordingly, the increased level of investment financed with domestic resources (Figure 6) was substantially supported by an increase in public debt.

13. The stock of fixed capital is steadily declining. The stock of fixed capital represented approximately 256 percent of GDP in 2000, compared to 122 percent of GDP in 2015, a decline of 134 percentage points. To the extent that the stock of public capital primarily reflects the availability of infrastructure in a country, the substantial erosion in the stock of capital in Benin might reflect the fact that no investments in new infrastructure have been made or that existing infrastructure is not well maintained. Against this backdrop, the rate at which public debt is covered with fixed capital has deteriorated (Figure 7). However, despite the deterioration in its stock of capital, Benin is in a better position than many WAEMU countries (Figure 8) in terms of the stock of public capital per capita.

[2]For example, an increase of 76 percent in the level of externally financed investment was observed between 2012 and 2013.

Figure 3. Total Public and Private Investment

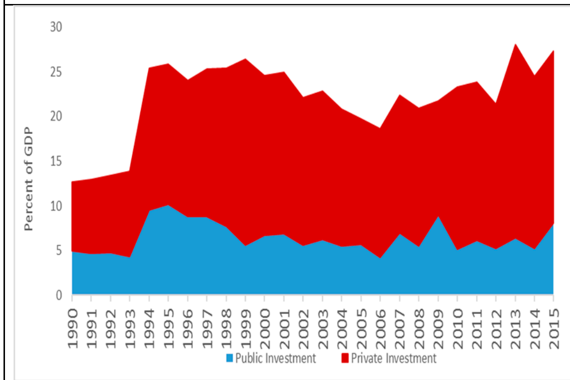


Figure 4. Public Investment, Regional Comparison

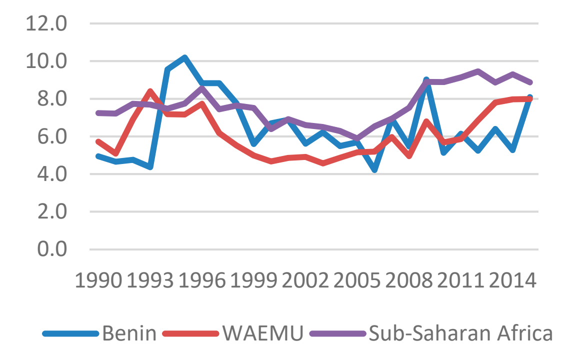


Figure 5. Public Investment and GDP Growth

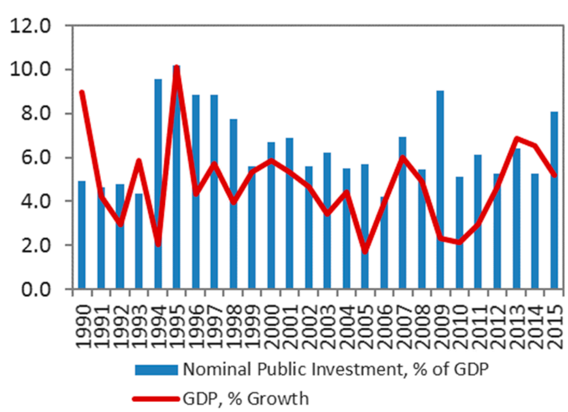


Figure 6. Share of Expenditure and Financing Sources for Capital Expenditure in the Budget

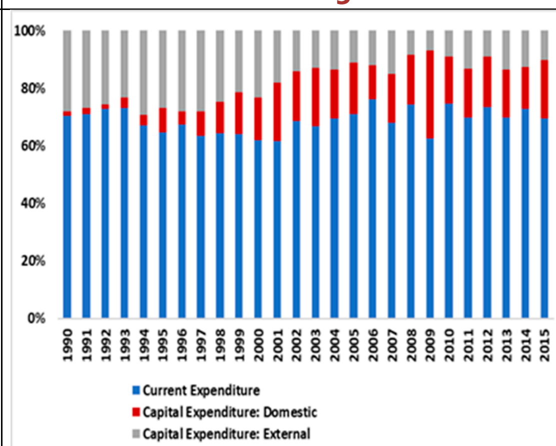


Figure 7. Stock of Public Capital and Public Debt

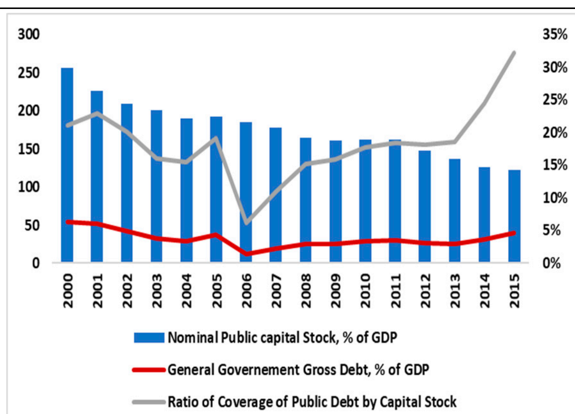
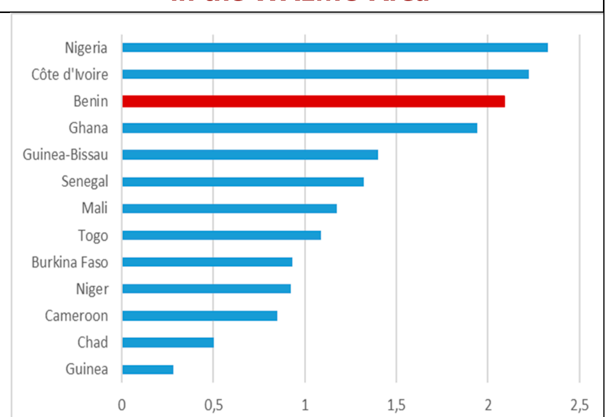


Figure 8. Stock of Public Capital per Capita in the WAEMU Area



Sources: World Economic Outlook and IMF staff estimates.

14. The government of Benin intends to focus its expenditure on public investments with substantial growth potential to stimulate economic activity. As a result of the stability of Benin's domestic environment, the country registered satisfactory economic growth rates of approximately 5.3 percent between 2011 and 2015. However, this growth has not led to any reduction in poverty. The population living below the poverty threshold increased from 36.2 percent in 2011 to 40.1 percent in 2015. The government is in the process of increasing the public investment rate through a strategic action plan to generate inclusive growth that will create jobs and reduce poverty.

15. To achieve a profound transformation of Benin's economy, the government in October 2016 adopted the PAG, in which public investment is an important lever (Box 1).

Box 1. Government Action Program

In the wake of the April 2016 elections, the government prepared a Government Action Program (PAG) based on three pillars: (1) consolidation of democratic progress, the rule of law, and good governance; (2) structural transformation of the economy; and (3) improvement of living conditions for the public. It focuses on leveraging the potential for increasing value added in agriculture and tourism (identified as the main potential sources of growth), while placing more emphasis on the quality of education and on strengthening basic social services and social security.

The overall cost of the PAG is estimated at CFAF 9.039 trillion, including CFAF 7.086 trillion for flagship projects that the government intends to launch simultaneously. Although the government is expected to contribute, most of the financing (61 percent) will be raised from the private sector through PPPs. The government is planning to increase the investment rate from 19 percent in 2016 to 45 percent in 2019, with an average of 34 percent over the period. The government anticipates a substantial macroeconomic impact, with an average economic growth rate of 6.5 percent during the period and the creation of more than 500,000 jobs.

The general guidelines and the monitoring of program implementation, through periodic reports, will be subject to validation by the Council of Ministers.

The government assigned the task of monitoring implementation of flagship projects to the Analysis and Investigation Bureau (BAI). The government is in the process of establishing dedicated agencies, such as the Agency for Development of the Digital, which will have responsibility for implementation. The Ministry of Planning and Development (MPD) will be responsible for coordination of priority projects, in conjunction with relevant line ministries. The Ministry of Economy and Finance (MEF) was assigned the tasks of helping to put the financing for the program into place.

Source: Authorities of Benin, PAG.

B. Efficiency and Impact of Public Investment

16. There has been little improvement in access to basic infrastructure for the population of Benin in recent years, with the exception of education sector (Figure 9). Eighty percent of the population has access to water, compared with 75 percent in Sub-Saharan African countries. Benin has made substantial progress in the area of education, far exceeding the progress in comparable countries. The ratio of teachers to population is 8.5 per 1,000, which is four times greater than the average for the WAEMU countries and 2.6 times the average for

Sub-Saharan Africa (SSA). However, the ratio of hospital beds to inhabitants, which is comparable to the WAEMU average, is just under one-third of the average for Sub-Saharan African countries.

17. The quality of infrastructure in Benin is perceived to be lower than comparable countries and is declining. Users' perception of quality is measured by an index developed by the World Economic Forum; the index scores range from one to seven, with seven representing very high-quality infrastructure. The quality of infrastructure is perceived by the population of Benin to be below that of comparable countries; the situation has deteriorated substantially since 2012 (Figure 10); the average for the WAEMU has increased substantially during the same period.

Figure 9. Indicators of Access to Public Infrastructure (1990s versus most recent year)

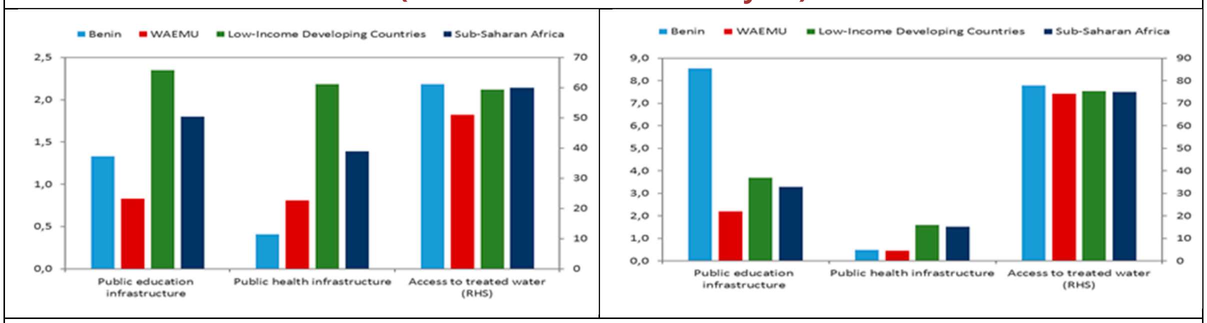
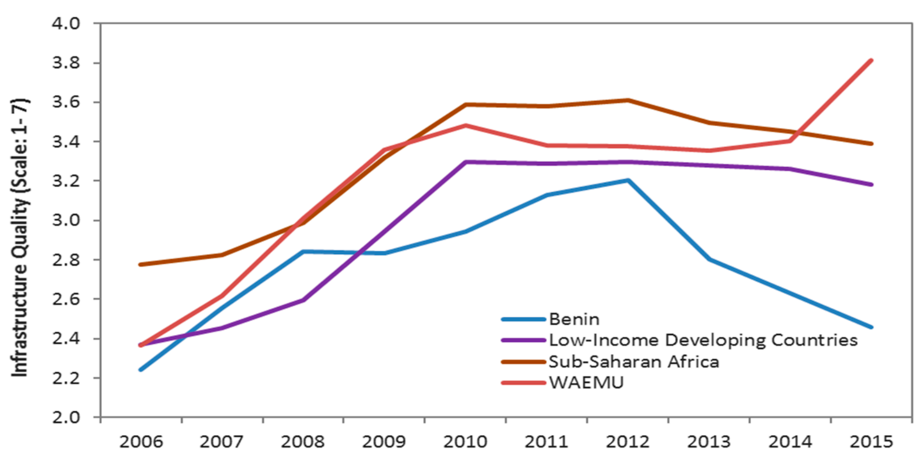


Figure 10. Infrastructure Quality Perceptions



Sources: World Economic Forum (2015); World Development Indicators; and World Bank.

18. The IMF has developed a methodology to measure the efficiency of public investment. The methodology is based on the estimate of the ratio between the stock of public capital and the indicators reflecting access to and quality of infrastructure. Countries having the highest level of access to and quality of infrastructure, based on their levels of stock of public capital and per capita income, represent the efficiency threshold.[3] The scores range between zero and one. The countries with the most efficient public investments receive the highest scores.

19. Public investment is relatively inefficient in Benin. With a score of 0.5, Benin is relatively inefficient in the area of public investment against comparable countries and is far from the efficiency threshold (Figure 11). Indeed, the WAEMU, SSA, and low-income countries scored 0.65, 0.64, and 0.61, respectively (Figure 12).

20. The inefficiency of public investment reflects the low quality, rather than the volume and coverage, of the country's infrastructure. Benin is close to comparable countries when the physical component (access to infrastructure) of the public investment efficiency index is used. Benin's score of 0.47 is close to that of the WAEMU countries, SSA, and low-income developing countries, which have scores of 0.35, 0.46, and 0.50, respectively (Figure 13). By contrast, there is a substantial difference between Benin and comparable countries in terms of the quality component of the indicator. Benin's score for the quality component of 0.71 is low compared to an average of 0.84 in the WAEMU area, 0.80 in Sub-Saharan African countries, and 0.77 in low-income developing countries (Figure 14).

Figure 11. Efficiency Threshold (hybrid indicator)

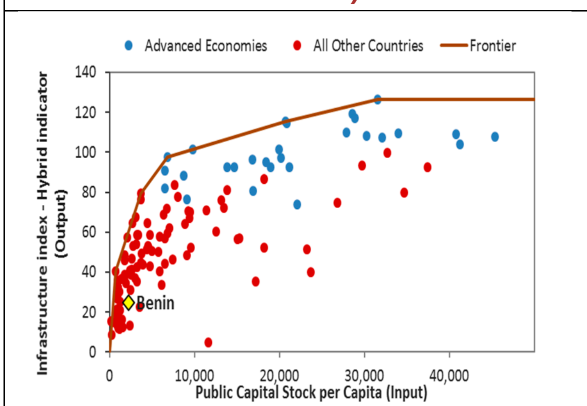
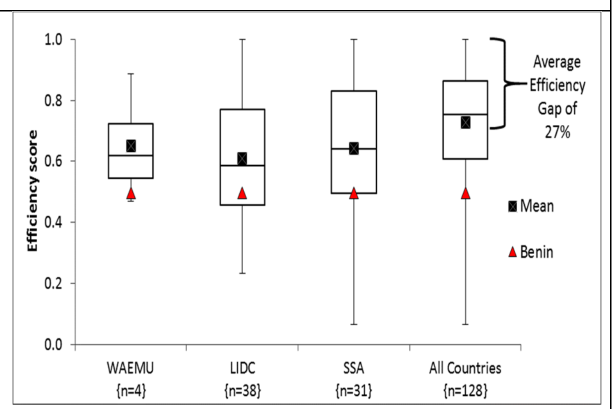
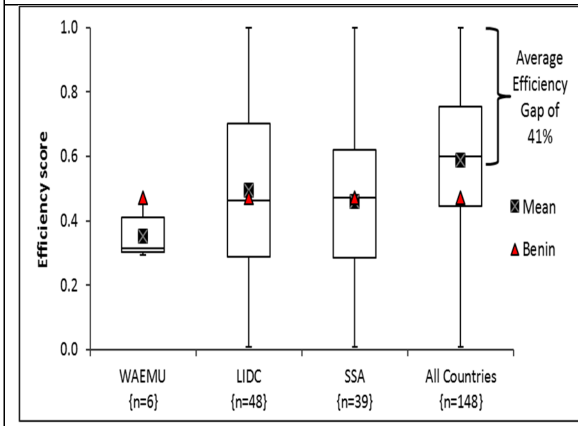
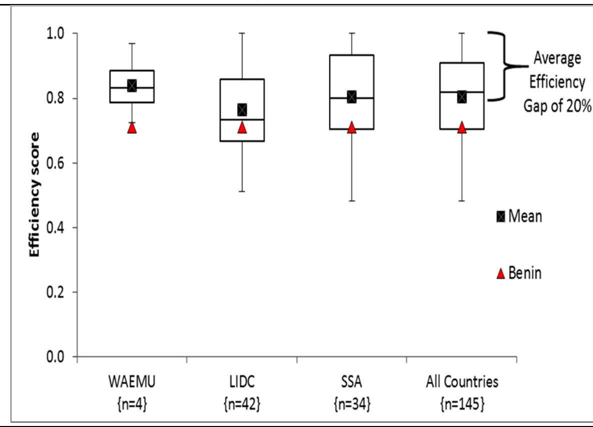


Figure 12. Efficiency Indicator (PIE-X)



[3]For further details, see www.imf.org/external/np/pp/eng/2015/061115.pdf.

