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TECHNICAL ASSISTANCE REPORT— PUBLIC INVESTMENT MANAGEMENT ASSESSMENT – PIMA AND C-PIMA

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TECHNICAL ASSISTANCE REPORT

BENIN

Public Investment Management Assessment – PIMA and C-PIMA

June 2023

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DISCLAIMER

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ACRONYMS AND ABBREVIATIONS

ABA	Accrual-based accounting (*comptabilité en droits constatés et patrimoniale)*
ABE	Beninese Environment Agency (*Agence béninoise de l'environnement*)
AFW	IMF Regional Technical Assistance Center for West Africa
ANPC	National Civil Protection Agency (*Agence nationale de protection civile*)
AOF	Powers and duties, organization, and functioning (decree on)
ARMP	Public Procurement Regulatory Authority (*Autorité de régulation des marchés publics*)
AWP	Annual work plan
BAI	Analysis and Research Bureau (*Bureau d'analyse et d'investigation*)
BCEAO	Central Bank of West African States
CA	Commitment authorization
CBDD	Beninese Sustainable Development Council (*Conseil béninois du développement durable*)
CC	Climate change
CFAF	African Financial Community franc
CFP	Cash flow plan
CL	Local authority
CMP	Public Procurement Code
CNCC	National Climate Change Committee (*Comité national sur les changements climatiques*)
CoA	Court of Auditors
CONAFIL	National Local Finance Commission (*Commission nationale des finances locales*)
CP	Commitment plan
C-PIMA	Climate PIMA (climate change module of the Public Investment Management Assessment)
CT	Territorial authority
DGB	Directorate General of the Budget (*Direction générale du budget*)
DGEC	Directorate General of the Environment and Climate (*Direction générale de l'environnement et du climat*)
DGEOCS	Directorate General for Evaluation and Observatory of Social Change (*Direction générale de l'évaluation et de l'observatoire du changement social*)
DGML	Directorate General for Material and Logistics (*Direction générale du matériel et de la logistique*)
DGPD	Directorate General of Planning and Development (*Direction générale du plan et du développement*)
DGTCP	Directorate General for the Treasury and Public Accounting (*Direction générale du Trésor et de la comptabilité publique*)
DPAF	Planning, Administration, and Finance Directorate (*Direction de la Planification, de l'Administration et des Finances*)
DPBEP	Multiyear Economic and Financial Planning Document
DPPD	Multiyear Expenditure Plan Document
DSI	Information Systems Directorate (*Direction des systèmes d'information*)
EPA	Public administrative institution
ESIS	Environmental and social impact study
FAD	Fiscal Affairs Department
FADeC	Commune Development Support Fund (*Fonds d'appui au développement des communes*)
FNEC	National Fund for the Environment and Climate (*Fonds National pour l'Environnement et le Climat*)
FONCAT	National Disaster Response Fund (*Fonds national de réponse aux catastrophes*)
GDP	Gross domestic product

GHG	Greenhouse gas
IMF	International Monetary Fund
IS	Information system
LOLF	Organic Law on Budget Laws
MA	Material accounting *(comptabilité des matières)*
MCVDD	Ministry of Living Environment and Sustainable Development (*Ministère du Cadre de Vie et du Développement Durable*)
MDC	Ministry for the Development and Coordination of Government Action (*Ministère du Développement et de la Coordination de l'Action Gouvernementale*)
MDGL	Ministry of Decentralization and Local Governance (*Ministère de la Décentralisation et de la Gouvernance Locale*)
ME	Ministry of Energy (*Ministère de l'Énergie*)
MEF	Ministry of Economy and Finance (*Ministère de l'Économie et des Finances*)
MPP	Ministerial Procurement Plan
MTBF	Medium-term budget framework
MTFF	Medium-term fiscal framework
NDC	Nationally determined contribution
PA	Payment appropriation
PAG	Government Action Program
PAP	Annual performance project
PDC	Communal development plan
PFM	Public financial management
PIM	Public investment management
PIMA	Public Investment Management Assessment
PIP	Public investment program
(P)LF(I)	(Draft) (initial) budget law
(P)LF(R)	(Draft) (supplementary) budget law
PNA(CC)	National Adaptation Plan (on Climate Change)
PND	National Development Plan
PPP	Public-private partnership
SBEE	Société béninoise d'énergie électrique
SDG	Sustainable Development Goal(s)
SGPR	Secretariat General of the Office of the President of the Republic (*Secrétariat Général de la Présidence de la République*)
SIGFP	Public Financial Management Information System (*Système d'information de gestion des finances publiques*)
SIGMAP	Public Procurement Management System (*Système informatisé de gestion des marchés publics*)
SIRAT	Société des infrastructures routières et d'aménagement du territoire
SSA	Sub-Saharan Africa
TA	Technical assistance
TFP	Technical and financial partner
TOFE	Government Financial Operations Table
TSA	Treasury Single Account
UNDP	United Nations Development Programme
WAEMU	West African Economic and Monetary Union
WB	World Bank

PREFACE

In response to a request from the Beninese authorities, a mission was conducted by the IMF Fiscal Affairs Department (FAD) in Cotonou from March 1 to 15, 2023, to update the Public Investment Management Assessment (PIMA) carried out in 2018 and to supplement it with the Climate-Public Investment Management Assessment (C-PIMA). Led by Mr. Claude Wendling (senior economist, FAD), the mission comprised Ms. Sylke Von Thadden-Kostopoulos (technical assistance advisor, FAD) and Ms. Marie-Christine Uguen and Messrs. Philippe Lonné, Pierre Roumegas, and Sidiki Traoré (experts, FAD). Ms. Letitia Li (research assistant, FAD) supported the mission remotely. This activity was financed by the Government of Japan through the Infrastructure Governance Facility and by the IMF Regional Technical Assistance Center for Western Africa (AFW).

At the beginning of the mission, the team was welcomed by Mr. Hermann Orou Takou, Chief of Staff to the Minister of State, Minister of Economy and Finance (MEF). On March 10, it held a score validation session with key contacts from the various units met during the mission. The mission reported its findings on March 14 to H.E. Romuald Wadagni, Minister of State, Minister of Economy and Finance. A presentation for technical and financial partners (TFPs) was also organized on March 15.

The mission held working sessions with representatives of the following entities: Directorate General of the Budget (DGB), Directorate General for Material and Logistics (DGML), Directorate General for the Treasury and Public Accounting (DGTCP), National Directorate for Public Procurement Oversight (DNCMP), National Financial Control Directorate (DNCF), all within the MEF. It met with the Directorate General of Development Policies (DGPD), Directorate General for the Coordination and Monitoring of Sustainable Development Goals, Directorate General for Evaluation and Observatory of Social Change (DGEOCS), all within the Ministry for the Development and Coordination of Government Action (MDC). It also met with the Directorate General of the Environment and Climate (DGEC) within the Ministry of Living Environment and Sustainable Development (MCVDD). In addition to that, it held discussions with representatives of the following ministries: Infrastructure and Transportation; Energy; Water and Mines; Decentralization and Local Governance; and Digital Affairs and Digitization. It spoke with representatives of the Autonomous Amortization Fund (CAA), the Public Procurement Regulatory Agency (ARMP), the Agency for the Promotion of Investment and Exports (APIEX), Société des infrastructures routières et de l'aménagement du territoire (SIRAT), the Energy Regulatory Agency (ARE), Société Béninoise d'Énergie Électrique (SBEE), and the Analysis and Research Bureau (*Bureau d'analyse et d'investigation* – BAI) of the Office of the President of the Republic. The mission also met with representatives of the National Assembly Finance Committee and of the Court of Auditors.

The mission thanks the Beninese authorities for their extensive availability. It owes special thanks to Mr. Pierrot Sego, Head of the Economic and Financial Programs Monitoring Unit, for the support he provided to the mission, particularly in organizing remote and on-site meetings and coordinating the collection of documents received from various staff.

The mission is also grateful to Mr. Younes Zouhar, IMF Resident Representative, and his team for their invaluable assistance.

KEY FINDINGS OF THE MISSION

Public investment in Benin was up significantly in 2020–2021 from its 2019 low. Over the period 1990–2019 covered by the IMF database, it averaged 5.9 percent of gross domestic product (GDP), slightly above the average of the West African Economic and Monetary Union (WAEMU) of 5.5 percent. After it reached a low in 2019 (3.9 percent of GDP), data provided by the authorities show a strong upturn at 6.9 percent of GDP in 2020 and 8.2 percent in 2021.

This recent increase in public investment should raise its share in total investment, which had dropped considerably over the period 2015–2019. While it stood at 14.9 percent of GDP in 2015 (relative to a total investment of 20.5 percent), in 2019 private investment was 21.3 percent of GDP relative to a total investment of 25.2 percent of GDP. The upward trend in public investment observed in 2020–2021 will rebalance these two investment sources.

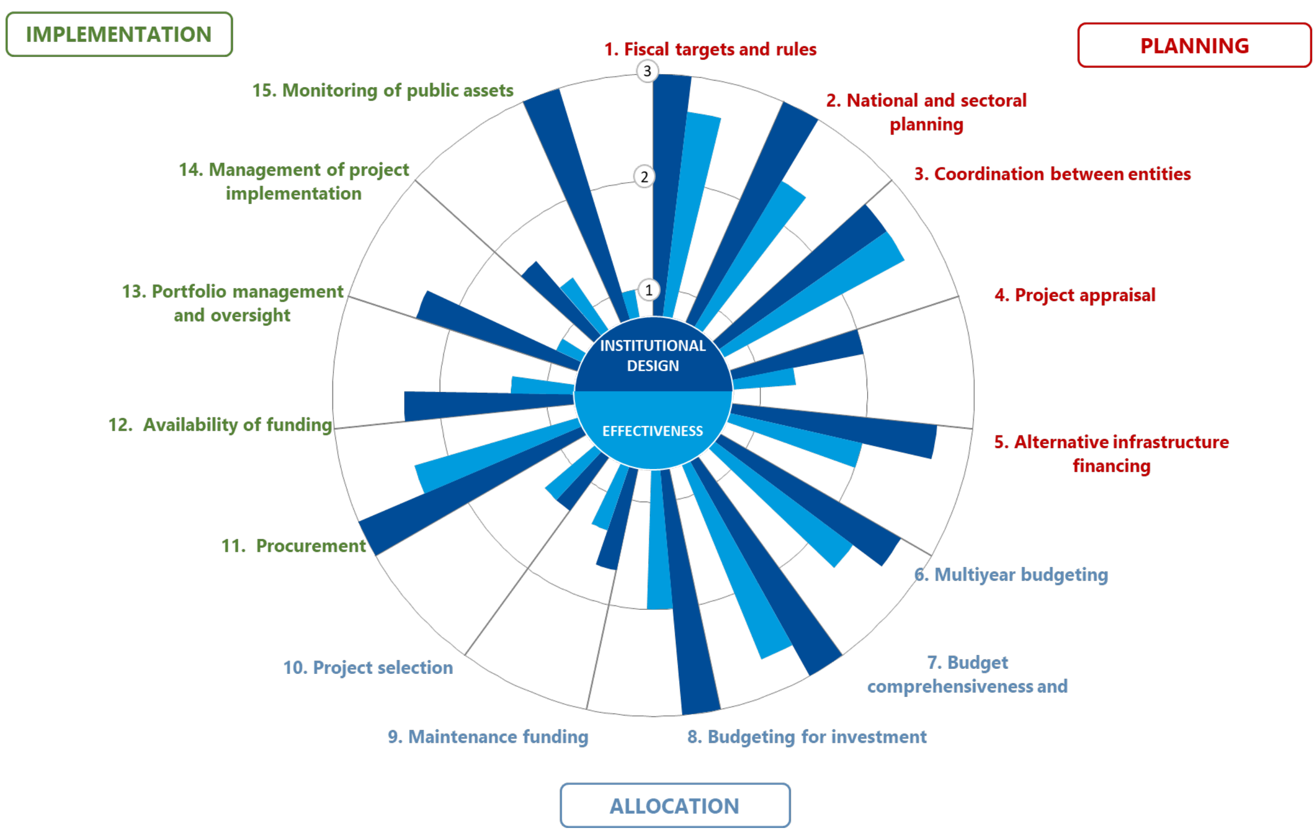
Benin's public capital stock is at an intermediate level compared to neighboring countries. It reached 77.0 percent of GDP, a level close to that of Senegal (71.4 percent) but substantially higher than that of Ghana (40.5 percent) or Côte d'Ivoire (36.7 percent), and, conversely, significantly lower than that of Togo (119.8 percent) or Rwanda (104.9 percent).

The efficiency of public investment in Benin is reflective of the progress made since the initial 2018 PIMA in terms of physical access to infrastructure. Although Benin scored 0.47 for this efficiency indicator in the 2018 PIMA, close to sub-Saharan Africa (SSA, 0.46) but significantly lower than the world average (0.59), it currently has a score of 0.58, much higher than SSA (still at 0.46) and close to the world average (0.62).

The assessment overview highlights the notable progress made in public investment management (PIM), particularly in relation to the institutional framework (Chart 1, Table 1, Annex 1). PIM in Benin can rely on a solid framework that is much more substantial than the average in SSA countries. This notably speaks to the good overall quality of Decree No. 2021-586 of November 10, 2021, on the PIM framework—which replaced a first framework that had received IMF support in 2019—but also the efforts made in recent years to implement a quality legislative and regulatory framework in connection with public financial management (PFM) reforms. These include the implementation of the program budget since the initial budget law for 2022, the adoption of the accrual-based accounting (ABA) framework, and the passing in 2020 of a law on State-owned enterprises. Only project selection or appraisal institutions are still showing significant weaknesses and, to a lesser extent, so are some institutions related to the execution phase.

As for the effectiveness of practices, there appears to be some progress since the 2018 PIMA, but the situation is more mixed. Progress was made mainly in areas such as coordination between entities and monitoring of contingent liabilities (improved by the publication of a fiscal risk analysis document and analytical notes on local finances and administrative public entities, or EPAs), degree of openness to competition for economic infrastructure, and budget comprehensiveness. However, for project selection and appraisal, a positive evaluation of the effectiveness cannot be provided given the non-publication of ex ante assessments and the lack of documentation of review processes for project selection and preliminary appraisal. Maintenance continues to be a weak point in connection with deficiencies in the institutional framework. Despite information content on the public investment program (PIP) and other already very comprehensive budget documents, some information is still missing (overall cost of each project). Private-public partnerships (PPPs) are still very uncommon, and information on them is scarce, which is at odds with the stated ambitions to use such arrangements to carry out public investments. Above all, transparency regarding the actual execution of investments made by State-owned enterprises—within the meaning of the 2020 law, which also covers EPAs (agencies or offices)—is limited in the budget documents, as these enterprises have become the primary vehicle for public investment execution in relation to investments for which project management is not delegated by ministries. Lastly, in asset monitoring, the implementation of ABA and material accounting is still in its early stages.

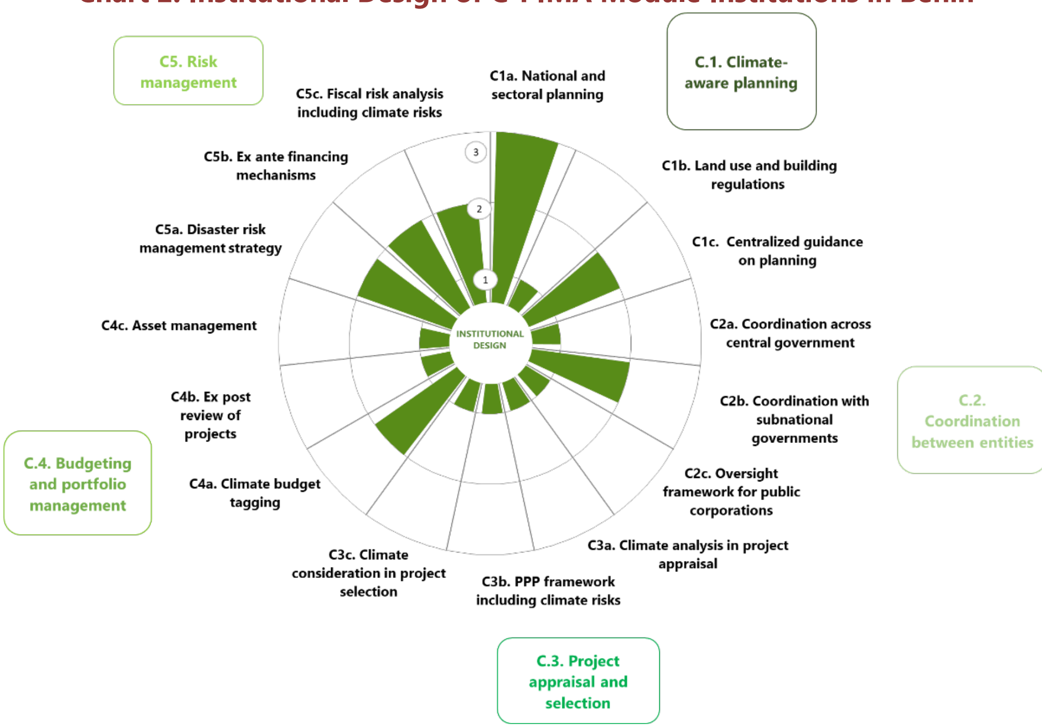
Chart 1. Institutional Design and Effectiveness of Public Investment Management Practices in Benin



Source: IMF mission. A score of 1 corresponds to a basic practice, a score of 2 to an intermediate practice, and a score of 3 to an advanced practice across all three dimensions of each of the 15 institutions.

The integration of climate change objectives into PIM can also be improved, even though aspects of good practices have already been put in place (**Chart 2**, **Table 2**, **Annex 2** for C-PIMA scores). Law No. 2018-18 of August 6, 2018, on climate change (CC) is the first framework for taking adaptation and mitigation concerns into account in public policy, supplemented by recent, quality strategic documents (National Adaptation Plan, 2021 Nationally Determined Contribution). The main advances include: (i) incorporating CC considerations into the public investment planning framework (including at the local level); (ii) establishing, through the aforementioned 2018 law, a decision-making coordination mechanism, likely to influence public investment choices; (iii) tagging climate-related public investments for the first time, leading to the publication of an analysis document appended to the 2023 draft budget law (PLF); and (iv) developing a disaster risk management and ex ante financing mechanism strategy that addresses concerns related to managing the exposure to climate risks faced by the infrastructure stock. In contrast, land use and building regulations only marginally take CC issues into account, pending reformulation, which is underway. The integration of climate-related criteria into project selection and preliminary appraisal is poor. The asset management policy does not consider climate risks, including in terms of maintenance.

Chart 2. Institutional Design of C-PIMA Module Institutions in Benin



Source: IMF mission. A score of 1 corresponds to a basic practice, a score of 2 to an intermediate practice, and a score of 3 to an advanced practice. Scores are calculated separately for each of the 15 dimensions across the five institutions.

Consequently, a number of measures will have to be implemented in order for Benin to improve public investment efficiency and impact and to secure green and resilient infrastructure. On the basis of PIMA and C-PIMA, this report makes 15 recommendations, 7 of which are of particular importance, as follows:

- Increase the effectiveness of preliminary project appraisals, including regarding the impacts of climate change;
- Enhance the effectiveness and transparency of the project selection process by incorporating criteria related to climate change;
- Update and complete the PPP framework, particularly by finalizing the ongoing transposition of the WAEMU directive (taking climate into account when drawing up and managing PPP contracts) and by adopting a PPP strategy explaining the role of PPPs in achieving the objectives set in the 2021–2026 Government Action Program;
- Improve the presentation of the PIP appended to the draft budget law further to the proposals made in **Annex 3**, particularly to provide overall project costs;
- Effectively gather project implementation monitoring documents and summarize them, especially for agencies, based on the proposals contained in **Annex 4**;
- Ensure greater public infrastructure sustainability by enriching standard maintenance methodologies, particularly to take account of climate vulnerabilities and specify capital maintenance needs, and by taking advantage of the implementation of accrual-based accounting and material accounting to better monitor assets over time;
- Incorporate climate concerns into the budget circular on the approach already taken on gender-responsive budgeting and put in place effective monitoring of investments related to climate change in budget preparation and execution.

These recommendations are detailed in **Table 3**.

Table 1. PIMA Summary Table

Phase/Institution			Institutional Design	Effectiveness	Priority
A. Planning	1	**Fiscal targets and rules**	**High** WAEMU budget rules are complemented by a balanced budget rule for territorial authorities. The medium-term fiscal framework (MTFF) outlines the capital expenditures.	**High** In the context of the suspension of WAEMU rules, Benin continues to meet the public debt criterion. The budgeted investment expenditures are in line with the MTFF.	**Low**
	2	**National and sectoral planning**	**High** The 2021–2026 Government Action Program (PAG) and sectoral strategies outline the investment projects, and nearly all include estimates of their overall cost and outcome targets.	**Medium** The projects identified in PAG are indeed budgeted, but it is difficult to establish consistency between costs estimated in PAG and budgeting. Outcome targets are not used in decisions on projects.	**Medium**
	3	**Coordination between entities**	**High** The legal framework provides for extensive coordination on public investment between the State and the 77 communes and regulates transfers from the State. It also provides for monitoring of contingent liabilities resulting from the projects of communes, State-owned enterprises, and PPPs.	**High** Coordination between the State and communes occurs in practice and transfer rules are followed, even though communes are informed late of their allocation. Contingent liabilities are reported in budget documents.	**Low**
	4	**Project appraisal**	**Medium** Projects must be subject to preliminary appraisals, conducted using standard methodologies and central support, but the framework does not require a systematic risk assessment.	**Low** Various standard methodologies seem to be used, but because appraisals are not published, it cannot be established whether they are systemic or thorough or whether risks were taken into account.	**High**
	5	**Alternative infrastructure financing**	**High** The legal framework, strengthened since 2018, fosters network infrastructure competition and oversees State-owned enterprises, but the PPP strategy is neither explicit nor operationalized.	**Medium** Despite the opening up of major markets to competition, few PPP contracts have been entered into, and there is room for improvement in the consolidated monitoring of investments delegated to public institutions or corporations.	**Medium**
B. Allocation	6	**Multiyear budgeting**	**High** The legal framework on investment forecasts is robust, and the multiyear ceilings are binding and set out in detail.	**Medium** Budget entries are consistent with multiyear forecasts, but the posting of the full cost of investment projects is still lacking.	**High**
	7	**Budget comprehensive ness and unity**	**High** The draft budget law uses a number of nomenclatures to track all investment expenditures, regardless of source, as well as operating expenses.	**High** The PIP is included in draft budget law preparation, which is centralized by the DGB and thus guarantees a high level of published information.	**Low**
	8	**Budgeting for investment**	**High** Legislative and regulatory rules effectively protect resources allocated to investment, which are multiyear and cover primarily projects that are being implemented.	**Medium** Effectiveness is weakened by the lack of publication of total project costs alongside commitment authorization entries, which prevents developments therein from being measured over time.	**High**
	9	**Maintenance funding**	**Medium** Standard methodologies were put in place to estimate the need for routine maintenance. Although maintenance can be identified in budget documents, there are no specific reports.	**Low** Because resources are insufficient for capital and routine maintenance, asset values cannot be preserved, and maintenance data are not used for analysis or decisions.	**High**
	10	**Project selection**	**Low** The framework provides for a review of appraised projects before they are budgeted, but the selection criteria are not published and there is no obligation to draw up a list of appraised projects.	**Low** The limited documentation of the review process makes it impossible to determine whether projects are selected based on defined criteria, and there is no appraised project pipeline.	**High**
C. Implementation	11	**Procurement**	**High** Public procurement tools and texts comply with competition and transparency rules.	**Medium** Open bidding is the preferred procurement method, but contract monitoring could be improved.	**Medium**
	12	**Availability of funding**	**Medium** Month-by-month annual cash flow forecasts and an annual commitment plan exist, but there are plenty of derogations in depositing project funds in the Treasury.	**Low** Shortcomings arise in formal forecasting mechanisms with the under-execution of investment expenditures for 2022 in the cash flow plan. Donor funds are in commercial banks.	**Medium**
	13	**Portfolio management and oversight**	**Medium** An institutional framework exists for monitoring the project portfolio as mentioned in the PIM decree, providing in particular for semiannual monitoring reports, but its operational purposes could be specified.	**Low** Monitoring reports were not provided and offer no possibility of measuring portfolio project deadline or cost overruns or the appropriateness of potential reallocations.	**High**
	14	**Management of project implementation**	**Medium** A project management mechanism is described in the legal framework (PIM decree), but remains to be clarified.	**Low** Project managers are designated, but documents on adjustments made to projects are lacking. The external auditor has yet to audit large self-funded projects.	**Medium**
	15	**Monitoring of public assets**	**High** The asset monitoring framework on accrual-based accounting is in line with international standards.	**Low** Nonfinancial asset records are not available in sectoral ministries, and financial statements have yet to be produced.	**Medium**