Figure 13. Efficiency Indicator (PIE-X), Physical Component	Figure 14. Efficiency Indicator (PIE-X), Quality Component
	

Source: IMF staff estimates.

II. PUBLIC INVESTMENT MANAGEMENT ASSESSMENT

21. This section presents the results of the PIMA for Benin. The PIMA methodology—based on the three stages of planning, allocation, and implementation (Box 2)—provides the structure for this section, which analyzes the different institutions from the standpoint of the ***institutional framework*** (regulatory framework and organization) and ***effectiveness*** (implementation of the institutional framework and performance). A twofold assessment is applied in each case. This approach makes it possible to highlight the weaknesses and to propose measures to correct the problems or to make improvements. For each stage, a summary of the assessment is proposed, and the level of priority in conducting the reforms is identified.[4] The results for the new institutions[5] are presented in Annex I.

A. General Findings

22. The quality of the institutional framework for investment management seem to be high and relatively comprehensive. The assessment of institutional factors (the legal and regulatory framework, as well as the organization) is good, compared with other countries in the subregion. Benin scores well in the areas of (1) national and sectoral planning; (2) budget comprehensiveness; (3) central-local coordination; and (4) implementation performance. Only ex-ante project assessment received a low institutional score.

23. The effectiveness of the institutions in the PIMA framework is far below the quality of the institutional framework. With the noteworthy exception of fiscal rules, all institutions received an effectiveness score below the score awarded for the relevant institutional framework. This is particularly true for (1) PPPs, the legal framework for which is being finalized; (2) ex-ante and ex-post selection and assessment of projects, which constitute major areas with scope for improvement to increase the quality of the projects; and (3) all institutions under Stage III.

24. Several reforms being finalized can help to improve the framework for investment management. The PIMA for Benin was conducted at a turning point in public investment management. Numerous reforms are being implemented, foremost of which is the Organic Law on Budget Laws (LOLF),[6] which derives from directives under the WAEMU harmonized fiscal framework. Draft regulatory texts on public investment (planning, management framework, follow-up, and assessment) are also being prepared, as well as several projects in the area of information systems: Economic governance support project/Public financial management

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[4]* = Low; ** = Medium; *** = High.

[5]In connection with the ongoing improvement of the PIMA framework, three new institutions (crosscutting issues, public procurement, and maintenance) were identified and are in the process of being validated.

[6]Law 2013-14 of September 27, 2013, on Budget Laws.

information system—PAGE/SIGFP, and integrated public investment analysis and programming system/investment budget preparation and monitoring system of the General Directorate of Public Investment Programming and Monitoring (SIAPIP/DRJADO). In connection with PAG implementation, a law on PPPs was adopted and promulgated; the law will be supplemented in the near future with decrees. These structural reforms bring improved management methods and a change in the administrative culture to favor more efficient investments.

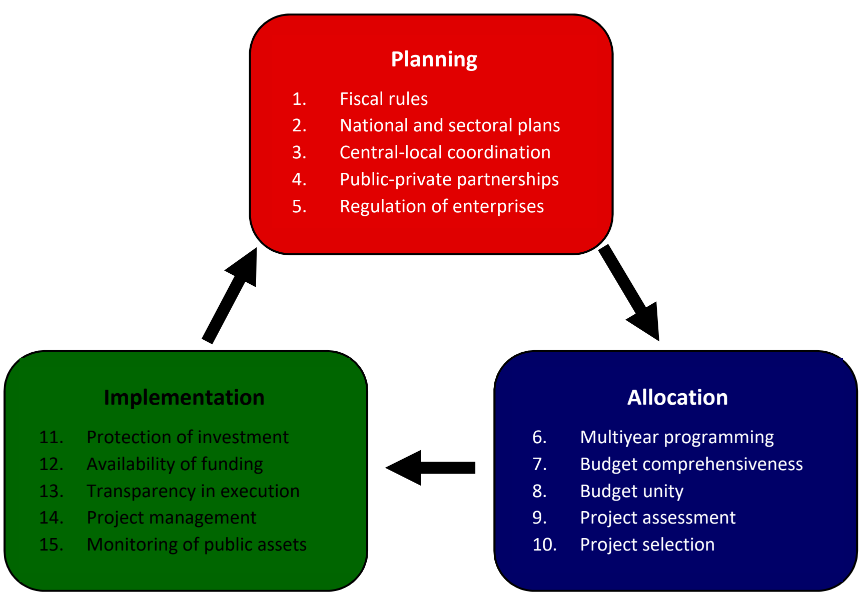
Box 2. Public Investment Management Assessment Framework

IMF staff have developed the Public Investment Management Assessment (PIMA) framework. The framework is designed to evaluate the quality of the institutional framework, as defined by the applicable texts and in practice, to help countries optimize public investment to achieve their growth and development objectives. The PIMA identifies institutional strengths and weaknesses and provides practical recommendations to enhance and increase the efficiency and impact of public investment.

The tool evaluates 15 practices (referred to as "institutions") involved in the three key stages of the public investment cycle (see figure below):

- **Planning** of the investment levels for all public-sector entities to ensure sustainable levels of public investment
- **Allocation** of investments to appropriate sectors and projects
- **Implementation** of projects over time, and allocation of appropriations.

For each of the 15 institutions, three indicators are analyzed and scored according to whether the criterion was fully met, partially met, or not met. The average of the scores indicates the institutional strength of each institution, which can be **high**, **medium**, or **low**.



Source: Mission.

B. Stage I: Public Investment Planning

25. **Effective investment planning provides a medium-term strategic vision and coordinated implementation of sectoral strategies and national objectives for development, while preserving the sustainability of the investments.** This component of the PIMA aims to determine whether Benin has constitutive elements for success, including the following: (1) fiscal principles or rules to ensure that the overall levels of investment are adequate, predictable, and sustainable; (2) national and sectoral plans or strategies to ensure that public investment decisions are based on clear and realistic priorities; (3) mechanisms to coordinate investment management between the central and local levels of government; (4) transparent management of PPPs to ensure effective assessment, selection, and monitoring of projects, as well as to identify budget risks; and (5) regulation of economic infrastructure enterprises to promote competition.

26. **Although the planning phase has undeniable strengths, urgent improvement is needed in some areas.** In the area of planning, Benin has a national plan and sectoral strategies, a regulatory framework that encourages competition in the economic infrastructure market, and effective coordination between the investment plans of the central and local governments. The country also has permanent fiscal rules, although they do not specifically protect public investment. Deficiencies in the legal framework for PPPs must be corrected, as the authorities are planning to use these financing tools on a large scale in connection with the PAG.

Table 2. Summary of the Assessment of Stage 1: Public Investment Planning

Areas/Institutions		Institutional strength	Effectiveness	Priority of reforms
1	**Fiscal rules**	**Medium.** Although fiscal policy is guided by permanent rules, these rules do not specifically protect capital expenditure.	**High.** Fiscal rules should be respected by 2019. Debt remains below the WAEMU threshold, but it is rapidly increasing.	*
2	**National and sectoral planning**	**High.** National and sectoral strategies have been prepared and disclosed to the public. Some sectoral policies have both outcome and physical indicators.	**Medium.** Not all of the line ministries have sectoral policy papers, and investment cost figures are not comprehensive.	**
3	**Central-local coordination**	**Medium.** A coordination framework exists, and transfers are allocated objectively, although efforts are in progress to complete the system. Substantial delays were observed for informing beneficiaries.	**Medium.** In practice, local governments do not resort to borrowing. Earmarked transfers and their distribution by municipality are determined without objective criteria.	**

Areas/Institutions		Institutional strength	Effectiveness	Priority of reforms
4	**Public-private partnerships**	**Medium.** The legal framework exists, but it has problematic elements, such as an excessively broad definition of the types of contracts that can be designated as PPPs, or the absence of limits on the accumulation of explicit or conditional commitments.	**Low.** The unit responsible for assessing fiscal risks, and the unit responsible for the financial assessment of projects prior to approval, have yet to become operational.	***
5	**Regulation of infrastructure enterprises**	**Medium.** Although infrastructure contracts are open to competition, in practice, independent authorities regulate prices for certain sectors.	**Medium.** Regulation is effective in some sectors but not in others, due to insufficient resources for enforcement.	**

Fiscal Rules

27. Fiscal policy in Benin is guided by permanent fiscal rules issued by the WAEMU, and Benin has established the objective of compliance with all of these rules by 2019. The convergence criteria within the WAEMU were established under a 1999 directive that was updated in 2015. All WAEMU member countries are required to comply with the first ranking criteria for 2019.[7] The multiyear budget and economic programming document (DPBEP), which defines the three-year macroeconomic framework, makes it possible to verify whether Benin meets these criteria. The data from the latest DPBEP (2018–20) indicate that, between 2016 and 2018, Benin is expected to meet the criteria on the stock of debt and inflation (Table 2) and to meet all first ranking criteria by 2019.

Table 3. The West African Economic and Monetary Union First Ranking Convergence Criteria

Indicators	Criteria, 2019 Horizon	2016	2017	2018	2019
Budget balance (including grants)/Nominal GDP	**>= -3 percent**	**-6.2**	**-7.9**	**-4.0**	**-1.9**
Annual inflation rate	**<= 3 percent**	**-0.3**	**2.1**	**2.0**	**2.0**
Stock of public debt/Nominal GDP	**<= 70 percent**	**49.5**	**54.3**	**54.4**	**52.3**

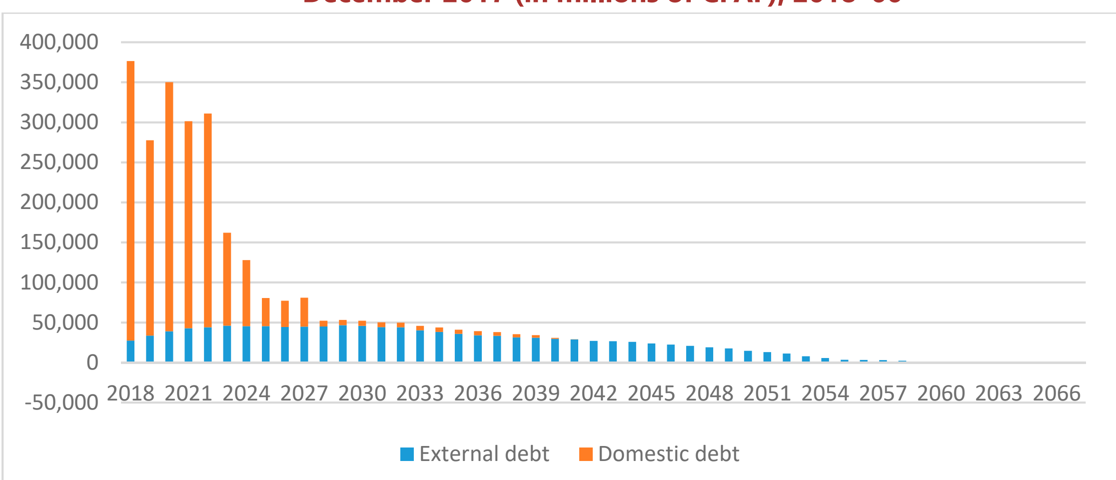
Sources: WAEMU Commission; authorities of Benin (DPBEP, 2018–20).

[7]According to Supplementary Act 01/2015/CCEG/UEMOA.

28. There is no fiscal principle at the national or community level that specifically protects capital expenditure. The 1999 Directive on the convergence pact within the WAEMU included a second ranking criterion requiring the level of domestically financed investment to exceed 20 percent of fiscal revenue. Although this criterion was removed under the updated Directive of 2015, Benin continues to comply with it. In 2015 and 2016, this ratio was equal to 30.3 percent and 28.7 percent, respectively. The LOLF does not contain any fiscal rules protecting capital expenditure.

29. It is necessary to modify the current debt profile to create more fiscal space for investment and not to move closer to the 70 percent limit set by the WAEMU. Between 2013 and 2017, Benin's public debt increased from 25.3 percent to 55.6 percent of GDP. This sharp increase is the result of greater recourse to domestic debt, which rose from 8.6 percent of GDP in 2013 to 27.8 percent in 2016. Benin's domestic debt profile is characterized by high interest rates; in 2016, the average weighted interest rate on domestic debt was 6.3 percent, compared to 1 percent for external debt. The country's domestic debt profile is also characterized by short maturities. The combination of these two factors is a source of substantial risk in the public debt reimbursement profile (Figure 15); 54 percent of the stock of debt (85 percent of which is domestic) is scheduled to be reimbursed within the next five years.

Figure 15. Projected Reimbursement Profile of the Public Debt Portfolio at End-December 2017 (in millions of CFAF), 2018–66



Source: Authorities of Benin, CAA.

National and Sectoral Planning

30. National and sectoral public investment strategies are prepared and publicly disclosed. Benin's national public investment strategy is defined in the PAG (Box 1). The plan is broken down by economic sector and ministry. Projects are divided into ***flagship projects*** (78 percent) that are directly prepared and monitored by the presidency and implemented by autonomous agencies; and ***priority projects*** (22 percent) that are prepared, implemented, and monitored conventionally by line ministries. The matrix of projects includes total costs for each project and their annual programming. Monitoring and coordination of the PAG are the responsibility of several entities: (1) the Council of Ministers; (2) the Flagship Project Monitoring Committee (CSPP); (3) the Monitoring and Assessment Committee (CSE); and (4) the sectoral monitoring committees. The latest growth and poverty reduction strategy, which dates back to March 2011, is being updated. Some sectoral policy papers include performance indicators for each program, as well as physical project indicators. However, the PAG does not currently include these indicators; ministries with strategies publish them on their respective websites.

31. At present, not all sectors have sectoral strategies, and the investment cost figures are not comprehensive. Although the costs of public investment strategies are calculated, the figures do not appear to be comprehensive; consequently, the PAG cannot effectively serve as a guide for investment programming. The PAG provides a list of 277 projects across nine sectors; the total cost is estimated at CFAF 9.039 trillion. The projects are not systematically subject to feasibility studies, ex-ante or ex-post assessments, or external audits, limiting the quality of the assessment of investment costs. Moreover, although most of the ministries have prepared sectoral policy papers, some ministries have yet to do so.

32. The scope and quality of planning should be increased. A realistic assessment of project costs, the definition of sectoral strategies for all ministries, and effective coordination between national and sectoral strategies are required to provide effective support for the programming and budgeting of public investment.

Coordination Between the Central Government and Local Governments

33. Although the decentralization laws give local governments responsibilities in the area of investment, in coordination with the central government, there is scope for improvement in the transfer system. Benin's local government system includes a decentralized administration comprised of 77 municipalities divided into 12 departments. The legal framework includes a list of specifically assigned and shared areas of authority for all municipalities for infrastructure and services in certain areas. Appropriations provided by the central government to the local units of government consist of earmarked and non-earmarked transfers through the Municipality Development Support Fund (FADEC). The annual amount of domestically financed transfers is defined by the central government,[8] and the externally-financed amount is dependent on donors' commitments to the government. Non-earmarked transfers are allocated to the municipalities using a cross-subsidization formula.[9] Earmarked transfers are related to

[8]Beginning in 2016, the annual amount of domestically-funded transfers has been supported with tax resources effectively collected during year N-1.