Table 2. PIMA – Climate Change Module Summary Table

Phase/Institution			Institutional Design	Priority
C-PIMA	C1	**Climate-aware planning**	**Medium** National and sectoral strategies are generally consistent with the 2021 Nationally Determined Contribution (NDC), but land use planning and building regulations do not yet take climate change into account. Support is provided in connection with CC-related aspects, but does not include a quantification of costs or greenhouse gas (GHG) emissions.	**Low**
	C2	**Coordination between entities**	**Low** Despite the existence of a number of coordination mechanisms relating to climate change policies at the central level, none have an explicit mandate regarding State investment choices. While communal development plans support the implementation of climate objectives, the legislative framework does not promote compliance with climate policies for investments by State-owned enterprises.	**Medium**
	C3	**Project appraisal and selection**	**Low** The legal framework does not explicitly consider climate change in impact study methods and in PPPs, and the belatedly published criteria used to select projects for funding make just one climate-related mention.	**High**
	C4	**Budgeting and portfolio management**	**Low** Benin carried out its first tagging of investments as climate-friendly, which led to the publication of a document as part of the 2023 draft budget law. However, climate change is not taken into account in asset management and maintenance policies and, outside donor projects, there is still no ex post audit of projects entailing the climate dimension.	**High**
	C5	**Risk management**	**Medium** The government publishes a national disaster risk reduction strategy, incorporating measures to prevent risks to infrastructure. There are also ex ante financing mechanisms and a fiscal risk analysis that take natural disaster risks into account.	**Medium**

Table 3. Priority Action Plans to Strengthen Public Investment Management

Areas/Actions	Target Date 2023	Target Date 2024	Target Date 2025	Indicators	Areas Responsible	PIMA/ C-PIMA Ref.
Priority Recommendations						
1. Increase the effectiveness of preliminary project appraisals, including regarding the impacts of climate change						
1. Incorporate principles on assessment report publication, access to information required for independent reviewers, and systematic risk analysis into the PIM regulatory framework and its operational implementation.		**June**		Amendment of Decree 2021-586; modification of 2019 PIM guide	**DGPD, DGB**	4/CJ
2. Adopt the draft order on the Project Preparation and Management Fund and allocate sufficient appropriations for the implementation of planned activities.	**September**			Publication of order; increase in fund resources in 2024 draft budget law	**DGPD, DGB**	4/CJ
3. Incorporate into the standard methodology rules and procedures to systematically assess the impact of major projects on climate change.	**December**			Modification of guides and manuals related to the assessment	**MCVDD, DGD**	C3
2. Enhance the effectiveness and transparency of the project selection process						
4. Publish the list of selection criteria in the unified annual budget circular.	**July**			Effective publication of project eligibility criteria in PIP directives and MEF annual circular	**DGB**	10/C3
5. Outline the selection process in the updated version of the PIM manual.		**March**		Modification of 2019 PIM guide	**DGPD, DGB**	10/C3
6. Include selection criteria on combating climate change in the list of criteria based on proposals made by the mission.		**April**		Incorporation in the circular of PIP eligibility criteria for projects relating to climate change	**DGB, DGEC**	10/C3
3. Update the PPP legal framework						
7. Pass the draft law transposing the WAEMU directive and all the implementing decrees.		**March**		Finalization of the draft law amending the 2016 law	**MEF**	5/CJ
8. Integrate climate change considerations explicitly into the legal framework for risk allocation or the long-term contract management framework.		**March**		Inclusion of this dimension in the amending law on PPPs and its regulations	**MCVDD, MEF**	C3/CJ
9. Develop and adopt a PPP strategy.		**September**		Publication of a PPP strategy	**SGPR, MEF**	5/C3

Areas/Actions	Target Date			Indicators	Areas Responsible	PIMA/ C-PIMA Ref.
	2023	**2024**	**2025**			
4. Improve the presentation of the PIP appended to the draft budget law further to the proposals made in Annex 3:						
10. Complete the information sent to Parliament on the total cost of new and ongoing projects.	**September**			Modification of tables in 2024 PIP	**DGB**	6/8
11. Improve commitment authorization (CA) and payment appropriation (PA) budgeting, notably the reliability of data already provided on past budget execution.		**September**		CA/PA budgeting systematized in multiyear expenditure programming document (DPPD)	**DGB**	6/8
5. Improve execution monitoring and its transparency, in particular for agencies (Annex 4)						
12. Ensure the effectiveness and transparency of physical and financial project monitoring, particularly in agencies, following the recommendations made in Annex 4, notably by producing an annex to the draft budget law on the physical and financial progress of major investment projects.		**September**		Enhancement of the three-year PIP document	**DGB, BAI, SGPR, sectoral ministries**	13
13. Improve the project implementation mechanism by adding supplements to the 2021 decree and updating the 2019 PIM manual (project adjustment methodology, implementation plan period).		**June**		Amendment of Decree 2021-586 and of 2019 PIM guide	**DGB, BAI, SGPR**	14
14. Compile and publish statistics on the main timelines for (i) contracting steps and (ii) the processing of public procurement complaints.		**January**		Enhancement of annual report and earlier publication of statistics	**DNCMP, ARMP**	11
15. Draft and adopt an order laying down the timelines for the public expenditure execution chain.		**June**		Publication of order	**DGB, DNCF** **DGTCP**	12
6. Ensure greater public infrastructure sustainability						
16. Supplement the methodologies used to forecast maintenance needs for major asset classes by including aspects on climate vulnerabilities.		**April**		Formalization of standardized methodologies for the maintenance of main nonfinancial assets	**DGML, SIRAT, sectoral ministries**	9/C4
17. Ensure the effective implementation of these methodologies in the budgetary procedure through an explicit reference to them in the budget circular.		**July**		Amendment of budget circular on PLF/PIP preparation	**DGB**	9/C4
18. Operationalize material accounting by incorporating climate risk concerns into asset monitoring.			**January**	Computerized material accounting with identification of CC-sensitive assets	**DGML**	15/C4
7. Incorporate climate concerns into the budget circular on the model followed for gender-responsive budgeting						
19. Put in place effective monitoring of investments related to climate change in budget preparation and execution.		**July**		"Climate" annex to draft budget law	**MCVDD, DGB, MDC, SGPR**	C2/C4

Areas/Actions	Target Date			Indicators	Areas Responsible	PIMA/ C-PIMA Ref.
	2023	2024	2025			
Secondary Recommendations						
1. Update sectoral strategies						
20. Ensure better coverage of key public investment sectors (particularly transportation) by sectoral strategies, including in terms of climate change considerations.		**December**		Update of existing strategies	**All sectoral ministries**	2/C1
2. Consider measurable output targets and investment project outcomes in PIP budget decisions						
21. Incorporate into PIP directives considerations surrounding measurable output targets and investment project outcomes in PIP budget decisions.	**June**			Enhancement of circular letter for budget preparation	**DGB**	2
3. Build on the creation of the Communal Investment Fund						
22. Guarantee better visibility of transfers for local authorities by convening the National Local Finance Commission (*Commission Nationale des Finances Locales* – CONAFIL) upon tabling of the draft budget law and by communicating the provisional allocations at that time.	**September**			Publication of allocations no later than January; prior information to local authorities as of September N-1	**MDGL**	3/C2
23. Provide distribution criteria favoring communal investments related to CC adaptation and disaster risk reduction.		**September**		New FIC text	**MDGL**	3/C2
4. Improve monitoring of contingent liabilities and extra-budgetary entities						
24. Increase the transparency of existing documentation on PPPs and supplement it (fiscal risk statement, publication of project catalog).	**September**			Section dedicated to PPPs in budget documents	**DGB, SGPR**	3/5
25. Broaden the scope of the analytical note on EPAs to State-owned enterprises for it to serve as a report under Article 6.5 of Law 2020-20 on State-owned enterprises.		**September**		Enhancement of analytical note as of 2024 draft budget law	**DGB, DGPED**	3/5/13
26. Incorporate into the aforementioned report aspects on CC considerations in the strategy and investments of these enterprises.		**September**		Enhancement of analytical note as of 2024 draft budget law	**DGB, DGPED, MCVDD**	C2
5. Strengthen public procurement oversight						
27. Take advantage of the implementation of e-procurement to strengthen public procurement oversight through computerized monitoring of public procurement processes in ministries.			**January**	Automatic feedback on public procurement	**DNCMP, ARMP**	11

Areas/Actions	Target Date 2023	2024	2025	Indicators	Areas Responsible	PIMA/ C-PIMA Ref.
6. Improve forecast quality						
28. Improve the quality and/or consistency of cash management and expenditure execution forecasting tools (AWP, PP, CP, and CFP)		**January**		Improvement of execution data quality	**MEF, DGB, DNCMP, DGTCP**	12
7. Strengthen PIM information systems						
29. Interface the MDC, MEF, and agency information systems to better integrate project management between the various actors and roll out the project tracking application led by the BAI within executing agencies			**June**	Communication of PIM business applications	**DSI of the MDC, MEF, DGB, agencies, and BAI**	IS
8. Ensure capacity development						
30. Continue capacity development, particularly on (i) aspects relating to preliminary appraisals and (ii) aspects relating to the consideration of climate factors.	**Ongoing process**			Training plans	**All ministries**	HR
9. Give greater consideration to public infrastructure risks						
31. Incorporate a quantitative assessment of medium-term climate risks to public infrastructure as well as a qualitative assessment of risks that can emerge in the longer term.		**September**		Enhanced fiscal risk statement	**DGB, MCVDD, sectoral ministries**	C5
32. Ensure that budgeting includes a public infrastructure risk response mechanism commensurate with the assessed risks.		**September**		2024 draft budget law	**DGB**	C5

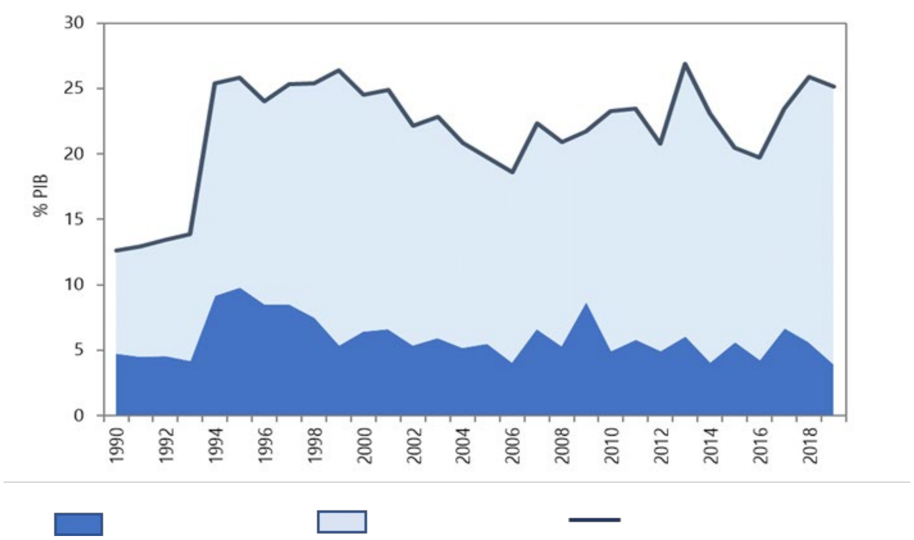
I. PUBLIC INVESTMENT TRENDS IN BENIN

A. Government capital stock and investment trends

1. **Public investment in Benin followed an irregular pattern before rising sharply from a low in 2019.** IMF public investment database figures show an average public investment rate of 5.9 percent of GDP over the period 1990–2019, slightly higher than the WAEMU average of 5.5 percent. Public investment hit a low in 2019 (3.9 percent of GDP). However, the execution data contained in the 2023–2025 Multiyear Budget and Economic Programming Document (DPBEP) associated with the initial budget law (LFI) for 2023 indicate a strong recovery, with public investment of 6.9 percent of GDP in 2020 and 8.2 percent in 2021.

2. **The composition of total investment saw a considerable change in favor of private investment.** While it stood at 14.9 percent of GDP in 2015 (for a total investment of 20.5 percent), private investment was 21.3 percent of GDP in 2019, for a total investment of 25.2 percent of GDP **(see Chart 3)**. This change is reflective of the active private sector promotion policy pursued in recent years, as the rise in public investment observed as of 2020 aims to meet infrastructure needs related to economic development and the public's expectations.

Chart 3. Share of Public Investment in Total Investment
(value, % of GDP, 1990–2019)



Source: IMF staff calculations.

3. **The ups and downs in public investment over the period 1990–2019 resulted in a significant decrease in the public capital stock, which nevertheless remains in line with that of neighboring countries (see charts 4 and 5).** The public capital stock (in percent of GDP) has

been on a downward trend in Benin since the mid-1990s, whereas it is fairly stable in most countries used as points of comparison, including emerging countries, countries of sub-Saharan Africa as a whole, or a sample of neighboring countries for most WAEMU members. Within this sample, Benin held an intermediate position in 2019 with a public capital stock (77.0 percent of GDP) close to that of Senegal (71.4 percent of GDP), but significantly higher than that of Ghana (40.5 percent) or Côte d'Ivoire (36.7 percent) and, conversely, much lower than that of Togo (119.8 percent) or Rwanda (104.9 percent of GDP).

Chart 4. Public Capital Stock: Regional Comparisons
(value, % of GDP, 1990–2019)

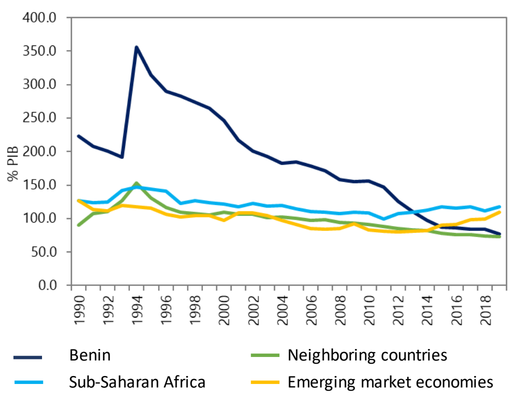
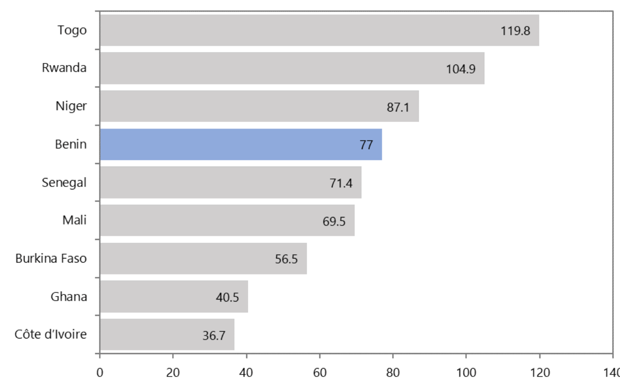


Chart 5. Public Capital Stock, 2019
(value, % of GDP)

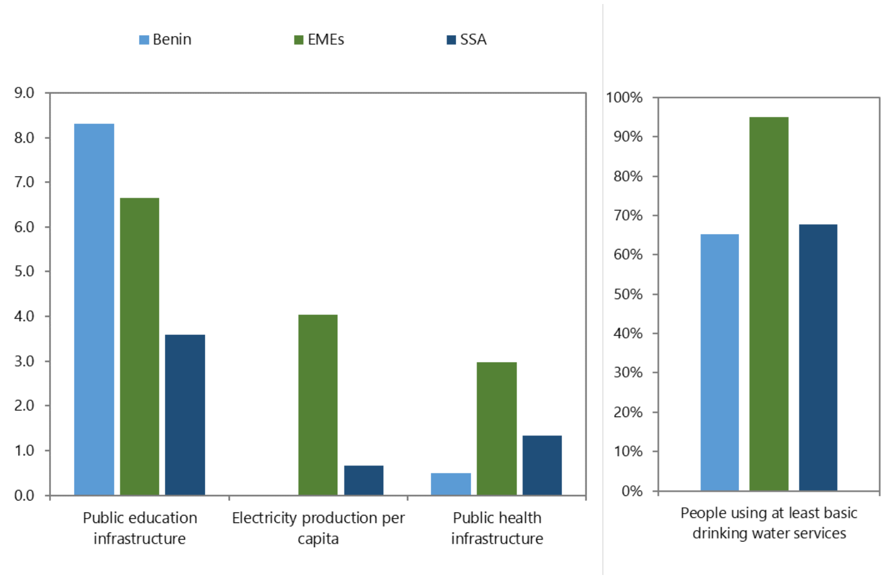


Source: IMF staff calculations.

B. Efficiency of public sector investment

4. Indicators on physical access to public infrastructure place Benin in a more or less favorable position depending on the sector (see Chart 6). Benin is in a very favorable position—both vis-à-vis the SSA average and vis-à-vis emerging countries—regarding public education infrastructure. It is at about the same level as the SSA average for access to drinking water, but much further behind for public health infrastructure. It should be noted that the energy indicator in the IMF database cannot be considered representative because it measures electricity production, while Benin is largely an importer because of its interconnection with neighboring countries (Nigeria, Togo). Benin's challenges therefore lie in transportation and distribution infrastructure.

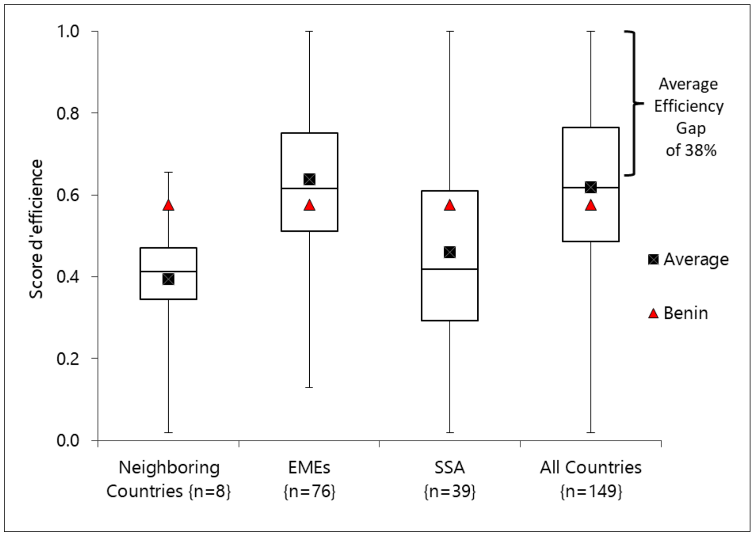
Chart 6. Indicators of Physical Access to Public Infrastructure



Source: World Bank World Development Indicators and IMF staff calculations.
Note: Education infrastructure is measured as the number of secondary school teachers per 1,000 people; electricity production per inhabitant is in thousands of KwH per person; and public health infrastructure is estimated by the number of hospital beds per 1,000 people. Latest available data.

5. In terms of efficiency, Benin falls within the average range in the international comparison for the physical access indicator (see Chart 7), with an efficiency gap of 42 percent compared to the 38-percent average. It is, however, in a good position relative to the sample of eight neighboring countries (61 percent) and all of sub-Saharan Africa (54 percent). The efficiency indicator for infrastructure quality was not calculated, unlike in the 2018 PIMA, because the most recent data for this indicator date back to 2017, which reduces their relevance for the assessment of current public investment efficiency in Benin.

Chart 7. Physical Access Indicators – International Efficiency Comparison



Source: IMF staff calculations, 2019 data. An efficiency gap of 38 percent means an efficiency loss of up to 38 monetary units out of 100 spent. The narrower the efficiency gap, the better the performance.

II. UPDATE OF THE PUBLIC INVESTMENT MANAGEMENT ASSESSMENT

A. Assessment overview

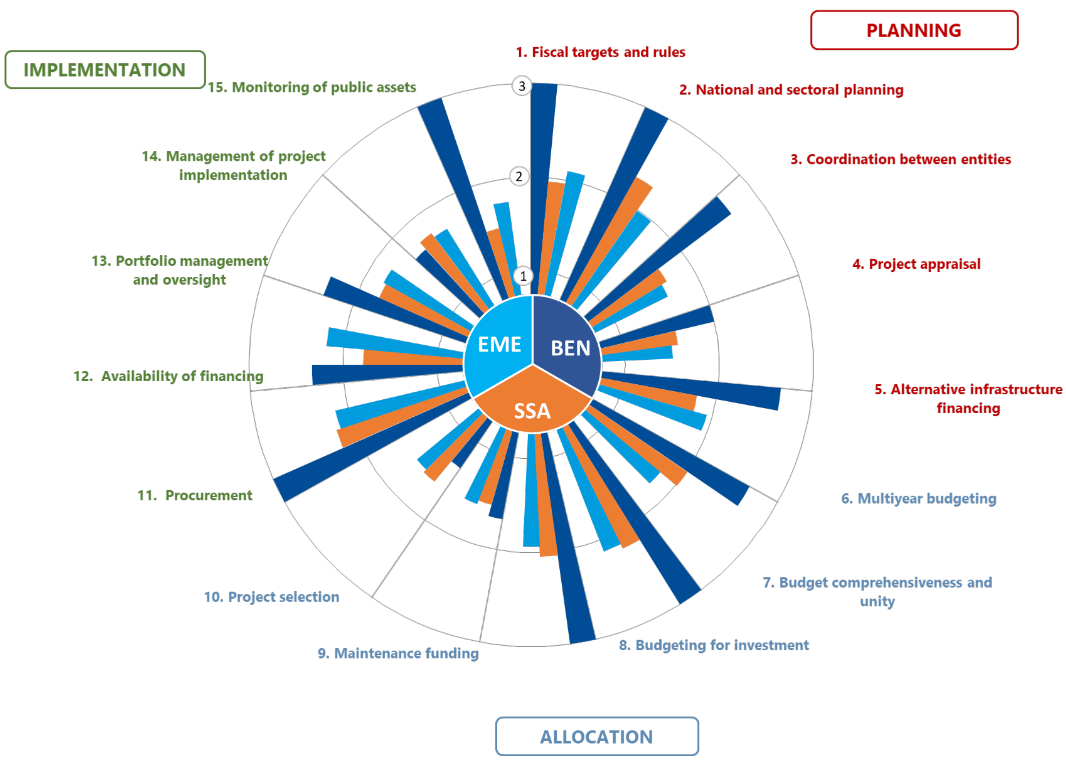
6. This section assesses the institutional design and effectiveness of 15 PIM institutions in Benin based on the PIMA methodology (see Chart 8). The institutions are divided into three phases of the PIM cycle: (i) ensuring sustainable levels of public investment through a sound planning process; (ii) allocating resources to the right sectors and projects; and (iii) implementing investment projects to provide productive and sustainable assets. The sections that follow aim to assess the institutional design ("on paper") of each institution, based on laws and regulations, and its effectiveness ("in practice"), based on the study of actual practices in Benin. For example, for preliminary project appraisal, institutional design will be judged on the existence of an appraisal methodology, whereas effectiveness will be assessed on the basis of its practical application to investment projects. The assessment is based on meetings with the main parties involved and on data and documents gathered during the mission. It focuses on the central government's practices in terms of planning, resource allocation, project monitoring, and coordination with other public sector entities, such as subnational governments (communes) and State-owned enterprises.