[9]The cross-subsidization formula includes a base component that is equitably distributed between the municipalities; a component that is distributed according to the population, poverty level, and geographic location; and a component that is based on performance (good governance and collection capacities). The weight attributed to each indicator is defined by the CONAFIL on an annual basis.

sectoral investments; since 2016, they have been allocated during the budget conferences. Efforts are underway (such as in the Ministry of Agriculture) to develop a cross-subsidization formula for this type of transfer. The amount of transfers from the central government to local governments is communicated each year before the deadline of March 31 for adoption of the municipal budgets. The local governments are allowed to borrow, but they may only do so to cover their development investments: this is an effective limit to the freedom to borrow, although there is no amount specified in the law. Capital expenditure by the local governments is defined in coordination with the central government. The municipalities prepare their municipal development plan and the annual investment plan and submit the list of projects to be included in the public investment program (PIP). The National Local Finance Commission (CONAFIL) steers the process and, more specifically, supports capacity development in the municipalities, for example, with the methodological guide for the preparation of budgets by the municipalities.

34. Insufficient and unstable transfers and material inability to borrow limit municipal investments. Given the powers entrusted to municipalities, transfers appear to be insufficient. During 2014 and 2015, consolidated capital expenditure by the municipalities represented only 2.9 percent and 3.45 percent of the state budget, respectively. Moreover, transfers are volatile and preclude any credible budget or planning exercises (Table 4). In addition, earmarked and non-earmarked transfers were delayed during 2013–15, adversely affecting execution of the municipal investment programs. Financial information at the central level has been communicated with systematic delays in the past, although an improvement was observed in 2017 with the communication of the figures in February. In general, transfers benefiting the municipalities are volatile and limited. Their inability to submit projects that can be financed also reduces their effective capacity for recourse to borrowing. However, the CONAFIL is taking steps to develop capacities so that the municipalities will be better able to borrow.

Table 4. Transfers from the State to Local Units of Government, 2008–15 (billions of CFAF)

	YEAR	2008	2009	2010	2011	2012	2013	2014	2015
	TOTAL	8.0	10.0	11.3	21.7	21.5	35.1	28.8	45.3
Transfers by financing sources	Domestic resources	8.0	10.0	9.8	16.5	16.5	18.0	15.8	19.8
	External resources (TFP)			1.5	5.2	5.0	17.1	13.0	25.5
	TOTAL	8.0	10.0	11.3	21.7	21.5	35.1	28.8	45.3
Transfers by type	Earmarked transfers (sectoral ministries)			3.3	5.9	4.8	8.0	9.2	8.2
	Non-earmarked transfers, MDGL*	8.0	10.0	8.0	15.9	16.7	27.1	19.6	37.1

Source: CONAFIL.

35. Several options to strengthen decentralization might be considered. First, the transfer system might be improved, and the criteria, particularly for earmarked transfers, might be publicly disclosed. Second, the strengthening of coordination between national and municipal plans through the strengthening of the coordination authorities appears to be a necessary measure. Third, development of the capacities of the stakeholders, particularly in the preparation of investment projects that can be financed, can lead to more effective recourse to borrowing.

Public-Private Partnerships

36. Benin is in the process of establishing a legal framework and organization for the management of PPPs. The use of PPPs is the main financing mechanism put forward by the government to implement the PAG,[10] in light of the limited budget resources; 61 percent of the PAG, corresponding to projects selected for their strategic impact, should be financed through this mechanism. Benin recently established the legal framework for PPPs under Law 2016-24. The law was adopted by the National Assembly in October 2016 and promulgated by the president in June 2017. The implementing decrees are being prepared. A PPP support unit (CAPPP), which that reports to the Presidency of the Republic, is responsible for providing technical support at all stages of the process, including the review of the quality-price ratio.

37. In its current form, the legal framework has shortcomings in comparison to international best practices. The law provides for many types of contracts under the definition of PPPs.[11] In the current legal framework, almost any kind of contract may be designated as a PPP in the absence of an official definition of different types of standard contracts.[12] Moreover, the legal framework for PPPs does not require public disclosure of all such contracts signed by the government or commitment authorizations issued by Parliament in connection with them. Finally, the legal framework does not require the state to observe ceilings on financial commitments in connection with PPPs, whether they are implicit or explicit.

38. The involvement of the Ministry of Economy and Finance is essential in limiting risks in connection with PPPs. International experience has shown that the accumulation of explicit and implicit commitments can be a source of substantial fiscal risks. This is why the Ministry of Economy and Finance plays a central role. In South Africa, a country often cited as an example of PPPs (Box 3), the law stipulates that all such contracts are subject to approval of the Ministry of Economy and Finance.

39. Projects included in the PAG should be prioritized to better attract PPP funding. Successful PPPs often entail a concessional formula under which the government grants usage

[10]The PAG specifies the projects to be considered PPPs and indicates their costs.

[11]The law provides the following types of PPP contracts: (1) design, construction, financing, and operation; (2) construction, operation, and transfer; (3) construction and transfer; (4) construction, possession, and operation; (5) construction, leasing, and transfer; (6) construction, transfer, and operation; (7) expansion and operation; (8) development, operation, and transfer; (9) rehabilitation, possession, and operation; (10) rehabilitation, operation, and transfer; and (11) production and marketing.

[12]PPP agreements consistent with international good practices have the following three features: (1) private structuring and financing of investments; (2) provision of services (operation) by the private sector; and (3) the transfer of a substantial share of the financial, technical, and operational risks to the private sector.

and revenue rights to users (Box 3). With this approach, projects potentially of interest to the private sector are more oriented toward infrastructure and energy sectors, which account for 29 percent of PAG projects.

40. There is a need to strengthen the current framework to limit the financial risks associated with PPPs, while gaining efficiencies from these financing tools. The implementing decrees being drafted provide an excellent mechanism to supplement and further define the legal framework. Recommendations are provided in the action plan proposed in Section III.

Box 3. Experience with Public-Private Partnerships in South Africa

In South Africa, each PPP project must comply with the following legislative texts: (1) the Constitution (1996); (2) Treasury Regulation 16 issued in terms of the Public Finance Management Act, 1999); (3) the Preferential Procurement Policy Framework Act, 2000; (4) the Broad Based Black Economic Empowerment Act, 2003; and (5) the Employment Equity Act, 1998.

Selection criteria: In South Africa, the equivalent to Benin's CAPPP was established in 2000; it reports to the treasury. This unit verifies three criteria before any PPP project is selected: (1) financial feasibility for the state; (2) an acceptable quality/price ratio; and (3) appropriate risk transfer.

Role of the treasury: Prior approval from the treasury is required for the signing of any PPP contracts, as well as for any substantial changes made to contracts during project implementation.

Budgeting: By law, PPPs cannot be recorded off budget. All explicit or conditional commitments, as well as budget risks, must be estimated and included in state budget expenditure.

Extension: The municipalities are autonomous and may have their own PPP units. The treasury does not have power to approve their PPP projects but is required to issue an opinion and recommendations. In practice, however, few municipalities have the capacity to carry such projects.

Success: PPPs represent an average of 4 percent of infrastructure expenditure in South Africa. They include: (1) 60 independent projects in the area of renewable energy, representing ZAR 118 billion; (2) 1,288 kilometers of roads in a total network of 19,700 kilometers, through build-operate-transfer (CET) concessions; and (3) a regional express train.

Failures : In sectors that had not been previously designated to accommodate PPPs, for example: (1) school programs; (2) wastewater treatment; and (3) health.

Lessons: (1) PPPs must be subject to a clear budget framework; (2) fiscal risk management is essential; (3) investors are reassured by the treasury's involvement; and (4) the capacities and expertise of PPPs must be strengthened in the public sector.

Source: Presentation by William Dachs, former Director of the PPP Unit of the South African Treasury.

Regulation of Infrastructure Enterprises

41. The economic infrastructure market is open to competition at the regional and national levels. The provision of electronic communication services is open to competition (Law 2014-14) under the central government licensing regime. In the area of telecommunications, legal and regulatory provisions under this law are controlled by the regulatory authority for electronic communications and postal service (ARCEP), which is an independent body. The sector is comprised of four telephone operators and nine internet access providers. The electricity sector is also open to competition, although prices in the sector are substantially regulated in practice owing to the nature of the services provided. The mechanisms for private sector electricity enterprises to participate are governed by Law 2006-16[13] establishing the Electricity Code in the Republic of Benin. The legal and regulatory provisions under these laws are controlled by the regulatory authority for electricity (ARE), an independent body. It was created in 2009 under Decree 2009-182, but it did not begin to operate until December 2015. To date, there are no private enterprises in the sector, although four independent energy production enterprises are present to fill the deficits for *Société Béninoise d'Energie Electrique* (SBEE), the national electricity company.

42. Telecommunication rates are established based on objective criteria, while electricity rates are subject to substantial regulation. The minimum international call termination fee, also known as the *interconnection tariff*, was eliminated in May 2016. The ARCEP agrees with operators on their costs, and each operator proposes competitive tariffs to consumers. The regulatory authority has introduced ceiling prices reflecting the relevant costs that operators cannot exceed (Table 5). In the electricity sector, the central government sets and approves tariffs, subject to the opinion of the ARE on the tariff schedules. However, the ARE has not issued any opinion since its establishment due to insufficient resources. As a result, prices have not been adjusted to reflect the cost of inputs since April 2010, and this situation is affecting SBEE, which is experiencing financial difficulty.

[13]The same is true for Law 2005-001 on the Authorization to Ratify the Benin-Togo Electricity Agreement.

Table 5. Voice Interconnection and SMS Ceiling Rates Established by the Regulatory Authority for Electronic Communications and Postal Service

Description			Ceiling rate (CFAF exclusive of taxes)
Voice traffic	Calls (local and long-distance)	Mobile to mobile	10 per minute
		Mobile to fixed	27 per minute
		Fixed to mobile	10 per minute
SMS traffic	Mobile to mobile		5 per unit

Source: Decision 2016-013 of the ARCEP.

43. Investment plans by public enterprises are effectively coordinated with the PAG, but they are not consolidated in a comprehensive way. The central government appoints the executive authorities of the 197 public enterprises. The ministries appoint representatives to the board of directors of their enterprises. The central government validates the investment plans of the public enterprises through the respective boards of directors. In addition, public enterprises submit their communication and budget drafts to the Council of Ministers for examination and approval. Since 2017, these texts have been accompanied with a memorandum justifying the convergence of objectives and activities planned with the strategic areas defined by the government, that is, the PAG.

C. Stage II: Allocation of Public Investment

44. The allocation of capital expenditure to the most productive sectors and projects requires effective programming and budgeting from a unified, comprehensive perspective. It also requires objective criteria and clear procedures for the evaluation and selection of investment projects. In this stage, the Public Expenditure Management Assessment aims to determine whether the country (1) carries out multiyear budget exercises; (2) ensures budget comprehensiveness; (3) has a unified budget process; (4) conducts ex-ante project assessments; and (5) has a project selection system.

45. In Benin's case, the weaknesses that substantially limit the efficiency and macroeconomic impact of public investment are more specifically found in the assessment and selection of investment projects. These steps are critical, as the decisions made in the initial stage affect the entire life cycle of investment projects, particularly in terms of their financial execution (Stage III). The shortcomings in these processes may help explain the low quality of the infrastructure in comparison to similar countries, as indicated in the first part of this report (Figure 13).

Table 6. Summary of the Assessment of Stage 2: Allocation of Public Investments

Areas/Institutions		Institutional strength	Effectiveness	Priority of reforms
6	**Multiyear programming**	**Medium.** Multiyear projections and ceilings on capital expenditure are prepared, taking into account the full costs of the projects. PIPs are not published.	**Medium.** Substantial data discrepancies are observed between the different programing exercises and between programing and implementation.	**
7	**Budget comprehensiveness**	**High.** Capital expenditure is generally executed as part of the budget Treasury Single Account.	**Medium**. Budgeting of external financing is problematic, AE/CP are not yet fully implemented and the integration of PPPs into the budget remains to be clarified.	**
8	**Budget unity**	**Medium.** Current and capital expenditure budgets are prepared by two different ministries but are submitted jointly to Parliament in the Budget Law.	**Medium.** Coordination between fiscal years is limited, and budgeting of recurrent expenditure is still insufficient.	**
9	***Ex-ante* project appraisal**	**Low.** There is no regulatory or methodological framework that is sufficiently formalized or disclosed to the public to assess investment projects.	**Low** Outside of major externally financed projects, feasibility studies are not systematic, and cost-benefit analyses are rarely conducted.	***
10	**Project selection**	**Medium.** A selection procedure is planned based on a technical review by the ministry of planning, on the basis of unpublished criteria.	**Low.** The selection process is insufficiently transparent, and the criteria are not systematically applied. The capacity to obtain further expert appraisals during the preselection phase is limited.	***

Multiyear Programming

46. The government of Benin prepares financial assessments and rolling capital expenditure ceilings with a three-year horizon. Financial assessments, conducted on an indicative basis, have been broken down by ministry and program and have been published in the multiyear expenditure programming papers (DPPD) issued for all ministries since the 2017–19 exercise. This assessment exercise is based on the multiyear planning activities guided by the Ministry of Planning and Development (MPD), which each year prepares an annual and three-year public investment program (PIP) that breaks capital expenditure down by ministry. The three-year PIP, which presents the cost for each of the major projects during its life cycle, is submitted to Parliament but is not published on the government's website. Rolling capital expenditure ceilings for the three-year period are prepared only for payment appropriations in the medium-term expenditure frameworks reported to the line ministries and updated as the budget process is carried out.

47. In practice, capital expenditure projections and ceilings are regularly subject to substantial revisions, limiting the ministries' visibility on multiyear investment projects. For one considered exercise, substantial discrepancies are observed from one year to the next (Table 7). Beyond changes in government strategy, substantial adjustments are explained specifically by revisions in the macroeconomic framework exercise that mechanically lead to a revision of the budget available for investment. At the sector level, the distribution of the underlying funding programs for the MTEFs is also regularly adjusted, limiting the capacities of the ministries to design and implement multiyear investment strategies. In addition to the discrepancies between programming exercises, substantial discrepancies have been observed between initial and actual figures. For example, the level of capital expenditure executed in 2015 was CFAF 165 billion, against appropriations of CFAF 413 billion, equivalent to an execution rate of 40 percent, including Treasury Single Account (TSA) 16 percent for externally financed capital expenditure.[14]

Table 7. Discrepancies Between Projections for the 2017–19 Public Investment Program, the 2018–20 Medium-Term Expenditure Framework, and the 2018 Draft Budget Law (in billions of CFAF)

	2018 fiscal year			Discrepancies		2019 fiscal year		Discr.
	2017-2019 PIP (01/2017) [1]	2018-2020 MTEF (09/2017) [2]	2018 Dr. Budg. Law (10/2017)	PIP/MTEF [2]/[1]	MTEF/PLF [3]/[2]	2017-2019 PIP (01/2017) [4]	2018-2020 MTEF (09/2017) [5]	PIP-MTEF [5]/[4]
Investments by the ministries	**707**	**467**	**470**	***-34%***	***+1%***	**714**	**385**	***-46%***
Ministry of Living Environment and Sustainable Development	181	73	72	*-60%*	*-1%*	174	59	*-66%*
Ministry of Energy, Water, and Mining	160	67	70	*-58%*	*+4%*	152	67	*-56%*
Ministry of Agriculture, Livestock, and Fishing	58	42	53	*-28%*	*+27%*	58	42	*-27%*
Ministry of Infrastructure and Transportation	77	90	94	*+18%*	*+4%*	66	90	*+38%*
Ministry of Decentralization	15	29	29	*+94%*	*-0%*	19	29	*+51%*
Undistributed margin		**57**		***Margin***				
Other	216	108	152	*-50%*	*+40%*	245	97	*-60%*

Sources: 2017–19 Public Investment Program, DGPSIP, Final Version, January 2017); 2018–20 Medium-Term Expenditure Framework; Supplemental Draft Budget Law, 2018, October 2017).