Chart 8. PIMA Assessment Framework

Source: IMF staff.

7. The institutional design of PIM in Benin is, on the whole, better than that of comparable countries (see Chart 9).[1] Compared to regional averages (SSA) and the averages of emerging market economies (EMEs), strengths are spread across the three phases of the PIM cycle, but touch the planning and budgeting phases more specifically. In the implementation phase, Benin has a framework on procurement (institution 11) and monitoring of public assets (institution 15) that is substantially above average. For the three other institutions, it is at a comparable level with other countries. Conversely, weaknesses in comparative terms lie in project selection (institution 10).

Chart 9. Benin: International Comparisons of PIM Institutional Design



Source: Mission.

8. In practice, the effectiveness of PIM institutions in Benin is often greater than that of the selected comparator groups (see Chart 10). This applies to most planning cycle institutions, except project appraisal (institution 4), multiyear budgeting (institution 6), budget comprehensiveness and unity (institution 7), and procurement (institution 11). Benin only lags far behind comparable countries for availability of funding (institution 12) and monitoring of public assets (institution 15).

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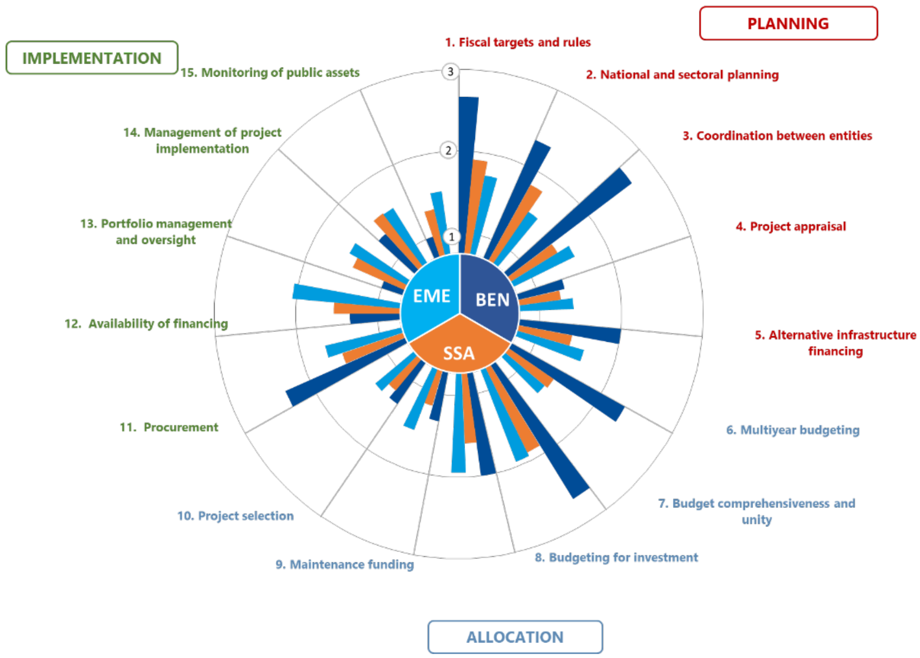
[1] Emerging market economies were used as comparables because Benin is no longer in the low-income country category, having moved to the lower-middle-income country category in July 2020, according to the World Bank (WB) classification, on the basis of data available at end-2019.

Chart 10. Benin: International Comparisons of PIM Effectiveness



Source: Mission. A score of 1 corresponds to a basic practice, a score of 2 to an intermediate practice, and a score of 3 to an advanced practice across all three dimensions of each of the 15 institutions.

9. The 2023 PIMA shows a marked improvement in PIM in Benin from the previous assessment (2018 PIMA) at the institutional level. This improvement, which applies to six institutions, reflects the breadth of the reforms conducted over the past five years (adoption of a new PIM legal framework, legislation on State-owned enterprises, liberalization of economic infrastructure markets, transition to a program budget, strengthening of multiyear budgeting, adoption of texts on the new asset recognition framework, etc.). Only two institutions saw their institutional design decline: project selection (institution 10) and portfolio management and oversight (institution 13). However, these changes are more related to an improvement in the PIMA methodology between 2018 and 2023 than to the intrinsic degradation of the legal framework.

10. The progress made in effectiveness is not as clear. Only two institutions saw their score increase: coordination between entities (institution 3), owing mainly to better coverage of contingent liabilities in budget documents, and procurement (institution 11). Given the higher requirements of the revamped PIMA framework, the stability of the scores for the other institutions, with the exception of portfolio management (institution 13), already reflects a significant effort to ensure better effectiveness.

Table 4. Changes in Benin's PIMA Scores Between 2018 and 2023

		Institution	Institutional Design	Effectiveness
A. Planning	1	Budget rules and objectives	Medium to High	High
	2	National and sectoral planning	High	Medium
	3	Coordination between entities	Medium to High	Medium to High
	4	Project appraisal	Low to Medium	Low
	5	Alternative infrastructure financing	Medium to High	Medium
B. Allocation	6	Multiyear budgeting	Medium to High	Medium
	7	Budget comprehensiveness and unity	NOT COMPARABLE	NOT COMPARABLE
	8	Budgeting for investment	High	Medium
	9	Maintenance funding	Medium	Low
	10	Project selection	Medium to Low	Low
C. Implementation	11	Procurement	High	Low to Medium
	12	Availability of funding	Medium	Low
	13	Portfolio management and oversight	High to Medium	Medium to Low
	14	Management of project implementation	Medium	Low
	15	Monitoring of public assets	Low to High	Low

Source: Mission.

B. Planning sustainable public investment levels

1. Fiscal targets and rules *(Institutional design: High; Effectiveness: High; Priority of reform: Low)*

11. This institution seeks to measure the existence of fiscal targets and rules that facilitate medium-term planning of public investment expenditures and guarantee long-term public debt sustainability. Excessive volatility in investment expenditures weakens public investment efficiency. The assessment focuses on the existence of fiscal policies, without emphasizing any preference for a specific policy or the weight that investment expenditures should represent. This first institution aims to ensure that (i) a target or limit is set to allow the State to ensure debt sustainability, (ii) fiscal policy is governed by one or more fiscal rules, and (iii) a medium-term fiscal framework (MTFF) is in place to align annual budget preparation with the fiscal policy.

12. Benin respects the debt ceiling stemming from WAEMU rules. Article 4 of Organic Law No. 2013-14 of September 27, 2013, on budget laws (LOLF) establishes an obligation for Benin to comply with the WAEMU convergence criteria. These criteria include a total public debt ceiling relative to GDP of 70 percent, assessed on the basis of the Government Financial Operations Table (TOFE). The fiscal policy and debt strategy both aim to guarantee compliance with this criterion over time. The 2023-2025 DPBEP appended to the initial budget law for 2023, published in December 2022, estimates public debt to be 51.65 percent of GDP at end-2022 and projects near stability in debt over the period covered, despite financing needs related to the 2021-2026 PAG, the impact of Russia's invasion of Ukraine, and regional security problems.

13. The fiscal policy is governed by a rule on local government and, above all, the WAEMU criteria, suspended since 2020. However, the WAEMU's public finance criteria other than the one on debt, implemented in principle through the three-year program as specified in the DPBEP, are currently not being met.[2] In particular, the fiscal balance was -5.7 percent of GDP in 2021 and -5.9 percent in 2022 (source: 2023-2025 DPBEP). The application of the convergence criteria was suspended *sine die* for all member countries of the zone in 2020.[3] As for other sectors of government, budgetary management within local authorities (CLs) is governed by articles 364 and 365 of Law 2021-14 of December 20, 2021(Territorial Government Code) establishing a real budget balance rule. In practice, compliance with this rule is verified through inspections carried out by the oversight authority on the budgetary acts of communes and public institutions for intercommunal cooperation (articles 437 and 438 of the aforementioned code). The communes had a positive overall budget execution balance in 2021, the last known year, at CFAF 13.3 billion.[4]

14. The MTFF established by the DPBEP ahead of budget preparation, distinguishing current expenditures from capital expenditures, effectively guides the preparation of successive annual budgets. The LOLF (Article 59) requires the government to establish a DPBEP every year and submit it to Parliament before May 30, outlining a medium-term budgetary framework spanning at least three years across all governments. The DPBEP provides projections of revenue, expenditure, balance, and debt aggregates and distinguishes between current expenditures and investment expenditures. In practice, the DPBEP is published systematically in June (initial version) and in December (final version with LFI figures following adoption in Parliament). It ensures effective supervision of capital expenditures at the aggregate level, with a variance between the initial DPBEP and the initial budget law limited to less than 10 percent over three years.[5]

15. Strengthening fiscal targets and rules does not require any particular recommendation. The combination of WAEMU rules and of the implementation of a program

[2] Fiscal deficit representing less than 3 percent of nominal GDP (first-tier criterion), wage bill representing less than 35 percent of tax and customs revenues, and tax burden rate above 20 percent of GDP (second-tier criteria).

[3] Declaration of the Conference of Heads of State and Government of WAEMU Member Countries on the Convergence, Stability, Growth, and Solidarity Pact (April 27, 2020).

[4] Source: Analytical note on local finances associated with the 2023 initial budget, figures across 69 communes.

[5] The variance between the initial DPBEP and the initial budget law in terms of total capital expenditures was very small in 2021 and 2023 (less than 2 percent). A higher variance in 2022 (+22 percent) is due to the overlap between the completion of 2016–2021 PAG works and the start of the 2021–2026 PAG, as the continuation of 2016–2021 PAG projects generated needs that were not entirely anticipated at the time of the initial DPBEP in June 2021.

concluded with the IMF (in effect until May 2026) makes actions in this area less urgent than for other institutions under the PIMA framework.

2. National and sectoral planning *(Institutional design: High; Effectiveness: Medium; Priority of reform: Medium)*

16. Public investment should be guided by national and sectoral strategies or plans with clear and realistic priorities, cost estimates, and precise objectives for each sector. This institution first checks whether national and sectoral public investment strategies or plans covering all public investment projects, regardless of their financing source, are prepared and published by the authorities. It then emphasizes the importance of costing public investment plans and determines whether sectoral strategies identify measurable targets for public investment outputs and impacts.

17. Investment projects are presented in the national strategy, driven mainly by the 2021–2026 PAG, and in sectoral strategies for sectors with an updated strategy. The Benin 2025 vision was, at the time, a long-term development strategy outlined in a 2018–2025 National Development Plan (PND), which served as a medium-term strategic direction instrument. However, the cornerstone of the public investment planning mechanism is PAG 2 (2021–2026), considered to be a PND implementation instrument. The 2021–2026 PAG comprises three pillars subdivided into seven strategic areas. It is developed under the guidance of the MDC, more specifically the Directorate General of Development Policies (*Direction générale des politiques de développement* – DGPD), which relies on the network of Planning, Administration, and Finance Directorates (*Directions de la planification, de l'administration et des finances* – DPAFs) within sectoral ministries. It is supplemented by sectoral strategies for a number of public policies **(see Table 5)**, some of which need updating. National and sectoral planning effectively informs subsequent PIM phases, as 201 out of the 234 projects listed in the 2023–2025 PIP (or 80 percent) stem from the 2021–2026 PAG.

Table 5. Examples of National and Sectoral Strategies in Benin

Strategy/Level	Strategy	Published	Estimated Overall Cost	List of Projects	Estimated Project Costs	Outcome and Output Indicator	Results Framework
2018-2025 PND	√	√	√	√	X	X	√
2021-2026 PAG	√	√	√	√	√	√	√
2014–2018 Sectoral Transportation Strategy	√	√	√	√	√	√	√
2016–2025 Low-Carbon and Climate-Resilient Development Strategy	√	√	X	X	X	√	√
2020–2024 Ministry of Energy Strategic Plan	√	√	√	√	√	√	√

Strategy/Level	Strategy	Published	Estimated Overall Cost	List of Projects	Estimated Project Costs	Outcome and Output Indicator	Results Framework
2017–2030 National Strategy for the Supply of Drinking Water in Rural Benin	√	√	√	√	√	√	√
2025 Agricultural Sector Development Strategic Plan and 2017–2021 National Agricultural Investment and Food and Nutritional Security Plan	√	√	√	√	√	√	√

Source: Mission, regarding ministries met, excluding plans or strategies specific to climate commitments.

18. **The 2021–2026 PAG and nearly all sectoral strategies include overall cost estimates, by sector and project. However, their consistency with the PIP is not readily clear.** The overall cost of the 2021–2026 PAG is therefore estimated to be approximately CFAF 12,000 billion over five years. A large proportion of projects is presented in the form of project ideas that can only be included in the PIP once feasibility studies are available. It is therefore difficult to verify the consistency between the overall costing of PAG 2 and that of the 2023–2025 PIP (CFAF 5,634 billion in commitment authorizations and CFAF 2,856 billion in payment appropriations), which covers just three years. Moreover, part of the PAG 2 cost relies on private funding (hotels and tourism infrastructure, for example), and the timeline of some projects extends beyond the 2023–2025 PIP.

19. **Most sectoral strategies include measurable outcome and output targets. However, the degree of their effective consideration in PIP determinations could not be ascertained.** As **Table 5** above shows, the sectoral strategies examined include monitoring and evaluation frameworks with outcome and output indicators. Specific guidelines for PIP determinations and discussions make reference to the performance logic associated with the budget in program mode, which must appear in the project document. Therefore, the published report on the PIP eligibility criteria provides for a project effectiveness rating based on the proportion of indicators provided. According to the DGB, budget discussions effectively take outcome and output indicators into account for all investment projects. However, performance meetings rather focus on an analysis of the internal consistency of budget program objectives and the relevance of indicators reported in budget documents. It is not established that each project's contribution to the achievement of performance targets taken from various strategies is a systematically applied criterion to justify the choice of each project in the absence of traceability.

20. **Improving investment planning at the national and sectoral levels is of medium reform priority.** Although the 2021–2026 PAG is the main planning document, updates to sectoral strategies in areas important to PIM (particularly transportation) are nevertheless useful for both the ministries themselves and their external partners. Moreover, the effective consideration of performance indicators for investment projects in PIP budget decisions must be strengthened. Ensuring better "traceability" of planned projects in budget documents, at both

the aggregate level and the individual project level, is also an important point (see the developments below in institution 6 on the PIP).

3. Coordination between entities *(Institutional design: High; Effectiveness: High; Priority of reform: Low)*

21. The various levels of government and agencies should coordinate their public investment actions for consistent planning and implementation. First and foremost, this institution assesses the level of coordination between central government and territorial authorities (CTs) and determines whether the central government uses a transparent rule-based system to make capital transfers to CTs. It also analyzes the framework put in place to monitor and disclose the government's exposure to major fiscal risks in connection with public investment projects carried out by other public entities (State-owned enterprises and PPPs).

22. Benin's 77 communes all have a communal development plan (PDC), developed according to the guidelines issued by the State and discussed with local representatives. Article 17 of the aforementioned territorial government code provides that, for each of Benin's 12 departments, a departmental consultation and coordination council comprising State representatives must necessarily be consulted about programs on the economic, social, and cultural development of communes and about bringing them in line with national development policies and strategies. This council's discussions are underpinned by prior exchanges between communes and State representatives at the local level. A guide prepared by the MDC (DGPD) and the Ministry of Decentralization and Local Governance (*Ministère de la décentralisation et de la gouvernance locale* – MDGL) guides PDC development. In practice, the 77 communes in Benin are wrapping up their third-generation PDC (2018–2022) and are beginning to prepare the fourth generation of the plan, which will cover the period from 2022 to 2027. The mechanism for coordination between the State and local authorities is complemented by communal budget meetings, which are held every year from June to September and serve as a forum for discussions between the DGB, the MDGL, key sectoral ministries, and communes to better assess the investment needs faced by the communes.

23. Transfers to territorial authorities are governed by rules, but the authorities are notified late of their allocation amounts. Decree 2008-276 of May 19, 2008, on the creation of the Commune Development Support Fund (*Fonds d'appui au développement des communes* – FADeC) sets out the criteria and calculation method for allocations to territorial authorities. It is supplemented by a 2015 FADeC manual, which establishes a transfer calculation formula based on population, surface area, poverty, and performance and provides that provisional allocations must be communicated to them in October N-1. Effective use of this manual is a step forward compared to the 2018 PIMA. In practice, the distribution mechanism is effectively applied, under the auspices of a National Local Finance Commission (*Commission nationale des finances locales* – CONAFIL). However, this Commission meets late, and communes are only informed of the exact transfer amount they will receive several months after the start of the budget year. For example, for the fiscal year 2021, CONAFIL met from March 4 to 5, 2021, to decide on the exact amount of allocations for each commune. The interministerial decree issued following the CONAFIL meeting for the effective distribution of FADeC allocations therefore also comes after the start of the budget year, forcing communes to pass an amending budget.[6]

24. Monitoring of contingent liabilities resulting from the projects of territorial authorities, State-owned enterprises, and PPPs is governed by regulation and effectively provided for in budget documents. Decree No. 015-581 of November 18, 2015, establishing the public debt and debt management policy requires territorial authorities and State-owned enterprises or public institutions to periodically provide the MEF with details on their debts, whether or not they are guaranteed by the State (Article 22).[7] This decree also makes reference to PPP monitoring (Article 20) and ensures the transparency of information on public debt (articles 23 to 26). In practice, beyond the annual debt strategy, contingent liabilities are monitored mainly in budget documents through an analysis of fiscal risks (debt of State-owned enterprises whether or not guaranteed by the State, risks related to territorial authorities and PPPs) and through analytical notes on local authorities and State-owned enterprises, which incorporate each of the elements on debt contracted by these public entities. Information on PPPs is mostly qualitative (description of the institutional framework, no list of PPPs) and will have to be enhanced if PPP development accelerates.

25. Strengthening capital expenditure coordination between the State and other government actors is of low reform priority. Aside from enhancing monitoring and documentation on PPPs (see institution 5 below), one improvement would be to guarantee, as part of the FADeC's replacement by a Communal Investment Fund, greater visibility for territorial authorities regarding State transfers by meeting with CONAFIL as soon as the draft budget law is tabled and having it endorse a draft provisional allocation, communicated to the territorial authorities so that they can engage in their budget process under proper conditions.

4. Project appraisal *(Institutional design: Medium; Effectiveness: Low; Priority of reform: High)*

26. Appraisal good practices aim to ensure that projects are analyzed according to a strict methodology before being selected and budgeted. The PIMA methodology requires major investment projects to undergo thorough technical, economic, and financial analysis using a standard methodology, benefiting from the support of a central structure and entailing a risk analysis.

27. Despite a favorable normative framework, the preliminary appraisal of large projects lacks transparency. The regulatory framework prescribes a systematic preliminary appraisal of projects as well as its independent review by the MEF (articles 4 and 8 of Decree

[6] See, for example, 2022 Order No. 1840/MEF/MDGL/DC/SGM/DGB/DRCTOE/SP-CONAFIL/SP-013/SGG22 of July 20, 2022, for the distribution of FADeC transfers in the fiscal year 2022.

[7] Complemented by 2021 Order No. 1278/MEF/DC/CAA/SP-109/SGG21 of May 26, 2021, establishing the procedures for granting and managing State guarantees or endorsements and government loan onlending.

No. 2021-586 of November 10, 2021, establishing the PIM general framework). It does not, however, require the publication of results. Moreover, having the independent review carried out by the MEF guarantees a good understanding of budget and financial issues, but can lead to a more superficial review of the technical and economic aspects of project appraisals, unless the MEF acquires appropriate capacities and/or engages competent staff from the MDC for its review. Because the review process is not documented and appraisals are not published, the mission was unable to analyze the reports themselves and confirm the effectiveness of the independent review of reports by the MEF. According to the authorities, this review is carried out during PIP determination meetings and covers over 75 percent of projects, but is not documented.[8] The few feasibility study reports analyzed by the mission are insufficient to draw meaningful learnings.[9] The studies can be supported by a "Project Preparation and Management Fund" totaling CFAF 11.3 billion on average over the period 2020–2023, which is less than 2 percent of the annual PIP, with more than 88 percent executed over three years from 2020 to 2023.

28. There are many standard methodologies and a central support structure, but the mission was unable to determine whether these tools are used systematically. Aside from donors' own methodologies, the authorities have a number of standardized methodologies, developed with the support of TFPs and presented in manuals that, in some instances, are published.[10] Furthermore, the regulatory framework (Article 8 of Decree No. 2021-324 of June 30, 2021, establishing the powers and duties, organization, and functioning of the MDC) entrusts the MDC's DGEOCS with a central support role in public investment project appraisals. In practice, the mission was unable to assess the effective application of these national standard methodologies to major projects for the reasons explained earlier. The ministries with which it met did, however, confirm that they know of and use these different methodologies.

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[8] At the mission's request, the authorities prepared, on the basis of the 2021–2026 PAG, a significant sample of high-stake major projects, generally monitored at the BAI level. This sample covers 51 out of 201 PAG 2 projects (or 25 percent) and represents CFAF 8,836 billion out of the CFAF 12,011 billion under PAG 2 (or 74 percent). Based on this sample, the authorities indicated that 43 out of the 51 projects (or 84 percent in number of projects and 80 percent in cumulative financial amount) were subject to a thorough appraisal, included a summary publication of the results, and underwent an independent review by the MEF. Although the authorities stated that the MEF review covered all candidate projects for PIP eligibility, the mission was unable to corroborate this.

[9] Apart from the status report on the project site locations and choice of development guidelines for the Sèmè City project, which is not an overall preliminary project appraisal report, the few reports provided were not included in the sample of major projects and essentially had fairly poor content in terms of gross fixed capital formation. This includes mainly the intensive reforestation program on the national territory (2019), which does not provide sufficient project details, a ruminant herd settlement project in Benin (2021), a project to build and equip classrooms in nursery and primary schools (2022), a project to promote gender and women's empowerment (2022), or a project to support the socio-economic integration of vulnerable persons.

[10] In particular: (i) the July 2020 guide for conducting project feasibility studies; (ii) the October 2021 handbook for assessing project feasibility study reports; and (iii) the April 2022 ex ante project and program appraisal manual. Moreover, the national evaluation methodology guide, set forth in Article 28 of the aforementioned Decree No. 2021-586 of November 10, 2021, refers to a December 2017 guide on public policy evaluations. This guide, prepared with support from UNICEF, is available on the website of the public policy evaluation bureau, an entity that no longer exists because it was absorbed into the MDC's DGEOCS.