48. In this context, strengthening the quality of forecasts is a medium-term priority, particularly with regard to (1) the overall macroeconomic framework; (2) the sectoral distribution of the overall MTEF investment envelope; and (3) external financing. Such developments would strengthen the position of the MEF and the MPD in the budget arbitration process.

[14]Report on implementation of the Budget Law for the 2015 fiscal year, Supreme Court, Audit Office, September 2016.

Budget Comprehensiveness

49. Capital expenditures are usually executed within the budget. The scope of the Budget Law incorporates capital expenditure executed from the general budget,[15] annexed budgets, and special accounts. It includes subsidies and transfers from the central government to public operators and local governments. The Budget Law provides an externally financed capital expenditure ceiling. It is broken down by ministry and programed in the multiyear expenditure programming paper. For each ministry, the public investment program specifies the donors involved and the level of financing provided for the life cycle in each major project. For PPP contracts, the LOLF provides the use of commitment authorizations for all legal commitments, effective from the signing year.

50. Budgeting for external financing entails problems, the commitment authorizations/payment appropriations approach is still not fully implemented, and the mechanism for including PPPs in the budget documentation has yet to be specified. The reliability of the data on externally-financed expenditure in the budget law and budget documentation is still limited by the lack of visibility for the authorities on the level and timing of contributions from donors. The twofold budget accounting process, using commitment authorizations and payment appropriations—which makes the budget more comprehensive by incorporating all commitments of the government—has yet to be fully implemented; for example, the budget law does not provide any ceilings for commitment authorizations. Although the PAG launched in 2016 provides for large-scale recourse to PPPs, the accounting mechanisms for such arrangements and their presentation in the budget documentation have not been specified, and their budget and financial implications are unclear. “Non-PIP” projects are mentioned in the budget documentation without any indications of the scope or mechanism involved.[16]

[15]In the 2018 Draft Budget Law, CFAF 470 billion in capital expenditure is provided with line ministry appropriations, which is close to the total projected capital expenditure in the medium-term expenditure framework updated at end-September (CFAF 467 billion); this total still includes an “undistributed margin” among the ministries of CFAF 57 billion. In addition to these ministerial appropriations, capital expenditure of CFAF 30 billion in domestically-financed "general appropriations" is provided in the general budget but undistributed, and CFAF 20 billion are provided in the special allocation accounts.

[16]For example, the project for the Cotonou north bypass included in the list of “non-PIP” projects in the 2017–18 multiyear expenditure programming paper of the Ministry of Infrastructures and Transportation is one of the 45 flagship projects under the PAG, at an estimated cost of CFAF 345 billion, and is intended to be supported by the private sector.

Table 8. Initial Financing Scheme for the Government Action Program, 2016–21

(In billions of CFAF)	2017	2018	2019	2020	2021	Total
Public, non-PPP	808	727	719	700	575	3,530
Budget contribution and debenture loan	575	524	497	484	370	2,450
Loans	173	136	150	145	146	750
Grants	60	67	71	71	60	330
PPP	**341**	**967**	**1,919**	**1,945**	**337**	**5,509**
Total	**1,149**	**1,694**	**2,638**	**2,645**	**912**	**9,039**

Source: General Directorate of Economic Affairs, 2016.

51. **In connection with the implementation of the PAG, the financial incidences of selected projects should be fully accounted for and reflected in the budget documentation to ensure their sustainability.** For PPP arrangements, the budget impacts should be recorded with the commitment authorizations/payment appropriations approach; the liabilities could usefully be listed in the budget documents. The risks in connection with revenue allocation mechanisms[17] should be borne in mind, particularly the absence of correlations between the respective dynamics of needs and returns, as well as the weakening of Parliamentary control mechanisms.

Budget Unity

52. **Current and capital expenditure budgets are prepared by different ministries but are presented jointly in the Budget Law and the budget documentation (the multiyear expenditure programming paper).** Coordination between the budget exercises conducted respectively by the General Directorate of Budget and the General Directorate of Public Investment Programming and Monitoring was strengthened; the agenda for preparing the draft Budget Law for 2018 includes the different services involved in the process, while the aggregation of the different budget exercises is the responsibility of the General Directorate of Budget. Multiyear expenditure programming papers provide a breakdown of capital and current expenditure by ministry and program. All expenditure is submitted and voted on jointly by Parliament, in the presence of the MPD and MEF. The budget classification and chart of accounts provide for a clear distinction between current and capital expenditure.

53. **In practice, coordination between the budget exercises has its limits, and the budgeting of recurrent expenditure is still insufficient, which limits the productivity and sustainability of public capital.** Aside from the budgets of specific entities, such as the road

[17]Specifically provided in connection with the Human Resource Development Insurance (ARCH) project, at an estimated total cost of CFAF 313 billion for 2017–21, a portion of which will be financed through the allocation of the frequency fee, solidarity fee, and National Insurance (RAMU) fees (Multiyear Budget and Economic Programming Paper 2018–20, April 2017).

fund[18] or the General Directorate of Materials and Logistics (DGML), the budgeting of recurrent expenditure differs substantially among the different ministries. Some ministries (such as health and education) reflect more investment projects in their current expenditure projections, but the ministries generally do not systematically evaluate costs "to ensure sustainability." In this context, the departmental recurrent expenditure envelope is more of a global set of resources to be allocated on a needs basis than a total calculated on the basis of expenses for each of the underlying projects. Moreover, the software used to prepare and monitor the capital budget of the General Directorate of Public Investment Programming and Monitoring (DJRADO) does not interface with the software the General Directorate of Budget uses to prepare the budget (SIPIBE). Classification discrepancies are also noted, such as the inclusion of institutional support expenditure (logistics, training, and materials) in capital expenditure under the public investment program.[19]

54. Enhanced coordination of planning and budget exercises would encourage a better consideration of recurrent expenditure. In the context of the deterioration in Benin's stock of public capital, as indicated in the first part of this report (Figure 6), information exchange protocols and computer interfaces between the two ministries could be strengthened for both budget preparation and execution. The recurrent costs budgeting, which includes maintenance costs, should receive special attention, notably, through training for the Programming and Forecasting Directorates of the ministries involved in this exercise and the strengthening of sectoral methodologies.

Project Assessment

55. There is no regulatory or methodological framework that is sufficiently formalized or publicly disclosed for the assessment of investment projects. While the General Directorate of Programming and Public Investment Monitoring plays a de facto role of central support unit, the staffing of the PIPD—which is in charge of the public investment program—is limited,[20] affecting its counter-expertise capacity even though the deadlines for preparing arbitration meetings are tight. The DGPSIP disseminates information sheets to be completed by the Programming and Forecasting Directorates of the different ministries; the DGPSIP analyzes the proposals, based on a table of criteria covering social, economic, and environmental relevance, consistency, and feasibility. This type of assessment using multiple criteria makes no distinction among projects by size or sector, and it is not based on any clearly defined methodology. The risks are identified at the project assessment and selection stage; however,

[18]The road fund, which the 2017–19 multiyear expenditure programming paper of the Ministry of Infrastructure and Transportation criticized for its "erosion of resources."

[19]The total of the "Administration" line, which reflects all institutional support appropriations, was estimated at more than CFAF 100 billion in 2017 in the 2017–19 public investment program.

[20]Between 10 and 20 persons to cover programming and supplementary expert appraisals for assessments submitted by the ministries and institutions.

there is scope for improvement. An indication of the anticipated risks and measures to mitigate them was introduced in the template, although this factor is not reflected in the assessment table. The level of credits to the special allocation account devoted to feasibility studies and expert appraisals was established at CFAF 15 billion in the 2017 Budget Law to support the systematic assessment of projects prior to their selection and budgeting.

56. Aside from large-scale and externally financed projects, feasibility studies are not systematically conducted for projects; and real, formally established cost-benefit analyses are rarely conducted. The number of projects included in the public investment program without being subject to prior feasibility studies amounted 84 projects in 2016, and 59 projects in 2017; these projects accounted for 28 and 20 percent, respectively, of the projects in the PIP. Feasibility studies are not conducted for medium-scale projects funded only from the national budget. Although the 2018 draft Budget Law provides for the transfer to the general budget of appropriations from the trust account (CAS) dedicated to feasibility studies, neither the rules of employment nor the distribution modalities of this envelope are specified. The capacities of the line ministries to conduct cost-benefit analyses vary substantially. Some ministries—such as the Ministry of Infrastructures and Transportation or the Ministry of Energy, Water, and Mining (MEEM)—receive substantial support from external donors and are more developed; however, most ministries do not have sufficient human resources or suitable methodological frameworks to assess projects in their respective areas. More specifically, weaknesses were identified in the assessment of project investment and maintenance costs.

57. In this context, ex-ante assessment processes and capacities must be strengthened. Top priorities are (1) the introduction of a precise regulatory framework, which would impose, for example, beyond a certain threshold, the content of a mandatory evaluation file, including a cost-benefit analysis; and (2) the strengthening of the capacities of the DGPSIP (staff, sectoral units, sectoral modeling, cost assessment tools, and computerized interfacing with the ministries).

Project Selection

58. The arbitration procedure relies on a technical review of the PDM on the basis of unpublished criteria. After an initial stage of validation at the ministerial level, major projects must be subject to a technical review by the MPD, in conjunction with the MEF, and be subject to a series of preliminary comparative selection procedures conducted by the DGPSIP and the MPD. A specific methodology was recently developed in which projects fully or partially financed with the national budget must be ranked so that resources from the national budget can be allocated by order of priority. This ranking is based on resource allocation criteria[21] (broad eligibility criteria) communicated to the sectoral ministries in a document prepared at the beginning of the

[21]Projects included in the PAG that have a feasibility study, that have been contractually arranged, that are compatible with the government's priorities, that have been financed exclusively from the national budget, and that have endowments greater than or equal to CFAF 100 M.

year by the MPD staff.[22] The selection criteria are not disclosed to the public, but they are transmitted upstream to the sectoral ministries. The list of projects selected is then subject to a governmental comparative selection process chaired by the President of Benin during the Council of Ministers. Although the initial selection of projects in the PAG was conducted by the Analysis and Investigation Bureau, the conventional process of selecting projects for the public investment program continues to be centralized with the MPD. An investment project data bank has been established, within which priority projects are identified before they are budgeted. Projects that are not included in this bank could nevertheless be incorporated into the budget.

59. The selection procedure is insufficiently transparent, the selection criteria are not systematically applied, and the capacity for counter-expertise during the preselection phase is limited. The selection and comparative selection procedure (from technical ministries to the government) does not permit a comprehensive assessment of projects before they are examined by the Council of Ministers. The staffing of the General Directorate of Public Investment Programming and Monitoring is insufficient to conduct counter-expertise appraisal within the short deadlines allowed in the procedures, particularly given the lack of information required for counter-expertise appraisals in many cases. Since 2017, the directives have provided for the preparation of annual work plans (PTA) for projects upstream from the comparative selection procedures; in practice, however, they have not been systematically prepared. The same is true for public procurement plans. In the absence of direct computer interfacing with the sectoral ministries, because the budget programming software (DJRADO) has not been deployed, the centralization of investment project documentation is time consuming and limits the workflow of the procedure. The absence of publicly disclosed selection criteria for public investment programs and assessments conducted significantly limits the transparency of the procedure, preventing the authorities from ensuring that new selected and registered projects (1) are consistent with the objectives defined by the government, and (2) have been adopted as the result of a formal selection procedure. Efforts to rehabilitate the public investment program show progress and have led to a reduction in the number of public investment projects from 291 in 2017 to 227 in 2018.

60. In this context, the strengthening of the transparency and flow of the selection process is a priority. This effort should go hand in hand with the development of capacities for assessment and counter-expertise appraisal.

[22] In April 2017, a document entitled *"Directives pour l'élaboration du programme l'investissement public 2018-2020"* ("Guidelines for the Development of the Public Investment Program, 2018–2020") was submitted to the sectoral ministries.

Box 4. More Effective Coordination of Technical Assessments and Policy Decisions

For the investment assessment process to be effective, it must be based on **indicators that can be internalized by public decision makers**.

The influence of financial and socioeconomic indicators comes into question from time to time as **decision makers consider them to be based on expert reasoning**, to which policy decisions should not be limited. By contrast, in the absence of standard criteria, decisions can be made to obtain votes in favor of certain local areas or interest groups. Coordination between technical assessments and policy decisions requires **that all externalities, both positive and negative**, of the projects involved (such as increased longevity due to the construction of a hospital, or time gains deriving from the construction of a road) to be given maximum consideration. These externalities may be quantified based on benchmark values, even when the market does not provide satisfactory mechanisms to measure economic value.

When economic value cannot be attributed to these externalities, their characterization, at least on a qualitative basis, must be included in the assessment. In each sector, the assessment must **be based on specifications** shared by the ministries involved, supported with a sectoral roadmap that has been established upstream, so that the selection of projects is more than an immediate response to social demand and is coordinated with the government's strategic outlook.

For each project, it might be useful for the presentation of **other options under consideration** to be incorporated into the information submitted to the decision-making authorities; the reasons for not selecting alternatives might facilitate the decision-making process.

The importance of maintenance costs, which are often neglected because the effects will not be visible in the short term, must be reconsidered in light of the erosion in the infrastructure occurring because maintenance costs were not taken into account. In addition to the initial assessment of maintenance costs during the selection of projects, when budgets are being prepared for subsequent years, the definition of the maintenance program for the ministries must precede decisions on new investments, to the extent that policy constraints permit. To support compliance with this rule, decision makers might be reminded of major operating risks deriving from insufficient maintenance.

Source: Mission.

D. Stage III: Implementation of Public Investments

61. Implementation of public investment projects should deliver productive, sustainable assets. Economically profitable implementation, in a timely manner, of public investment projects requires general financing, effective management, and transparent monitoring. This third stage of the PIMA is designed to determine whether the authorities of Benin: (1) have a mechanism in place to protect investments; (2) ensure the availability of funds; (3) ensure transparency in project implementation; (4) effectively manage project implementation; and (5) monitor public assets.

62. In the evaluation of the effectiveness of the five institutions of the investment implementation stage, three received a low score (Table 9).