Nevertheless, the mission draws the authorities' attention to the fact that it would be advisable to streamline all these appraisal methodologies by, for example, taking advantage of the future framework law on appraisals currently being drafted.

29. The analysis of risks in preliminary appraisals is not a requirement under the legal framework, and its effective implementation level could not be confirmed. There is no regulatory requirement for a systematic assessment of risks in appraisals of major public investment projects. The various methodologies only make a very brief reference to the risk analysis, without requiring an analysis of the likelihood and potential impacts. This applies to both the ex ante project and program assessment manual (developed in 2009 with UNDP support) and the methodological guide for developing sector or thematic strategy documents and for the PIM manual.[11] Because the reports were not published or transmitted, the mission was unable to assess the effectiveness of the risk analysis. On the basis of the aforementioned sample, the authorities stated that over 75 percent of major projects had undergone thorough analysis. Discussions with a few ministries revealed that risks are sometimes considered, but that the lack of knowledge on risks inherent to the sector concerned hampers the mechanism. The few study reports shared with the mission are insufficient to draw lessons.[12]

30. Enhancing the transparency of the preliminary project appraisal process is of high reform priority to support the selection of better projects. The implementation of the new appraisal policy is an opportunity to build evaluation capacities and integrate systematic risk analyses into ex ante public investment project appraisals. Above all, the effectiveness of preliminary project appraisals, including regarding the impacts of climate change, should be enhanced (see C-PIMA institution C3 below). To that end, the PIM regulatory framework and the updated management manual should include principles on the publication of appraisal reports, access to information required by independent reviewers, and systematic risk analyses. Furthermore, the draft order on the "Project Preparation and Management Fund" will have to be adopted, and sufficient appropriations will have to be allocated to this Fund for planned activities.

5. Alternative infrastructure financing *(Institutional design: High; Effectiveness: Medium; Priority of reform: Medium)*

31. The aim of this institution is to assess the regulatory framework for the mobilization of alternative financing, private investment on economic infrastructure markets, PPPs, and investments by State-owned enterprises. The assessment focuses on the

[11] This manual, developed in September 2019 with the support of the World Bank, is being reviewed to ensure that it aligns with the 2021 decree mentioned earlier. It is available at: (https://elearning.agriculture.gouv.bj/bibliotheque/upload/Manuel_gestion_investissements_Bénin_2019.pdf).

[12] The report on the intensive reforestation program on the national territory does not provide sufficient details on risks associated with the investment projects concerned and the mitigation measures. However, the other feasibility study reports referred to earlier regarding projects outside the sample include a thorough risk analysis and mitigation plans for those risks.

existence of a legislative and regulatory framework that facilitates the participation of investments from the private sector and State-owned enterprises. It seeks to ensure that (i) a regulatory framework promotes competition in contestable economic infrastructure markets; (ii) a strategic and legislative framework is in place to guide PPP project preparation, selection, and management; and (iii) a supervision framework exists for the investment plans of these entities as well as for their financial results.

32. Strengthening a legislative and regulatory framework favorable to competition over the past five years led to the emergence of private operators on a number of markets. The regulatory framework was significantly strengthened since 2018 through the adoption of sectoral and cross-cutting legislation (Investment Code in 2020).[13] It was accompanied by the creation of dedicated regulators.[14] Private enterprises are now the majority in the telecommunications sector (MTN and Moove Africa). The share of incumbent public operators is higher in the capital-intensive water (*Société nationale des eaux du Bénin* – SONEB) and electricity (*Société béninoise d'énergie électrique* – SBEE) sectors, but private actors invest in rural areas that are not yet connected and benefit from the increasing separation of generation, transmission, and distribution businesses in the energy sector. The electricity market continues to be highly dependent on imports from gas or hydraulic power plants in Nigeria and Ghana, but was able to open up to private actors in certain segments (solar) or in certain geographic areas (Glo-Djigbé Industrial Zone).

33. The PPP normative framework, in force since 2016 and in the process of being adapted to the WAEMU's recent PPP directive, fell short in terms of initial implementation ambitions. Although Law No. 2016-24 of October 24, 2016, establishing the PPP legal framework in the Republic of Benin outlines the definition, selection, instruction and approval of PPPs, it has not been complemented by a PPP strategy specifying the sectors in which private partners are expected and/or by a more operational guide.[15] The number of signed PPP contracts has remained low since. The list of PPPs that were or are in the process of being signed at end-March 2023 is therefore less than a dozen long according to a survey provided by the BAI to the Office of the President of the Republic, which comprises the PPP Support Unit (*Cellule d'appui aux PPP* – CAPPP) provided for in Article 5 of the aforementioned 2016 law.[16] This appears to be

[13] Law No. 2020-35 of January 6, 2021, amending Law No. 2017-20 of April 20, 2018, establishing the digital code in the Republic of Benin; Law No. 2020-35 of January 6, 2021, amending Law No. 2017-20 of April 20, 2018, establishing the digital code in the Republic of Benin.

[14] For example: Decree No. 2019-209 of July 31, 2019, on the organization and functioning of bodies of the Electronic Communications and Postal Regulatory Authority (*Autorité de régulation des communications électroniques et de la Poste* – ARCEP).

[15] The strategic guidance note on public investment dated August 2022 makes only a very brief reference to PPPs, even though it is supposed to be "the reference document for PIP in the three-year period 2023–2025."

[16] Three leasing contracts signed for hydraulic works in rural areas (starting on March 1, 2023), three leasing contracts for the operation of sludge treatment plants (approved at the Council of Ministers meeting on March 1, 2023), and a contract to design, finance, build, and operate four solar power plants (signed in July 2022 for commissioning in October 2023).

in sharp contrast with the ambitions set out in the 2021–2026 PAG regarding PPPs (CFAF 6,246 billion over the period 2021–2026, including 791 in 2023). According to the mission participants, the transition from what were initially PPPs to direct State investments is the result of a pragmatic economic analysis[17] and a determination to better manage the fiscal risks associated with PPPs. However, the legal framework will have to be overhauled with the transposition of the WAEMU directive adopted in 2022 so as not to hinder the use of this public investment method for projects that warrant it (lack of skills within State services, better quality service delivered by the private sector, complex project entailing long-term maintenance of a structure, etc.).

34. Despite a quality legislative framework, the published details do not guarantee the full effectiveness of investment supervision carried out by State-owned enterprises and their financial health. Law No. 2020-20 of September 2, 2020, on the creation, organization, and functioning of State-owned enterprises provides for a comprehensive government control mechanism on the technical and financial performance of State-owned enterprises, broadly defined because they include corporations (for commercial purposes) and public institutions (also called "agencies" or "offices", that manage public services for general-interest purposes). This law provides that the MEF, through the Directorate General of Government Holdings and Denationalization (*Direction générale des participations de l'État et des dénationalisations* – DGPED), must prepare a report every year on the economic and financial situation of State-owned enterprises, appended to the draft budget law (Article 65). Despite a substantial number of State-owned enterprises (150, including 22 government corporations as at December 31, 2022, according to the 2023 DGPED report), this provision is not applied because (i) the DGPED has inadequate data on State-owned enterprises, with just 24 percent of 2021 financial statements transmitted in early 2023, and (ii) only EPAs are included in an annex to the draft budget law, whose data seem to be skewed by this same lack of responses.

35. Strengthening oversight of PPPs and State-owned enterprises is of medium priority. Reform priorities include the finalization and adoption of the draft law transposing the WAEMU directive and all of its implementing decrees, coupled with the development of an official PPP strategy.[18] The mission also recommends (i) enriching the budget documents regarding PPPs (both within the fiscal risk analysis and via a note attached to the draft budget law or PIP) and (ii) extending to State-owned enterprises the scope of the analytical note currently limited to EPAs to serve as the report expected under Article 65 of Law 2020-20.

C. Allocation of public investment expenditures to appropriate sectors and projects

[17] Cost differential related to the country risk assessment in Benin for financing provided by private partners.

[18] A preliminary draft of the law in the process of being finalized was shared with the mission.

6. Multiyear budgeting *(Institutional design: High; Effectiveness: Medium; Priority of reform: High)*

36. **PIM is based on a multiyear cycle and requires that total project costs as well as a provisional schedule of needs for future years be available.** The sums required for ongoing and new projects must comply with the spending ceilings established by the macro-fiscal framework. The multiyear forecasts must appear in the budget documents. The aim of this institution is to verify that the multiyear aspect is considered in investment programming. The first dimension determines whether there are multiyear investment projections and examines the degree of detail of such projections. The second dimension assesses whether multiyear ceilings are communicated to ministries to allow them to effectively prioritize their projects. The third dimension identifies whether the estimated total costs of each project and the expenditures required for each year in this total are known and accessible to the public.

37. **Capital expenditures, which represent 43 percent of the State budget in 2023, are included in a multiyear forecast published over three years, which is consistent with draft budget law appropriations.** Capital expenditures (investment subsidies and capital grants) are included in a multiyear forecast over three years as part of all the documents associated with the draft budget law.[19] The visible strengthening of consistency between multiyear forecast documents and the LFI for the year should be emphasized. **Table 6** shows a number of gaps between the DPBEP, PIP, LFI, and LFR.

Table 6. Consistency of Budget Data

	Payment Appropriations (CFAF billion)							
	2018	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Execution	446	330	622	803	932			
2018 PIP	469							
2019 PIP		425						
2019 LFI (**variance with PIP**)		+15						
2020–2022 PIP			477	475	481			
2020 LFI (**variance with PIP**)			+9					
2020 LFR (**variance with LFI**)			+71					
2021 PIP				583				
2021 LFI (**variance with PIP**)				+12				
2021 LFR (**variance with LFI**)				+234				
2022–2024 DPBEP					825	847	891	
2022 LFI (**variance with PIP**)					-12			
2022 LFR (**variance with LFI**)					102			

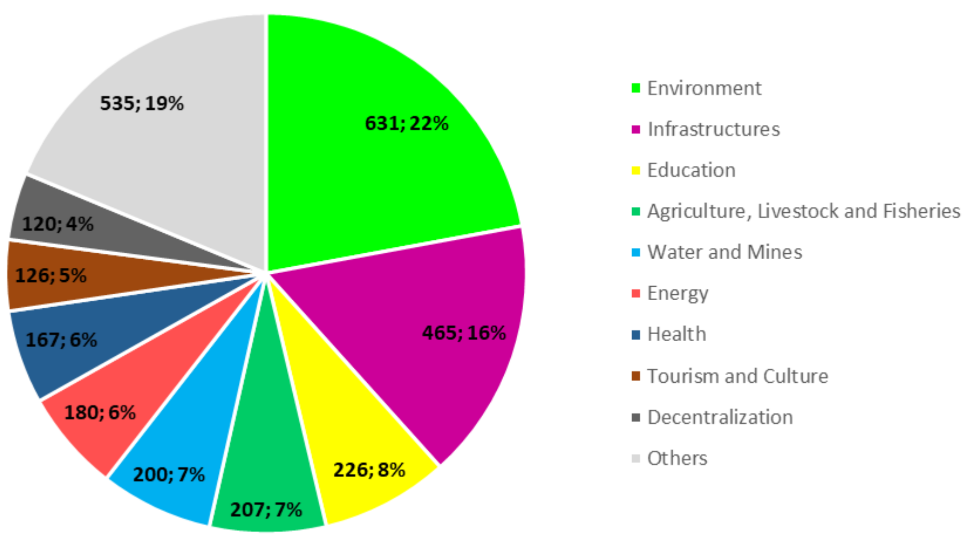
[19] It should be noted, however, that the PIP also includes recurring equipment or operating expenditures incidental to a project, which are not a physical investment. Thus "Acquisition of supplies consumed and equipment at the central level" or "Management of human, material, and financial resources."