Table 9. Summary of the Assessment of Stage 3: Implementation of Public Investments

Areas/Institutions		Institutional strength	Effectiveness	Priority of reforms
11	Protection of investments	**High.** The institutional framework protects investments during budget execution, and the budget documentation clearly incorporates the full costs of the projects Treasury Single Account.	**Medium.** The effectiveness of investment protection mechanisms will not be visible until the information systems are fully operational.	***
12	Availability of financing	**Medium.** The regulatory texts include the different programming and management tools but leave the possibility of domiciliating external financing in commercial banks.	**Low.** Although funds are generally disbursed in a timely manner, the availability of financing is adversely affected by the weaknesses in the tools and the financing outside the Treasury Single Account.	***
13	Transparency in execution	**High.** The institutional framework provides for open, transparent public procurement operations, physical and financial project monitoring, and ex-post external audits.	**Medium.** There is scope for improvement in public procurement management, and the lack of coordination between the stakeholders of the physical-financial and audit follow-up hinders a transparent execution.	**
14	Implementation management	**Medium.** There are rules on project management and ex-post assessment. Adjustments are limited to public procurement contract riders.	**Low.** Management of project implementation is problematic, and no ex-post reviews or assessments are conducted.	***
15	Accounting of assets	**Low.** Gradual implementation of accrual-basis accounting by 2019 requires a more operational institutional framework.	**Low.** The inventory of public assets is partial, the balance sheets do not contain reliable information on nonfinancial assets, and there is no amortization.	***

Protection of Investments

63. The institutional framework protects investments during budget execution, and the budget documentation clearly incorporates total project costs. The Organic Law on Budget Laws (LOLF) [23] prescribes budgeting of public investment appropriations under commitment authorizations (AE) at the beginning of the project and under payment appropriations (CP) that are adjusted and budgeted on an annual basis. Information on the total cost of projects can be obtained directly by consulting the public investment program submitted to Parliament. In

[23] See Articles 20 and 21, LOLF 2013–14 of September 27, 2013.

addition, transfers of appropriations from capital expenditure to current expenditure require Parliamentary approval.[24] Finally, appropriations not used under capital expenditure may be carried forward on an unlimited basis, provided that the resources are still available to finance them.[25]

64. The shortcomings of the current information system are affecting the process of securing appropriations for multiyear investment projects. Practically, financing for projects included in the budget is allocated on an annual basis, as the current SIGFIP can only manage annual payment appropriations. The authorities are in the process of implementing the commitment authorizations/payment appropriations approach. A draft manual on program budget execution procedures was prepared with support from the Regional Technical Assistance Center for West Africa, and templates were designed. Testing is in progress in five pilot ministries. The mission was unable to use the requested documents to determine whether the rules prescribed for credit carryovers and transfers were being properly applied. The DGB does not systematically check to ensure that the participants are complying with these rules. In practice, appropriations unused at the end of the year are recommitted for the subsequent fiscal year. The absence of an information system to enable public capital appropriations to be budgeted under multiyear commitment authorizations and payment appropriations, incorporating control features into these mechanisms for credit carryovers and transfers, makes efforts to protect multiyear investment projects less effective.

65. The continuation of information technology developments can support efforts to improve the effectiveness of investment protection mechanisms. In connection with the reforms, the LOLF attaches importance to the program budget reform and multiyear budgeting of investments under commitment authorizations and payment appropriations. Operational implementation of this reform, with an ambitious timetable, is a priority. In this connection, pursuit of developments in the future integrated budget and accounting information system (SIGFP) and the development of the stakeholders' capacities stakeholders provide opportunities to improve the effectiveness of mechanisms to protect Benin's public investments.

Availability of Financing

66. The regulatory texts provide different programming and management tools, but they allow the option of external financing to be based with commercial banks. The regulatory framework clearly prescribes the preparation of procurement plans (PPMs)[26] and a projected cash plan for central government budget execution broken down monthly.[27] However,

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[24]See Articles 24 and 29 of the LOLF, *op. cit.*

[25]See Article 27 of the LOLF, *op. cit.*

[26]See Decree 2011-480 of July 8, 2011 on Procedures for Preparing Public Procurement Plans.

[27]See Article 49 of the LOLF, *op. cit.*

the requirement for the sectoral ministries to prepare commitment plans is only provided for reference;[28] the decree establishing the general public accounting regulations (RGCP) mentions accounting of commitments, validations, and payment orders under the budget accounting system.[29] Rules are also defined to cover expenditure payment periods.[30] The RGCP[31] provides that external financing may be kept under the regulatory texts in commercial bank accounts outside of the central government's accounts at the Central Bank of West African States (BCEAO) and the TSA.

67. Funds are generally disbursed in a timely manner, but the availability of financing is adversely affected by weaknesses in the tools used and the financing outside of the TSA. Poor quality, insufficient comprehensiveness, and absence of consolidation and coordination between the different programming and management tools—particularly the public procurement plans—are undermining the reliability and usefulness of the cash plan used on a weekly and monthly basis. According to the authorities, funds in connection with projects are generally disbursed in a timely manner[32] through the use of the General Directorate of Treasury and Public Accounting's MATKOSS application and the prior authorization procedure for payment orders to prevent payment arrears .[33] However, there is no monitoring or follow-up of execution delays occurring during the expenditure budget and accounting process.[34] Finally, external financing from donors is held either in CAA accounts with the BCEAO (although they are unrelated to the TSA) or with commercial banks. The mission was unable to analyze the list of accounts involved; a strategy for the deployment of the TSA is being developed. Concepts in connection with the TSA are reviewed in Box 5.

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[28]See Instructions and Mechanisms for Implementation of the Central Government Budget, Annex II to the Circular on Reporting of Appropriations under the Budget Law for the 2017 Fiscal Year, December 2016.

[29]See Articles 14 and 99 *et seq.* of Decree 2014-571 of October 7, 2014, establishing the RGCP. Moreover, the rules governing the form, content, and methodology used to prepare and revise economic programs (PE) are provided and defined in the didactic guide of the WAEMU Directive Establishing the RGCP.

[30]See Item 7.4 of the instructions and mechanisms for implementation of the central government budget, Annex II of the Circular on Reporting of Appropriations under the Budget Law for the 2017 Fiscal Year, December 2016, *op. cit.*

[31]See Article 78 of the General Regulation on Public Accounting, *op. cit.*

[32]However, the mission was unable to determine whether any payment arrears exist, based on the situation of balances pending payment in the revenue and expenditure accounts and the general account balances requested. The authorities also mentioned difficulties inherent in delayed external financing payments.

[33]Article 24 of Decree 2014- 573 of October 7, 2014, on the preparation of the Table of Government Financial Operations provides that "*Residual balances payable are comprised of all balances validated and not settled.*" *They include funds in transit and payment arrears. Funds in transit are comprised of all payments validated and not settled that are less than three months old. Arrears are comprised of all payments validated and not settled that are more than three months old."*

[34]See detailed recommendation sheet provided in Annex II.

Box 5. Treasury Single Account: Definition, Objectives, and Implementation

A treasury single account (TSA) is a unified structure of government bank accounts that provides an overview of government cash resources.

It is still quite common, particularly in low-income countries, for donors and external creditors to require the government to manage its funds through separate commercial bank accounts rather than through the TSA. Although this practice has contributed to a fragmentation in the management of government cash resources (and in the budget process itself), donors and lenders are not likely to change their approach unless their concerns are adequately addressed. However, in line with the donors' commitment under the Paris Declaration to use country public financial management systems, the government should encourage official donors to integrate their resources as much as possible into the TSA.

The primary objective of a TSA is to ensure effective aggregate control over all of the government's liquidity. The establishment of the TSA also meets the following objectives: (1) to minimize transaction costs during budget execution; (2) to facilitate reconciliation between banking and accounting data; (3) to ensure more effective supervision and monitoring of appropriations to different administrative bodies; and (4) to optimize the adaptation to monetary policy implementation.

The benefits of a TSA derive from its objectives: the TSA: (1) enables complete, timely, useful information on the government's cash resources to be provided; (2) improves supervision of budget allocations and operational supervision of budget execution; (3) enables more effective cash management, particularly by reducing bank fees and transaction costs; (4) supports efforts to make payment mechanisms more effective; (5) improves the reconciliation of bank records and the quality of the budget data; and (6) reduces requirements for liquid reserves.

Accordingly, the strategy to roll out the TSA includes several stages:

- A comprehensive survey of all project accounts on the books of different banks
- Consolidation with the Ministry of Economy and Finance of information on these project accounts
- Gradual closing of terminated or inactive project accounts
- Gradual incorporation of project accounts into the BCEAO's books, outside of the TSA, during an initial phase
- Gradual integration of the project accounts into the TSA, in cooperation with the technical and financial partners.

Source: Mission, based on IMF working papers on the TSA.

68. **A better correlation between the programming and management tools, particularly the public procurement plans, is essential to ensure that financing is effectively available.** To address any delays in the execution of projects as a result of insufficient resources, and to avoid compromising the continuity of projects, management of available resources must be optimized through the regular exchange of current information among the different programming and management tools, particularly the public procurement plans. Improving the quality and comprehensiveness of these plans and their consolidation through the development of information system interfaces will make the information on the availability of financing more reliable. In addition, works initiated on the TSA should be continued, particularly to extend its scope gradually to donor financing.

Transparency in Implementation

69. The institutional framework provides for openness and transparency in public procurement operations, physical and financial monitoring of projects, and ex-post external audits. The current and future regulatory framework for public procurement[35] promotes openness and transparency in the public procurement process. Freedom of access to public procurement activities, public disclosure, and transparency are confirmed as principles to which public procurement procedures are subject. Donor procedures for externally financed projects and the national regulations require physical and financial monitoring of investment projects during the implementation phase[36] and an ex-post *e*xternal audit.[37]

70. Public procurement management needs improvement, and the lack of coordination between the stakeholders in charge of physical/financial follow-up and those in charge of audit hinders a transparent execution. In practice, while the procurement code would seem to be effectively applied in general, the database of the Public Procurement Management Information System (SIGMAP) used by the National Directorate of Public Procurement Control to steer and supervise the activity is incomplete and is not up to date. In addition, the SIGMAP does not interface with the Public Financial Management Information System (SIGFIP). Moreover, for all of the ministries' investment projects, annual costs and physical progress are monitored either by project units or by the Programming and Forecasting Directorates of the sectoral ministries. Externally financed projects are monitored by the CAA. Quarterly reports are produced at the central level by the General Directorate of Public Investment Programming and Monitoring (DGPSIP), which also conducts on-site missions. However, gaps exist between financial monitoring, which is incumbent on the MEF, and physical monitoring, which, despite the existence of a method developed with support from the German cooperation authorities and a dedicated information system, still has scope for improvement.[38] Finally, some major investment projects have been subject to ex-post external auditing, and this information has been publicly disclosed from time to time. However, in light of the insufficient resources allocated, the scope of

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[35]See Law 2009-02 of August 7, 2009 Establishing the Public Procurement Code and Public Service Delegations in the Republic of Benin, Decree 2011-478 of July 8, 2011 Establishing the Code of Ethics and Standards for Public Procurement and Public Service Delegations, and the new Draft Law 2017-04 Establishing the Public Procurement Code in the Republic of Benin.

[36]See Letter 037/PM/DC/SGP/DGPSIP/DASPPP/SES from the General Directorate of Public Investment Programming and Monitoring, MPD, of January 19, 2016.

[37]See in particular Law 2004-07 of October 23, 2007 on the Composition, Organization, Operation, and Powers of the Supreme Court, and Decree 366 of June 16, 2016 on Establishment, Powers, Organization, and Operation of the Research and Analysis Bureau, Presidency of the Republic; Decree 93-45 of March 11, 1993 on the Powers, Organization, and Operation of the Inspectorate General of Finance; and Decree 2012-224 of August 13, 2012 on the Powers, Organization, and Operation of the Regulatory Authority for Public Procurement.

[38]More specifically, financial monitoring is based on commitments or payment authorizations, while the ministries have information on effective payments in the SIGFIP.

projects audited is limited while a framework for cooperation between the different supervisory bodies is being implemented.

71. Enhanced reliability, sharing of information, and coordination between the stakeholders is critical to strengthen transparency in the implementation of investment projects. Ex-post monitoring and auditing of externally financed investment projects is carried out by project management units and commissioned auditors who manage them autonomously vis-à-vis their parent ministry. This situation can undermine the appropriation of information in the ministries level. In light of the substantial number of stakeholders in the execution and monitoring of investment projects and the willingness of the authorities to develop implementing agencies, the mission highlights the importance of more reliable, effective coordination between the different stakeholders responsible for the physical and financial monitoring and ex-post auditing of projects.

Management of Project Implementation

72. While there are rules on ex-post assessment and management of investment projects, adjustments are limited to riders to public procurement arrangements. Donors procedures, as well as the national regulations,[39] provide that a project management team and manager must be systematically appointed for the implementation of investment projects. However, outside of the regulations governing public procurement contract riders,[40] there are currently no standard rules or procedures applicable to adjustments to projects. Last, donor procedures also include the conduct of ex-post reviews for externally financed projects.

73. There are problems in the management of project implementation, and ex-post reviews and assessments are not conducted. In practice, there is still scope for improvement in the application of the circular on the appointment of the heads of project management units in the ministries. The managers have been appointed, and management is based on project specifications; however, project implementation plans are not systematically prepared before the budget is approved. Although efforts have been observed since 2016, the operational aspects of managing project implementation should be specified in the future regulatory framework for the management of public investments that is being drafted. Moreover, periodic reviews of public investment programs incorporate information involving project adjustments. The mission met with departments that reported the high number of riders with public procurement.[41]Finally, aside from externally financed projects, ex-post reviews and assessments of projects for which the implementation phase has been completed have yet to be carried out.

[39]See Circular Letter of January 24, 2017 on the Appointment of Heads of Project Management Units.

[40]See Articles 124 *et seq*. of Law 2009-02 of August 7, 2009, Establishing the Public Procurement Code, *op. cit*.
[41]In light of the problems involved in the production of statistics on public procurement defined, the mission was unable to analyze the riders to such agreements.

74. The professionalization of management and the evaluation of project results are likely to strengthen the management framework. The existing framework for managing projects' implementation should be clarified and standardized through the on-going efforts on the regulatory framework applicable to public investment. In addition, the assessment of the impact of projects on the performance of program budgeting must gradually become effective to accompany the effort to implement this reform. Strengthening of the resources and capacities for the systematic conduct of ex-post assessments is necessary to develop this approach.

Accounting of Public Assets

75. The gradual implementation of accrual accounting by 2019 requires a more operational institutional framework. The gradual introduction of accrual-basis accounting (CDCP) by 2019[42] can be expected to enable more effective monitoring of public assets, but it requires a more detailed and operational regulatory framework. The General Directorate of Materials and Logistics (DGML), which is responsible for implementation o materials accounting for the government, has recent regulations[43] that need to be specified. The general principle of tangible asset depreciation is mentioned in the regulatory texts,[44] and the relevant accounts are provided in the government chart of accounts. Even so, this framework must be made more operational, in partnership with the stakeholders responsible for standardizing the accounting system,[45] so that the methods used to evaluate the assets can be determined in conjunction with the policy to be used for the depreciation of these public assets.

76. The inventory of public assets is partial, the balance sheets do not contain reliable information on nonfinancial assets, and there is no depreciation. Some administrations maintain lists of nonfinancial assets that are not confirmed to be comprehensive or current at this stage. These partial inventories do not include valuations of assets, in the absence of specifically defined valuation methods, and there is no method for national consolidation of existing inventories. Moreover, the balance sheets do not include nonfinancial assets. The depreciation of tangible assets, although provided in the government chart of accounts, has yet to be recorded in the operating accounts.

77. The purpose of the implementation of accrual-based accounting is to improve the quality and reliability of the information on assets deriving from public investment projects. These problems—which are experienced by the government of Benin and other countries in the region—require the gradual implementation of a comprehensive survey of assets

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[42]See Article 105 of the LOLF, *op. cit.*

[43]See Decree 2017-108 of February 27, 2017, Establishing Materials Accounting in the Republic of Benin.

[44]See Decree 0410 of February 2, 2015, Establishing the Government Chart of Accounts.

[45]The government compendium of accounting regulatory texts is in the draft phase; there is no detailed listing of these regulatory texts in the operational technical specifications.

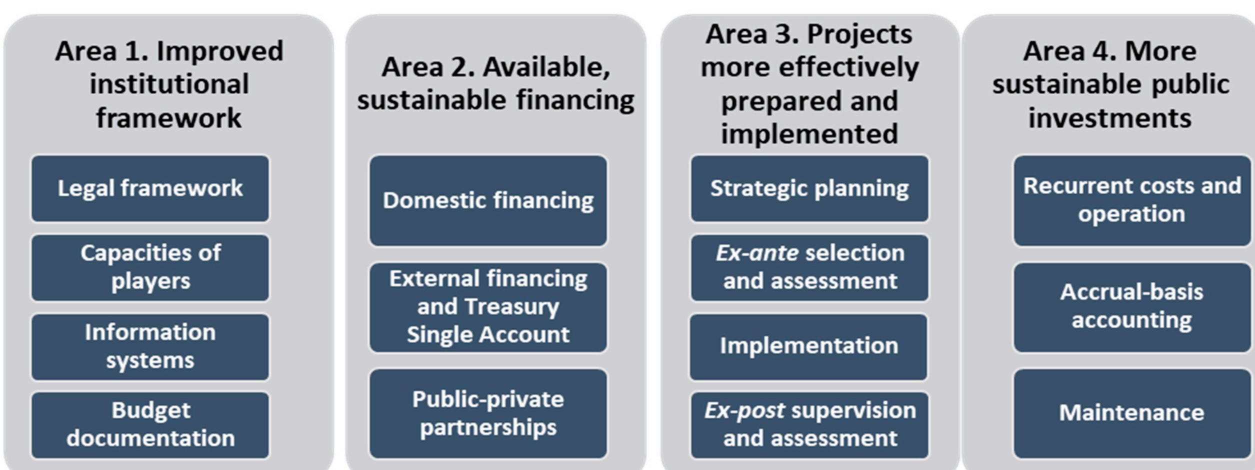
before they are valuated according to specifically defined rules. Although implementation of asset monitoring is planned for 2019, the preparatory work should now be carried out so that this extensive effort can be completed. In addition to the support of the partners to develop and implement the regulatory framework for monitoring and managing the government's assets, these efforts will involve accounting information systems to support this new dimension of public accounting.

III. RECOMMENDATIONS AND ACTION PLAN

78. **The action plan reflects the weaknesses identified during the assessment, considering the specific context characterized by implementation of the PAG.** While the framework for public investment management might appear to be fairly complete and robust from the institutional standpoint, its operational effectiveness remains unsatisfactory. Accordingly, the recommendations stress efficiency in public activities, focusing on expected outputs, such as the availability of assessments, existence of payment deadline monitoring, and effective management of commitments through budget documentation, particularly commitment authorizations and payment appropriations. In the current context of investment in Benin, the recommendations are also designed to support implementation of the PAG, for example, with measures involving PPPs. The mission considers all of these topics to be strategic; detailed explanations are provided in the specific recommendation sheets in Annex II.

79. **The proposed measures are based on four structuring areas reflected with a sequence of recommendations scheduled over time.** Accordingly, the mission identified four objectives that can help to structure an ambitious action plan to conduct the reforms required in the framework of investment management in Benin: (1) improvement of the institutional framework, more specifically including development of capacities and information systems; (2) availability and sustainability of financing, targeting the monitoring of PPPs and the development of the TSA; (3) upgrading projects preparation and implementation; and (4) consideration of the sustainability of investments. Specific action proposals detail these objectives and also identify the (1) implementation period, (2) responsibilities, and (3) need for technical assistance.

Figure 16. Key Components of the Action Plan



Recommendations	Activities	Priorities	17	18	19	Later	Stakeholders involved	PIMA Dimension	Tech. assistance
<u>AREA 1</u>. AN IMPROVED INSTITUTIONAL FRAMEWORK									
Have a comprehensive legal framework	Accelerate the finalization and adoption of a comprehensive high-level regulatory text (at least a decree) that encompasses all phases of the public investment management cycle and that will target the weaknesses identified in the PIMA.	**X**					**DGPSIP / DGB / BAI / MS**	13 / 14 / 16	
Upgrade the professional level of the stakeholders	Prepare and publish a guide for earmarked transfers that specifies the allocation formula, disbursement mechanisms, financial obligations, and monitoring and assessment mechanisms.						**CONAFIL**	3	**X**
	Improve planning, investment budgeting, and coordination with the central government through the reinforcement of coordination bodies between sub national government and decentralized units of the national administration.						**CONAFIL / Ministry of Decentralizatio n and Local Governance (MDGL)**	3	**X**
	Strengthen the capacities of the municipalities to prepare projects eligible for financing.						**CONAFIL**	3	**X**
	Strengthen the capacities of the stakeholders, based on a capacity assessment, and formally establish a sustainable recruitment and training plan (that also includes the reinforcement of the local training institutions).						**MEF / MPD / MFP / MS / AR**	5 / 16	**X**
	Strengthen the capacities of the DGPSIP and establish sectoral units within it in order to develop their capacities for analysis and counter-expertise, particularly in the area of cost assessment.						**DGPSIP / MS**	6 / 9	**X**

Recommendations	Activities	Priorities	17	18	19	Later	Stakeholders involved	PIMA Dimension	Tech. assistance
Develop information systems and their interfaces	Continue—in the framework of an interdepartmental information technology master plan—the efforts to develop the networks, applications, and interfaces for the planning, programming, budgeting, and monitoring and assessment processes, and implementation of investment projects.						**MEF / MPD / MS / BAI / PAGE**	8 / 10 / 16	**X**
	Extend the SIAPIP/DJRADO to the sectoral ministries and institutions, and incorporate an ex-ante project assessment and prioritization module into the system.						**MPD / MS**	9 / 16	**X**
	Ensure financing for the development of the DJRADO application (extension and interfacing).						**MPD / TFP / DGPSIP**	10 / 16	**X**
	Interface the SIGMAP with SIGFIP/SIGFP, and deploy the system in the sector ministries.						**MEF / MS / PAGE**	17	**X**
Guarantee comprehensive, transparent publication of information	Produce a consolidated presentation mechanism for investments from operators, including implementing agencies, in the form of annexed budget laws.						**DGB / DGPED / BAI**	5 / 7	
	Supplement the section on investments in the DPPD-PAP, more particularly, specifying the level of residual balances payable (commitment authorizations used for previous years and not covered by payment appropriations) and the new selected projects, including PPPs.	**X**					**DGB / DGPSIP / MS**	6 / 7 / 10	**X**
	Publish the appropriated PIP and three-year PIP at the MPD's website.						**MPD**	6	
	Ensure that the different documents (CDMT, PIP, DPBEP, and DPPD) on overall and ministerial ceilings are consistent.						**DGB / MS**	6	
AREA 2: AVAILABLE, SUSTAINABLE FINANCING									
Ensure that domestic financing is sustainable	Develop a debt reprofiling strategy.	**X**					**CAA**	1	
	Strengthen the overall economic framework tools and models for sectoral distribution of the investment program.						**DGAE / DGPSIP / DGB**	6	**X**

Recommendations	Activities	Priorities	17	18	19	Later	Stakeholders involved	PIMA Dimension	Tech. assistance
	In accordance with the LOLF, incorporate a ceiling on commitment authorizations into the Budget Law, and vote on each program in the Budget Law.						**DGB / MS / Parliament**	4 / 6 / 7	**X**
Gradually increase the availability of external financing	Establish a framework for periodic cooperation with the donors, and develop a platform to monitor the data on external financing and make them more reliable.						**MPD / CAA / DGB / MS / TFP / PAGE**	7	**X**
	Gradually extend the scope of the TSA to donor financing by implementing the roadmap defined for that purpose.						**DGTCP / BCEAO / TFP**	12	**X**
Strengthen supervision of public-private partnerships	Establish a provision requiring the Ministry of Economy and Finance's prior opinion for the signing of PPP projects.	**X**					**MEF / BAI**	4	
	Strengthen capacities to enable budget risk analysis for PPPs within the Ministry of Economy and Finance; more specifically, train stakeholders to use the PPP Fiscal Risk Assessment Model methodology (P-FRAM).						**DGB / CAA / MEF Support Unit**	4	**X**
	Select and prioritize the PAG projects to identify those eligible for PPP financing.	**X**					**BAI**	4	**X**
	In a document annexed to the Finance Law, include a comprehensive list of contingent liabilities (notably, guarantees, PPP liabilities and liabilities of entities controlled by the state).						**DGB / CAA / DGPSIP / MS**	4 / 7	**X**
AREA 3: PROJECTS MORE EFFECTIVELY PREPARED AND IMPLEMENTED									
Coordinate strategic planning activities	Strengthen coordination between national and sectoral strategies and the program budget.						**DGPSIP / DGB / MS**	2	**X**
Strengthen the selection and ex-ante assessment of projects	For projects in which the cost exceeds a certain threshold, define a mandatory standard assessment template, including a cost-benefit analysis; budget an external assessment for large-scale projects and define appropriate limits.	**X**					**DGPSIP / DGB / MS**	9	

Recommendations	Activities	Priorities	17	18	19	Later	Stakeholders involved	PIMA Dimension	Tech. assistance
	Continue the rehabilitation effort for the public investment program.						**DGPSIP / MS**	10	
	Condition the inscription to the PIP to the existence of a preliminary feasibility study.	**X**					**DGPSIP / MS**	10	
	Publish the criteria for the selection of investment projects on the website of the MPD to make the process more transparent.						**DGPSIP**	10	
	For the feasibility studies fund, undertake an assessment for the gradual direct budgeting of studies by the ministries.						**DGPSIP / DGB / MS**	10	
	Improve the comprehensive assessment of project costs.	**X**					**DGPSIP / DGB / MS**	2	
	Revise and harmonize the existing assessment manual with the DGPSIP and the ministries.						**DGPSIP / MS**	9	**X**
	In the assessment template submitted to the ministries, place more emphasis on the risks and mitigation measures.						**DGPSIP / MS**	9	
Optimize project implementation	Enhance the quality and coordination of the stakeholders responsible for physical and financial monitoring of investment projects (tools, information on physical and financial monitoring, coordination, and sharing of information).						**MPD / MEF / MS / BAI**	13	
	Make the existing programming and management tools more reliable and comprehensive, particularly public procurement plans (updating, consolidation, monitoring, and sharing of information).						**MS / DNCMP / DGB / DGTCP / Cash Committee / ARMP**	12	
	Implement overall follow-up and monitoring of budget execution delays for the overall budget-accounting process by establishing a steering committee.	**X**					**DGB / CF / DGTCP / IT Services**	12	

Recommendations	Activities	Priorities	17	18	19	Later	Stakeholders involved	PIMA Dimension	Tech. assistance
	Strengthen implementation of investment projects by systematically preparing project implementation plans.						**MS / DGPSIP**	14	
Develop ex-post project supervision and assessment activities	Strengthen the DGB's control of the proper application of the provision of the LOLF regarding transfers and credit carryovers.						**DGB / CF / IT services**	11	
	Improve management and control over public procurement through the strengthening of SIGMAP and through the periodic production of reliable, comprehensive statistics.						**DNCMP / MS / IT Services**	13 / 17	**X**
	Assess and streamline the operating mechanisms of the Regulatory Authority for Public Procurement to enable it to comply with the deadlines provided by law for the settlement of disputes.						**ARMP**	17	
	Strictly manage all parties involved in disputes in connection with public procurement arrangements within the regulatory deadlines specified in a high-level regulatory text.						**ARMP**	17	
	Increase ex-post external audit capacities by strengthening capacities and implementing a framework for coordination among the stakeholders.						**DGPSIP / BAI / IGF / MS**	13	**X**
	Develop the culture of ex-post review and assessment (stakeholders, mechanisms, capacities, and publication of results).	**X**					**DGPSIP / BAI / IGF / MS / CCCS**	14	**X**
AREA 4: MORE SUSTAINABLE INVESTMENTS									
Ensure that equipment is operational	Conduct systematic evaluation of recurrent costs for investment projects in the context of the preparation of the annual public investment program.						**DGPSIP / DGB / MS**	8	

Recommendations	Activities	Priorities	17	18	19	Later	Stakeholders involved	PIMA Dimension	Tech. assistance
Gradually establish accrual-based accounting	Implement the regulatory framework for monitoring and management of state assets (guide to the operation of accounts, accounting standards, technical specifications, and fixed asset registers).						**DGTCP / DGML / CCCS**	15 / 18	**X**
	Continue the development of the accounting information system, which should include the changes regarding accrual-based accounting.						**DGTCP / DGML / IT Services**	15	**X**
Ensure maintenance of infrastructure	Use existing resources to develop a methodology to assess infrastructure maintenance costs.						**DGPSIP / DGB / MS**	17	**X**
	Include a specific appropriation for maintenance of infrastructure and technical equipment in the budgets of the eligible ministries.						**DGPSIP / DGB / MS**	17	
	Require the assessment and identification of maintenance costs in connection with investments in the budget.						**DGB / MS**	18	**X**

Annex I. Additional Institutions for the Public Expenditure Management Assessment

80. Additional institutions have been identified in the context the public investment management assessment (PIMA) framework. In addition to the assessment of the different stages in the public investment management process, some cross-cutting or vital issues are decisive in ensuring the efficiency and efficacy of the public investment management system and in optimizing the impact on growth. This involves (1) cross-cutting issues, such as information systems, the legal framework, and capacities; (2) public procurement; and (3) maintenance of investments.

81. These new institutions are still in the process of validation; however, in light of their substantial relevance and impact on investment management, the mission evaluated their scope in the context of Benin.

Table 10. Summary of the Assessment for the New PIMA Institutions

Areas/Institutions		Institutional strength	Effectiveness	Priority of reforms
16	**Cross-cutting issues**	**Medium.** The information systems and regulatory framework, which are in the process of improvement, reflect public investment requirements in a context characterized by a fairly adequate level of human capacities but which would still benefits from strengthening.	**Low.** The existing information systems and the legal framework for public investment management make it impossible to obtain an overview of projects from programming to implementation. There are no plans for capacity need assessment or training.	***
17	**Public procurement**	**High.** According to the texts, the procurement process is open and transparent, and requests for tenders are properly disclosed to the public and managed though an information system. However, the institutional framework could be strengthened. An independent body is responsible for settling disputes.	**Low.** Delays in dispute settlements can undermine transparency and efficacy. Information technology resources and capacities must be strengthened because the monitoring tools are inadequate.	***

Areas/Institutions		Institutional strength	Effectiveness	Priority of reforms
18	Maintenance	**Medium.** Costs are evaluated and reflected for certain sectors and infrastructure. Budget appropriations for maintenance and repairs exist, but they are not clearly identified or widely used.	**Low.** Maintenance costs are not explicitly evaluated or included in the budget for most infrastructure projects.	***

Cross-Cutting Issues

- <u>**Financial Information System**</u>

82. The General Directorate of Public Investment Programming and Monitoring (DGPSIP) has an information system known as the integrated public investment analysis and programming system (SIAPIP). The SIAPIP is used to prepare the public investment program. In particular, it helps in the programming of projects in the public investment program and facilitates their analysis according to the project assessment and selection criteria. It cannot be used to conduct other phases of public investment management, including monitoring of financial and physical implementation, or to assess public investment programs and projects. The authorities are developing a real integrated information system known as DJRADO, which will include all phases of public investment management, including the capacity of monitor indicators and dates of completion of project progress reports.

83. The SIAPIP that is now in operation does not yet include all of the planned modules to make it a proper integrated information system. The system has not been rolled out to the line ministries, and its interfacing with the integrated public financial management system (SIGFIP) and the public procurement management system (SIGMAP) of the Ministry of Economy and Finance have yet to be established. Accordingly, it cannot be used for real-time physical or financial monitoring or for project assessment. Information on the financial implementation status and physical execution of projects is collected manually and periodically uploaded into the system.

84. Continuation of the migration from the SIAPIP to DJRADO systems is a critical change for the effective monitoring of public investment management. The authorities are in the process of developing an integrated public financial management system (SIGFP), with the support of the European Union in the context of an economic governance support project (PAGE). This new system, whose development began in June 2017, will cover the entire budget and accounting process. The mission strongly recommends that the development of DJRADO be continued and that its interface with the SIGFP and SIGMAP be developed in connection with a master plan for interdepartmental IT system. However, the development of DJARDO has been suspended due to insufficient financing.

- **<u>Legal and Regulatory Framework</u>**

85. The legal and regulatory framework for public investment management is fragmented and does not adequately cover all stages. Organic Law 2013-14 on Budget Laws of September 27, 2013 (LOLF), deriving from the WAEMU Directives of 2009, defines the general framework for programming and budgeting of public expenditure, including public investment. In particular, in Articles 49, 56, and 57, it prescribes a medium-term budget and expenditure framework (multiyear budget and economic programming paper—DPBEP and multiyear expenditure programming paper—DPPD) exercise based on a medium-term macroeconomic framework exercise. The LOLF and its implementing texts[46] introduce important innovations in line with international good practices designed to strengthen transparency and efficiency in public financial management, including programming, execution, and ex-ante and ex-post control of public investment expenditure. The public procurement code and its implementing texts establish rules to ensure transparency and efficiency in the implementation of projects (see the subsequent section on public procurement). The MPD often issues directives to guide and manage preparation of public investment programs.

86. There is still no legislative or regulatory framework specifically designed for public investment that encompasses all phases of management. Such a framework should define and cover, with precise timeframes and when applicable, the conditions and mechanisms for management of public investments, from their definition and planning, to their accounting in the state's assets, through ex-ante assessment, selection, programming, budgeting, implementation, physical and financial monitoring, and ex-post assessment or auditing. This approach could resolve numerous problems involving delays and an insufficient mastering of procedures by project managers that are mentioned regularly in PIP implementation reports.

87. A draft regulatory text specifically designed to govern public investment management is now being prepared. While the mission was not given a copy of this draft, the authorities indicated that it covers all phases of the public investment management cycle mentioned, including feasibility studies, the creation and management of a project feasibility study fund, and the definition of the profile for project coordinators. According to the authorities, this text might be adopted by end-2017. Moreover, a budget execution manual using the program approach (including capital expenditure), a copy of which was remitted to the mission, is also in development, with a view to migrating to the program budget procedure beginning in

[46]The implementing texts include the following: 1. the Decree Establishing the Code of Transparency in Public Financial Management; 2. the Decree on the General Regulation on Public Accounting (RGCP); 3. the Decree on the Government Budget Nomenclature (NBE); 4. the Decree on the Table of Government Financial Operations (TOFE); and 5. the Order on the Government Chart of Accounts (PCE).

January 2019. The mission strongly encourages the completion and adoption of these two structuring texts.

- **Human resource capacities**

88. Benin has skilled human resources in the areas of public investment and public financial management. Benin was one of the first countries in the WAEMU to prepare a multiyear budget and economic programming paper and multiyear expenditure programming paper, which have been subject to continuous improvement since 2015. Benin was also the first country to organize annual budget strategy discussions in Parliament based on multiyear papers on program-based budget, and on expenditure in general and public investment in particular. With respect to public investment, a needs assessment of human resources conducted in 2007 led to a large recruitment of statisticians, planners, and project managers to strengthen the planning, programming, project budgeting, and monitoring (PPBSE), as well as the development of a staff training plan.

89. However, the quality and number of staff are insufficient at all levels of the public investment management process, partly a result of the high level of staff mobility. Numerous reports[47] have regularly highlighted the capacity deficit at both the central level (MPD and MEF) and the line ministry level (DPP). Similarly, field project coordinators capacities should be developed to master financial management procedures and monitoring of projects for which they are responsible. Clearly, these deficits undermine effective public investment management in all phases of the process, particularly the quality of project programming and budgeting. They also largely explain the frequent under execution of capital budgets. Accordingly, there is a substantial need to strengthen capacities, particularly in the areas of planning, costing, budgeting of commitment authorizations, and payment appropriations and monitoring and assessment of projects.

Public Procurement System

90. Benin has a renovated, complete, and transparent legal framework for the management of public procurement. As provided under the second paragraph of Article 31 of the new Law 2017-04 of October 19, 2017, establishing the Public Procurement Code in the Republic of Benin,[48] public requests for tenders are the standard procedure; they are required in most public procurement arrangements if the amount amounts (net of taxes) exceed the threshold the limits established by decree. The Code strictly regulates the use of other public procurement contracting mechanisms (for example, restricted tenders and contracts by direct

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[47]See, for example, *Rapport d'évaluation du programme d'investissement public (PIP), gestion 2015 au 31 décembre* [Assessment Report on the Public Investment Program (PIP), Period 2015 at December 31], April 2016; and *Note de synthèse des travaux d'élaboration du PIP 2017–2019* [Executive Summary on Preparation of the PIP, 2017-2019].

[48]This Law replaces Law 2009-02 of August 7, 2009.

agreement or over-the-counter). Under Article 63 of the Code, public procurement arrangements must be subject to a competitive bidding procedure publicly advertised in the public procurement journal or any other national or international publication, and through electronic media. Such public disclosures must be made on the website of the National Directorate of Public Procurement Control. Article 18 of the Code reaffirms the establishment of the public procurement regulatory authority (ARMP) as the regulatory body for public procurement, having legal status and administrative and financial autonomy. Its powers defined by decree include the out-of-court settlement of disputes deriving from the execution of public procurement arrangements. Pursuant to Article 138 of the Public Procurement Code, its decisions must be issued within seven business days from the closing date of the appeal review.

91. While the Public Procurement Code seems to be effectively applied in general, the database is incomplete and insufficiently reliable. On the basis of the data provided by the authorities, Table 11 shows that in the last two years for which data are available, most of the contracts whose amounts exceed the threshold (and, by extension, most major public procurement projects) were executed following open tenders that represent 66.9 percent of the total number of contracts awarded but only 38.1 percent of the amount of these contracts in 2016. These proportions fell significantly in 2017 to 66.3 percent of the total number of contracts awarded and only 22.8 percent of the total amount. The share of direct contract contracts is only 12.1 percent of the total and 5.6 percent of the total contracts awarded in 2016. It decreases further in 2017 to show at 10, 4, and 4.2, respectively, is well below the maximum limit set by law. However, over the same period, the share of PPP has doubled from 2016 to 2017 to grow from 1.2 to 2.8 percent of the total number of contracts awarded and 26.6 to 54.5 percent of the total amount of these contracts. This section is difficult to understand since: (1) the authorities confirmed to the mission that there is still no PPP contract concluded; and (2) PPP contracts should not, in principle, constitute a public procurement method; rather, they must, according to Article 18 of Law 2016-24 of October 11, 2016, on the legal framework of PPPs, be subject to international call for tenders or by direct agreement or following unsolicited offers. The amounts involved are substantial, and they affect the clarity of the table. Moreover, the database does not include information on the substantial share of such arrangements for line ministries that are situated below the thresholds for the intervention of the DNCMP.

Table 11. Status of Public Procurement Mechanisms

In Billions	2016			2017		
	Nb	Amount	%	Nb	Amount	%
Public request for tenders	220	339.6840376	38.1%	260	228.5078935	22.9%
Restricted request for tenders	59	264.3521486	29.6%	64	183.906425	18.4%
Quotation request	6	0.605478901	0.1%	16	0.236367039	0.0%
Public-private partnership contract	4	237.3280923	26.6%	11	545.3601596	54.6%
Contract by direct agreement	40	50.49407531	5.7%	41	41.63852597	4.2%
Total	**329**	**892.4638327**	**100.0%**	**392**	**999.649371**	**100.0%**

Source: National Directorate of Public Procurement Control, DNCMP.

92. **While there is a management information system for public procurement known as SIGMAP, its database is incomplete and out of date.** Many of the system's data are not regularly updated due to insufficient coordination among the sectoral units. The system's databases are unreliable and cannot be used to produce useful standardized analytical requests. In addition, SIGMAP is not interfaced with SIGFIP. Due to insufficient staffing and material resources, the DNCMP is not able to supervise procurement contracting procedures below the its threshold of control and does not control their procedure of execution. Moreover, the lack of reliable real-time statistics prevents the DNCMP from effectively monitoring public procurement policy. This problem, however, will soon be solved with the adoption of the new public procurement code that provides for the nomination of representatives from the DNCMP at the line ministries level.

93. **Finally, the new code modifies the period for the settlement of disputes.** The timeframe for the out-of-court settlement of disputes deriving from public procurement arrangements is now seven days from the closing date of the appeal review (Article 31 of the new Code) rather than seven business days from the notification of the public procurement regulatory authority under the old Code. In practice, the ARMP is generally unable to meet this deadline for the settlement of disputes, due to problems in its institutional framework and delays in responses to its requests in connection with the appeal review. The authorities could take the opportunity to update the implementation text to further streamline the institutional system applicable to the ARMP and strictly supervise all litigation stakeholders within very specific regulatory deadlines to control and shorten the time for settling disputes as much as possible.

Project Maintenance Costs

94. Routine infrastructure maintenance costs are not systematically evaluated or clearly reflected in the budget for most investment projects, with the exception of certain sectors and projects. Maintenance costs for specific public infrastructure or projects are included in the annual and multiyear budgets, such as the road sector, through a specific fund known as the Road Maintenance Fund. These costs are included in the budget in specific budget documents (for example, a specific annex to the general state budget), or for administrative buildings through a global budget appropriation allocated for their maintenance to the General Directorate of Equipment and Logistics (DGML), which is responsible for such maintenance. Aside from these specific factors, the mission was unable to identify appropriations for recurrent maintenance costs in other areas of the budget.

95. Depreciation costs of investments are not included in the sectoral or national plans. The valuation and provision of adequate depreciation facilitate and guarantee the renewal of investments within the deadlines. The gradual implementation of the chart of accounts deriving from the transposition of the WAEMU directives and the transition to accrual-based accounting at the horizon 2019—20 should facilitate the evaluation and inclusion of these costs in the sectoral PIPs and plans.

96. Maintenance costs for other infrastructure are not clearly or systematically included in the budget. These costs are not clearly or systematically recorded in the annual and multiyear budgets for the other infrastructure established or in progress. This situation has undermined the sustainability of the infrastructure and might largely explain the deterioration in the stock of capital mentioned in the report (see Paragraph I.A). Budget appropriations for maintenance and repairs allocated to units of the sectoral ministries are, in practice, used for vehicle maintenance rather than for their intended purposes.

Annex II. Recommendation Sheets

Sheet 1: Implementation of the Commitment Authorization/Payment Appropriation Approach for More Effective Programming and Tracking of Capital Expenditure (Including Public-Private Partnerships)

Description of the recommendation:

This recommendation relates to PIMA Institutions 4, 6, and 7. Implementation of fiscal accounting using the commitment authorization/payment appropriation approach changes the mechanisms for the budgeting and execution of investments by encouraging governments to anticipate and estimate their investment requirements more effectively. This tool also plays a key role in budget sustainability analysis for PPPs.

Context:

Article 64 of the Organic Law on Budget Laws (LOLF)[49] provides that general budget appropriations are subject to a vote by program, and that these votes involve both the commitment authorizations and payment appropriations. Under Article 49, annual performance projects must specify the schedule of payment appropriations associated with the commitment authorizations. In addition, Article 21 of the LOLF provides that, for PPP arrangements, commitment authorizations must cover all commitments under the law, effective from the year during which the contracts were concluded.

Benin is in the process of transitioning to program-based budgeting during this intermediate phase. Some ministries, such as the Ministry of Infrastructures and Transportation (MIT) and the Ministry of the Environment and Sustainable Development (MCVDD), produce multiyear programming papers (DPPD) and annual performance projects (PAP), in which program appropriations are presented with the commitment authorization/payment appropriation approach. However, these papers were found to have inconsistencies during this transition phase.[50] Payment schedules for the three-year period are integrated into the annual performance projects, but they do not provide the total residual balances payable under the program.

In this context, the 2017 Budget Law provides only a ceiling for payment appropriations for capital expenditure, broken down into domestic and external financing. As matters currently stand, the fact that commitment authorization/payment appropriations are not implemented limits the quality of the multiyear programming of investments and Parliament's control of budget commitments. In the near future, this mechanism may prove to be strategically valuable for the monitoring of PPPs.

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[49]Organic Law 2013-14 on Budget Laws of September 27, 2013.

[50]For example, for the Ministry of Infrastructures and transportation, (1) the 2017-2019 DPPD provides expenditure commitments for non-capital expenditure and for resources; (2) the total projected expenditure commitments for the 2017 ECRITR program was estimated at CFAF 772 billion in the 2017 annual performance project, as against CFAF 1,210 billion in the 2017–19 DPPD.

Stakeholders involved:

The stakeholders involved are the General Directorate of Budget (DGB), the General Directorate of Public Investment Programming and Monitoring (DGPIP), and the line ministries.

Expected outputs:

- The quality of the expenditure commitment projections in the budget documents is strengthened and the exercise is extended to all ministries.
- Investments in connection with PPPs are included in the budget documents.
- The total level of residual balances payable for each program will be specified in the budget documents.
- The 2019 budget will be prepared in a format to enable Parliament to vote on appropriations by program with a commitment authorization/payment appropriation approach.

Practical mechanisms for implementation:

Implementation of the recommendation requires the internalization of budget and execution mechanisms in the form of multiyear commitment authorizations and payment appropriations, which requires training for staff of the MPD and MEF, as well as the sectoral ministries. Staff should also be trained in connection with the budget impacts and risks in PPPs.

Testing in the progress of the future integrated information system developed in connection with the economic governance support project (PAGE) should be extended to all ministries, for both budget preparation and execution. A review of the templates for the budget documents (DPPD-PAP) prepared by the authorities must be conducted by technical experts to ensure comprehensiveness, reliability, and clarity of the information on multiyear commitments, including PPPs.

Description of the actions:

- Action 1: Continue the training workshops for multiyear budgeting, using the expenditure authorization/payment appropriation approach.
- Action 2: Prepare a timetable for the gradual transition of the ministries in accordance with the migration to the program-based budget approach.
- Action 3: Ensure that commitments authorization and payment appropriations are effectively reflected in the information system, and extend the testing activities for budget preparation and execution.
- Action 4: Provide for a review of the budget documents to ensure that the recording of commitments and pending residual balances payments is clear and comprehensive.
- Action 5: Provide for a thorough evaluation of information on PPPs (explicit and implicit commitments) with the ministries and institutions.

Implementation timetable:

- Actions 1 and 2: In progress
- Action 3: 2018

- Action 4: Beginning in March 2018
- Action 5: 2018.

Problems and risks:

Articulating this work with the agenda for the transition to the program-based budget is a major challenge. Beginning next year, the budget should be prepared on a commitment authorization/payment appropriation basis (the 2019 budget prepared in 2018), along with the information systems reform, focusing on the execution component.

In addition to staff of the MEF and MPD, the extension of training activities to all staff of the ministries and institutions will ensure effective, sustainable appropriation of the reform.

Sheet 2: Strengthening of the Process of Selecting Investment Projects

Description of the recommendation:

This recommendation relates to PIMA Institution 10 on the selection of investment projects. Its implementation should help to identify and program projects that are both priorities and mature, affecting the entire life cycle of projects and their efficiency.

Context:

The selection and comparative selection procedure involve several stages: (i) an initial validation at the ministerial level; and (ii) a technical review by the MPD, in conjunction with the MEF, leading to a series of pre-selection activities at the level of the DGPSIP and MPD. A result of the process should be the ranking of projects based on eligibility criteria communicated to the sectoral ministries at the beginning of the year by the MPD. The selected projects using this procedure will then be submitted for comparative evaluation and selection at the government level.

A number of obstacles limit the quality of this selection process; more specifically, (1) gaps in the projects documents submitted to the MPD; (2) a shortage of staff in the DGPSIP; and (3) the absence of interfacing of the MPD's programming information system with the line ministries.

Moreover, the transparency of the procedure is limited by the fact that selection criteria, PIPs, and assessments conducted are not officially published.

A new regulatory framework for public investment management is in the process of finalization; it might advantageously include provisions to strengthen the rules applicable to the assessment and selection of investments.

Stakeholders involved:

The stakeholders involved in the implementation of this recommendation are the line ministries and the DGPSIP.

Expected outputs:

1. Only projects that have been subject to prior assessment are eligible for selection.
2. The comparative selection procedure is specified in a detailed manual that is regularly updated.
3. The DGPSIP, the unit responsible for technical review, has the requisite resources to take stock of the ministries' projects and to conduct counter-expertise evaluations.

4. For more complex, large-scale projects, an independent external assessment is conducted to confirm the relevance of the investment.
5. The decisionmakers select projects based on technical staff reviews and internalize the adopted indicators and criteria.
6. Mature projects are selected in order of priority to facilitate their implementation.

Practical mechanisms for implementation:

Some of the changes are subject to up-dates in the regulatory provisions, such as measures that (1) make the production of a feasibility study a systematic requirement for a project to be included in the PIP; (2) define a mandatory standard assessment application, including a cost-benefit analysis, for projects exceeding a threshold; or (3) require an independent external assessment for complex or large-scale projects. In addition, to the regulatory framework, an updated comparative selection manual would be useful.

Capacity development in the DGPSIP to provide counter-expertise appraisals requires increased staffing, as well as the establishment of specialized sectoral units within the General Directorate.

Optimization of the selection process and facilitation of interactions with the ministries during the monitoring phase requires the (1) extension of the DJDRADO information system to line ministries; and the (2) integration of an ex-ante assessment module for projects so that they can be prioritized based on objective criteria.

To make the procedure more transparent: (1) sectoral strategies, (2) selection criteria, (3) the public investment program, and (4) external assessments and reviews conducted must be publicly disclosed so that the relevance of the selected projects and their effective consistency with sectoral strategies can be verified.

Description of the actions:

- Action 1: Prepare and quickly adopt the regulatory provisions relating to the mandatory nature of feasibility studies and the minimum thresholds beyond which projects cannot be selected in the absence of external evaluation and review.
- Action 2: Update the PIP comparative selection manual.
- Action 3: Strengthen the staffing of the DGPSIP, and create sectoral units within it.
- Action 4: Extend the SIAPIP/DJRADO system to the line ministries and institutions and incorporate an ex-ante project assessment and prioritization module into the system.
- Action 5: Publish the selection criteria, PIPs, and external reviews and evaluations.

Implementation timetable

- Action 1: End 2017-first-quarter 2018 (to be coordinated with the decree on management of public investments being validated)
- Action 2: First half of 2018
- Action 3: 2018
- Action 4: Beginning in 2018

- Action 5: First half of 2018 for the 2019–21 PIP criteria, and for the 2018 PIP, as the assessments are conducted.

Problems and risks:

Effective selection requires high-quality assessments; widespread use of the assessment culture in the Programming and Forecasting Directorates of the ministries; and training of dedicated staff within the directorates in the ministries.

Regarding the selection procedure, the balance between technical choices and policy decisions is a complex matter. The quality and transparency of the selection process will be strengthened by providing decisionmakers with objective indicators that they can easily internalize (see Box 4 in Section II of this Report); through the definition of sectoral investment strategies at the government level; and through the online publication of selection criteria, assessments, reviews conducted, and the PIP.

Sheet 3: Implementation Management and Overall Monitoring of Delays of Both the Budget and Accounting Stages of the Expenditure Process

Description of the recommendation:

This recommendation relates to PIMA Institution 12 on the availability of financing. Its implementation supports the effort to provide the authorities of Benin with a framework and tools to optimize the financing of public investment projects.

Context:

The authorities of Benin have taken steps to transpose the decree establishing the TOFE from the WAEMU Community Directives. Article 24 of this Decree[51] defines residual balances payable as all balances validated and not paid. Accordingly, validation should be the starting point of the 90-day period.

Moreover, Annex II of the Circular on notification of appropriations under the annual budget law with respect to the instructions and mechanisms for state budget execution defines the rules on expenditure payment periods. To ensure proper general state budget execution, the following timeframes[52] were established for each major phase:

- Validation and establishment of documentation: 5 days
- Approval from the financial controller: 6 days
- Payment order: 4 days
- Payment: 10 days.

This timeframe is equivalent to a total of 25 days. The authorities recommend that this period be reduced to 15 days.

[51]Decree 2014-573 of October 7, 2014, on Preparation of the TOFE.

[52]These periods begin to run from the date the request for payment is received from the government's creditor.

To date, there has been no effective mechanism to manage and implement general monitoring of the execution periods for the expenditure budget and accounting process.

Stakeholders involved:

The stakeholders involved in implementation of this recommendation are the DGB, the Financial Control Unit, the DGTCP, and the various staff within these directorates responsible for information systems.

Expected outputs:

- The authorities have the framework and tools, making it possible to follow-up, monitor, and control the execution process at both budget and accounting stages.
- The detailed status of residual balances payable is available at all times.
- The various stakeholders involved in the budget and accounting process are accountable for the delays.
- The monthly execution of the annual cash plan is more reliable.
- Financing of capital expenditure is optimized.

Practical mechanisms implemented:

First, implementation of the recommendation requires a regulatory text to establish a steering and monitoring committee for the execution of expenditure, reporting directly to the Ministry of Economy and Finance.

Next, both budget (SIGFIP) and accounting (ASTER) information systems and the future integrated system (SIGFP) should include automated procedures to produce statistics on execution delays in the expenditure process.

Finally, it is important to define templates for reporting the status of residual balances payable, classified by type of expenditure and age, and to provide the assessment of different intermediate and general implementation delays, by type of expenditure.

Description of actions:

- Action 1: Introduce a steering and monitoring committee for expenditure execution that reports directly to the Minister of Economy and Finance.
- Action 2: Report information broadly and regularly on the status of residual balances payable and execution periods in the expenditure budget and accounting process, in cooperation with the cash committee.
- Action 3: In the long term, adopt the approach of optimizing expenditure execution periods in the expenditure process.

Implementation timetable:

- Action 1: February 2018
- Action 2: Beginning in February 2018
- Action 3: 2019.

Problems and risks:

The main problem with the implementation of the recommendation is to ensure that the statistics produced by the information system or, if there is no system, using other mechanisms, are reliable and comprehensive.

Moreover, it is important to pool the information effectively among all stakeholders in the budget and accounting process to make the recommendation as beneficial as possible.

Sheet 4: Control the Financial Costs and Budget Risks Associated with Public-Private Partnership Contracts

Description of the recommendation:

This recommendation relates to PIMA Institution 4 on the existence of a transparent mechanism for the evaluation, selection, and supervision of PPP projects. Its implementation aims to ensure the establishment of a sound legal framework and to develop effective tools to control the financial costs and budgetary risks related to this type of financing.

Context:

In 2016, the government launched an investment plan of more than CFAF 9 trillion, the Government Action Program (PAG), under which the use of PPPs was provided to finance 61 percent of the project costs. The legal framework applicable to PPPs is being formally established. In October 2016, the National Assembly adopted a law, that was promulgated by the President of the Republic in June 2017, that gives a broad definition of projects that can be designated as PPPs. This law provides, in particular, for the establishment of a PPP support unit (CA-PPP), that reports to the Presidency of the Republic, and that is responsible for providing technical support at all stages of the process for PPP projects, including the review of the cost-benefit ratio. Relevant implementing decrees are being prepared.

However, there are problems with the current version of the legal framework with respect to international best practices, and the mechanisms designed to prevent fiscal risks are not clearly specified. The implementing decrees being drafted provide an opportunity to strengthen this legal framework and to facilitate its implementation.

Stakeholders involved:

The stakeholders involved in the implementation of this recommendation are the Analysis and Investigation Bureau (BAI), the Ministry of Economy and Finance (MEF), the *Caisse Autonome d'Amortissement* (CAA), the autonomous implementing agencies, and sectoral ministries.

Expected outputs:

- The role of the different stakeholders involved at all stages in the life cycle of PPPs (CAA, CAPPP, MEF, BAI, sectoral ministries, and implementing agencies) is clarified.
- PPP projects are systematically subject to an opinion from the Minister of Economy and Finance, based on an analysis of budget sustainability and all financial risks.

- The use of PPPs is targeted to projects suitable for these tools to avoid slippages for public finance.
- The costs associated with explicit and implicit commitments of PPPs are comprehensively identified and liabilities are outlined in the annex to the budget law.
- Staff involved in PPPs projects is trained to assess their costs and risks and to anticipate their rigidity and crowding-out effects on the budget of public entities.

Practical mechanisms implemented:

- The clarification of the role of the stakeholders and the requirement for the prior opinion of the Ministry of Economy and Finance derive from the regulatory framework and might be provided in the decrees being prepared.
- The comprehensive identification of the costs of explicit and implicit commitments under PPPs requires (1) the strengthening of the expertise of the staff involved; and (2) proper involvement of the implementing agencies and ministries in the processes of assessing financial incidences by the DGB.[53]
- Training sessions are required to ensure that staff gain the required skills to address the financial costs and fiscal risks in connection with PPPs.[54]

Description of the actions:

- <u>Action 1</u>: Take regulatory steps (1) clarifying the role of the stakeholders; and (2) making the prior opinion of the Ministry of Economy and Finance mandatory for the signing of PPPs.
- <u>Action 2</u>: Provide training for the staff involved (CAPPP, support unit within the MEF, DGB, CAA, and sectoral ministries).
- <u>Action 3</u>: Prepare an annex to the budget law that takes stock of the liabilities of PPPs.
- <u>Action 4</u>: Define a policy to limit recourse to PPPs for unsuitable projects to avoid fiscal slippage.

Implementation timetable:

- <u>Action 1</u>: End 2017-beginning of 2018
- <u>Action 2</u>: Beginning January 2018
- <u>Action 3</u>: Beginning with the 2018 Budget Law
- <u>Action 4</u>: End of 2017-beginning of 2018.

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[53]As provided in the framework letter for the preparation of the state budget, 2018 fiscal year.

[54]Technical assistance from the IMF might be arranged, for example, to train staff to use the PPPs Fiscal Risk Assessment Model (P-FRAM).

Problems and risks:

Proper implementation of these recommendations will require (1) clarification of the role of the stakeholders; and (2) the precise definition of the concept of PPPs in the regulatory framework.

PPPs are often considered "budget icebergs" as their multiple financial implications (direct costs and explicit or implicit contingent liabilities) become evident as the project progresses.

As a result of the problems that certain countries in the subregion have encountered, stringent management mechanisms should be defined for these financing arrangements, and they should be targeted to appropriate projects.

Annex III. Detailed PIMA Scores for Benin

	Barème 1 = To no or a lesser extent 2 = To some extent 3 = To a greater extent N/A = Not Applicable or Other	PIMA	
		Institutional strength	Effectiveness
1	Fiscal principles or rules: Are there explicit fiscal principles or rules, and how do they apply to capital spending?	2.33	2.67
1.a.	Is fiscal policy guided by one or more permanent fiscal principles, or rules?	3	2
1.b.	Do fiscal principles or rules constrain capital spending in the near term?	1	3
1.c.	Are there targets or limits for government liabilities, debt, or net worth??	3	3
2	National and Sectoral Planning: Are investment allocation decisions based on sectoral and inter-sectoral strategies?	3.00	2.00
2.a.	Does the government publish national and sectoral strategies for public investment?	3	2
2.b.	Does the government publish national and sectoral strategies for public investment?	3	2
2.c.	Do sector strategies include measurable targets for the outputs and outcomes of investment projects?	3	2
3	Central-Local Coordination: Is there effective coordination of central and sub-national governments' investment plans?	2.33	2.00
3.a.	Are there limits on sub-national governments' borrowing?	2	2
3.b.	Is capital spending by SNGs coordinated with central government?	3	2
3.c	Does central government have a transparent, rule-based system for making capital transfers to SNGs, and for providing timely information on such transfers?	2	2
4	Public-Private Partnerships: Is there a transparent framework for the scrutiny, selection, and oversight of PPP projects?	2.33	1.00
4.a.	Has the government published a strategy for PPPs and issued standard criteria for entering into PPP arrangements?	2	1
4.b.	Are PPPs subject to value for money review by a dedicated PPP unit prior to approval	3	1
4.c.	Is the accumulation of explicit and/or contingent PPP liabilities systematically recorded and controlled?	2	1
5	Regulation of Infrastructure Companies: Is there a favorable climate for the private sector and SOEs to participate in infrastructure provision?	2.33	2.00
5.a.	Does the regulatory framework support competition in contestable markets for economic infrastructure (e.g., power, water, telecoms, and transport)?	3	2
5.b.	Are there independent regulators who set the prices of economic infrastructure services based on objective economic criteria?	2	2
5.c.	Does the government oversee the investment plans of infrastructure SOEs and monitor their financial performance?	2	2
6	Multi-Year Budgeting: Does the government prepare medium-term projections of capital spending on a full cost basis?	2.33	2.00
6.a.	Is capital spending by ministry forecasted over a multi-year horizon?	3	2
6.b.	Are there multi-year ceilings on capital expenditure by ministry or program?	2	2
6.c.	Are projections of the full cost of major capital projects over their life cycle published?	2	2
7	Are projections of the full cost of major capital projects over their life cycle published?	2.67	2.00
7.a.	Is capital spending mostly undertaken through the budget?	3	2
7.b.	Are externally funded capital projects included in the budget documentation?	3	2
7.c.	Are externally funded capital projects included in the budget documentation?	2	N/A

8	Budget Unity: Is there a unified budget process for capital and current spending?	2.33	2.00
8.a.	Are capital and recurrent budgets prepared and presented together?	2	2
8.b.	Does the budget include appropriations of the recurrent costs associated with capital investment projects	2	2
8.c.	Does the budget classification and chart of accounts distinguish clearly between recurrent and capital expenditure, in line with international standards?	3	2
9	Project Appraisal: Are project proposals subject to systematic project appraisal?	1.67	1.33
9.a.	Are capital projects subject to standardized cost-benefit analysis whose results are published?	1	1
9.b.	Is there a standard methodology and central support for the appraisal of projects?	2	1
9.c.	Are risks taken into account in project appraisal?	2	2
10	Project Selection: Are there criteria and institutions in place to guide project selection?	2.00	1.33
10.a.	Does the government undertake a central review of major project appraisals before decisions are taken to include projects in the budget?	2	1
10.b.	Does the government publish and adhere to standard criteria for project selection?	2	1
10.c.	Does the government maintain a pipeline of approved investment projects for including in the annual budget?	2	2
11	Protection of Investment: Are investment projects protected during budget implementation?	3.00	2.00
11.a.	Are in-year transfers of appropriations (virement) from capital to current spending prevented?	3	2
11.b.	Are in-year transfers of appropriations (virement) from capital to current spending prevented?	3	2
11.c.	Can unspent appropriations for capital spending be carried over to future years?	3	2
12	Availability of Funding: Is financing for capital spending made available in a timely manner?	2.00	1.33
12.a.	Are ministries/agencies able to plan and commit expenditure on capital projects in advance on the basis of reliable cash flow forecasts?	2	1
12.b.	Is cash for project outlays released in a timely manner?	3	2
12.c.	Is external (donor) financing of capital projects integrated into cash management and the TSA?	1	1
13	Transparency of Budget Execution: Are major investment projects executed transparently and subject to audit?	3.00	2.00
13.a.	Is the procurement process for major capital projects open and transparent?	3	2
13.b.	Are major capital projects subject to monitoring during project implementation?	3	2
13.c.	Are ex-post audits of capital projects routinely undertaken?	3	2
14	Management of Project Implementation: Are capital projects well managed and controlled during the execution stage?	2.00	1.67
14.a.	Do ministries have effective project management arrangements in place?	2	2
14.b.	Has the government issued rules, procedures and guidelines for project adjustments that are applied systematically across all major projects?	2	2
14.c.	Does the government systematically conduct an ex post review and evaluation of projects that have completed their construction phase?	2	1
15	Monitoring of Public Assets: Is the value of assets properly accounted for and reported in financial statements?	1.00	1.00
15.a.	Are surveys of the stock, value and condition of public assets regularly conducted?	1	1
15.b.	Are non-financial asset values recorded in the government balance sheets?	1	1
15.c.	Is depreciation of fixed assets captured in government operating statements?	1	1