2023–2025 DPBEP						982	889	1,007
2023–2025 PIP (**variance with DPBEP**)						-22	+10	-9
2023 LFI (**variance with PIP**)						0		

Source: Mission.

38. The multiyear investment ceilings are binding, and ministries' annual investment envelopes are approved based on those ceilings. The legal framework establishes multiyear public investment programming backed by the DBPEP (Article 56 of the LOLF) and the DPPDs (Article 57 of the LOLF). These are quality documents that outline the ministry's context, objectives, and strategy, the budget programming over three years for all types of appropriations, and a description of each budget program (strategic framework, performance framework, appropriations). They are published online. For each of the three years of programming, the PIP summarizes the list of projects financed through ministerial investment appropriations. The mission noted that all 2023–2025 programming figures were consistent between the PIP and DPPDs (see Chart 11).

Chart 11. Sectoral Distribution of 2023–2025 PIP Appropriations

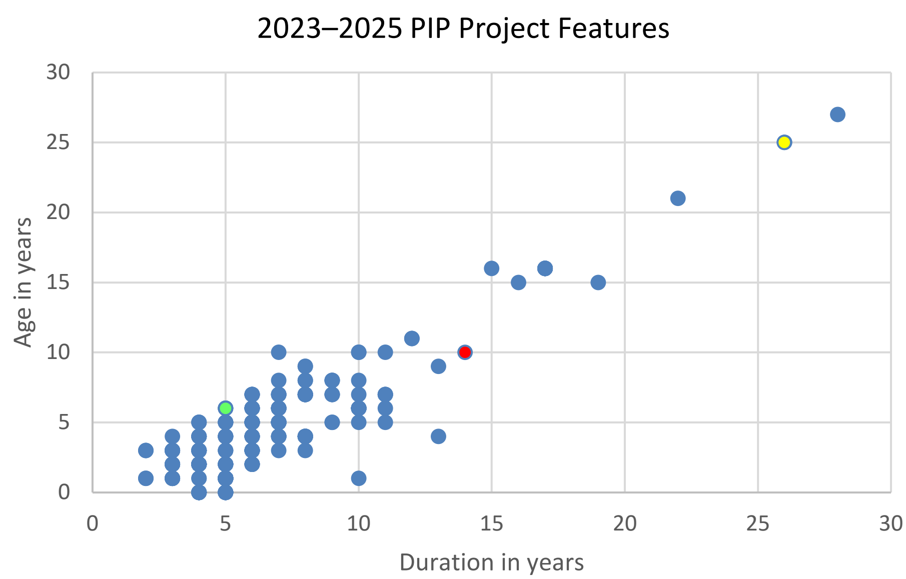


Source: 2023–2025 PIP – PA data in CFAF billion and as a percentage.

39. However, the budget documents remain incomplete in terms of the total project cost presentation, making it impossible to trace and justify developments or deviations. Although the 2016–2021 PAG included a costing of major projects and an estimate of their financing gap, it did not contain an indicative breakdown of costs over time. The PIP does not close this gap because the column on total costs is not filled in due to the size of printouts, according to the authorities. Overall cost is a major decision-making factor not only in the selection, but also in the oversight of PIP projects, as pointed out in the 2019 PIM Manual and the study report entitled "Projects eligible for the 2023–2025 PIP" published in August 2022. Until CA budgeting is more reliable, it is crucial that the overall project cost, together with the project expenditures already incurred, be known. Depending on the legal support for projects, CAs are only an approximation of the overall cost of a project, especially if it is subject to conditional tranches. Lastly, information on overall costs is even more crucial since projects are rolled out over two successive PIP generations, on average, as indicated in **Box 1**.

Box 1. 2023–2025 PIP Project Features

An analysis of 333 projects in the 2023–2025 PIP eligibility report reveals that the average project duration is 6.7 years, with an average project age (as at 2023) of 4.4 years. The scatter plots in the chart below represent PIP investment projects. The PIP eligibility report also includes projects referred to as "suspended" or "old and renewed."



Example of projects in the chart:
- Red: project involving the construction of the archives building and the training center for the finance central administration
- Yellow: expanded vaccination program (Phase IV)
- Green: project to expand the use of digital technology through education and training (GUNEF)

Source: Mission.

40. Improving the information effectively published in the three-year PIP is of high priority so as to fully leverage the efforts already made to increase the quality of budget documents. This requires the DGB to (i) complete the information transmitted to Parliament on the total cost of new and ongoing projects. This information is evidently available in the DGB database and is part of the information that sectoral ministries are asked to review annually in both preparing the "PIP for the fiscal year" and producing its implementation report. Changes to PIP tables to show total costs are proposed in **Annex 3**. It is also recommended that the DGB (ii) begin to improve the reliability of partially entered data on past project budget execution to, in turn, enhance the completeness of annual CA and PA entries for projects.

7. Budget comprehensiveness and unity *(Institutional design: High; Effectiveness: High; Priority of reform: Low)*

41. The aim of this institution is to assess the comprehensiveness and unity of the investment budget. Effective budget choices stem from a presentation of all capital expenditures in the budget and the coordination of corresponding investment and operating expenditures. Steps must also be taken to ensure that (i) capital spending occurs as part of the budget for the most part, (ii) all investment projects, regardless of their financing sources, are presented in the documents, and (iii) investment and operating budgets are prepared and presented together.

42. Benin's capital expenditures pass through the State budget, but agencies play an important role in public investment. The budget's investment expenditure ceiling relates to all financing sources. EPAs (executing agencies or delegated contracting authorities) can implement projects, but the flows they receive for investment projects included in the State budget can be traced in the budget documents. In this respect, the DGB instruction on the preparation of the 2023 budget states (in point 46.1) that resources are transferred subject to the signing of a mandate agreement, which must indicate "the cost of the works and the financial programming." However, uncertainty remains about the reality of the investment expenses borne by EPAs due to the DGPED's deficient financial reporting, as mentioned earlier (institution 5).

43. All investment financing sources must be disclosed in the budget, but, in practice, PPPs are not always identifiable. The annex to the study report on PIP eligibility criteria therefore presents a list of projects financed with internal and external resources, excluding PPPs, as well as their start and end dates. The mission identified a slightly different number of projects in this report and in the PIP. It invites the DGP to dedicate enough time in September to ensure the consistency of this project list and to remove completed or closed projects (see below). Moreover, donor funds can exceptionally be paid without passing through the general budget given the rules specific to such donors; this is the case for Millennium Challenge Account payments to the SBEE, where only the State counterparty appears in the budget.

44. The consistency between budgeting of operating and investment appropriations has improved since 2021 with the centralization of PIP production within the DGB. Decree 2021-586 strengthened the MEF's role and that of the DGB in PIP budgeting. This model, which differs from that of countries where the Directorate General of Development is tasked with establishing the PIP, has the immediate advantage of allowing concurrent determinations of operating and investment appropriations and, therefore, their consistency.

45. Strengthening budget comprehensiveness and unit is of low priority. Subject to increasing the amount of information available on PPPs and on State-owned enterprises (point already addressed above under institution 5) and ensuring effective monitoring of agency investments in execution (see below under institutions 13 and 14), the budget documents provide a comprehensive view of projects representative of the public investment effort in Benin.

8. Budgeting for investment *(Institutional design: High; Effectiveness: Medium; Priority of reform: High)*

46. Major public investment projects, generally implemented over several years, must involve procedures that facilitate the availability of appropriations throughout their lifecycle. The first dimension (i) determines whether future investment project commitments are reflected in the budget documents. Decision-makers must always be aware of the total cost of a project. The second dimension (ii) relates to the possibility of reallocating funds from capital expenditures during the year. If investment appropriations can be transferred to the operating budget, project implementation can be made more difficult. The third dimension (iii) focuses on the prioritization of ongoing projects. If ongoing projects do not receive sufficient financing, they will incur implementation delays generating inefficiencies and cost overruns.

47. Investment envelopes voted on by Parliament have a multiyear scope, but this scope is weakened by CA=PA budgeting in multiple ministries. The concurrent transmission of the draft PIP, CA and PA trajectories for investment projects, and estimated project durations to the national representative body must ensure overall consistency in the project portfolio profile and financing. Special reports published by the National Assembly show the interest that members of Parliament have in investment projects, particularly their territorial distribution across the country's 77 communes. However, 40 percent of ministries still have CA amounts equal to PA amounts, which seems unrealistic for a project portfolio.

48. These envelopes receive protection compared to other types of expenses under the organic framework in effect. The LOLF enshrines the principle of asymmetrical fungibility in favor of investment appropriations, which can be supplemented by other types of expenses, but cannot be diminished and recycled for other expenses (Article 18). A supplementary budget law would be needed. The mission noted an increase in investment appropriations in the last three supplementary budget laws.

49. The 2023–2025 PIP gives clear priority to ongoing projects, in keeping with the process described in the report on PIP-eligible projects. The analysis of the report published in August 2022 shows that out of the 333 projects listed, 10 percent (or 34) are presented as new, while over 75 percent (252) are defined as "old" or "ongoing." It appears that close to 9 percent of PAs in the 2023–2025 PIP concern "debt" coverage corresponding in part to accrued expenses (that is, invoices to be paid following service delivery), but also expenses related to additional works after the official project closure, as the latter are not supposed to be included in the PIP (see **Box 2**.)

Box 2. Debt Clearance Considerations in the PIP

- Situation in Benin: In the 2023–2025 PIP, the mission noted an accumulation of CFAF 248 billion in CA=PA for expenses related to "debt clearance on completed or outstanding projects" or similar items. The authorities pointed out a number of specific cases, including unused payment appropriations on portfolio projects, disputes concerning State-funded projects, such as general end-of-work counts, and expenditure requests for reinforcement works, whether or not requested by donors.
- Challenges: The expense statement in the PIP for completed or closed projects, the purpose of which is no longer specified in the PIP, is a programming transparency issue, especially when the amounts account for a significant share of the PIP (9 percent of the total in PA for 2023). Moreover, if these expenses come up in disputes with enterprises, the difficulty with which it is to determine their amounts may pose a risk to the fairness of PIP budgeting.
- Possible solutions: There are a number of solutions for improving consideration of these expenses. They are as follows, in order of increasing difficulty: (i) leave corresponding projects in the PIP portfolio, but label them as "projects nearing completion." This shows the real cost of a project in a transparent manner, but weighs down the PIP; (ii) no longer include these expenses in the PIP due to a lack of project referencing and cover these expenses out of the general budget outside the PIP, for example from an allocation for incidental and unforeseen expenses (which also generally covers contingencies out of the State's operating budget). However, this solution creates a discrepancy between the PIP amount and the total investment expenditures; (iii) incorporate into the budgeting of projects with the highest risk (major infrastructure) a "contingency margin" so that the multiyear envelope allocated to the project is sufficient to cover these expenditures, which are then taken into account in the budget line allocated to each project.

Source: Mission.

50. **The mission's recommendations on project budgeting are of high priority and echo those issued under institution 6 for multiyear budgeting.** Therefore, aside from the (i) publication of total project costs, the mission encourages the DGB to (ii) simplify the presentation of PIP projects by reducing the number of categories and avoiding overlap between categories. Closed or completed projects should no longer appear in the PIP. Other suggestions for improving the PIP presentation appear in **Annex 3**.

9. Maintenance funding *(Institutional design: Medium; Effectiveness: Low; Priority of reform: High)*

51. **Infrastructure cannot offer the benefits promised at the time of its design if it is not correctly maintained.** This institution focuses on whether infrastructure maintenance needs are known and how these maintenance needs are reflected in the budget and in planning. The first dimension deals with the existence of a methodology for determining the need for routine maintenance. Exceptions notwithstanding, routine maintenance of infrastructure is funded from the operating budget. The second dimension deals with the existence of a methodology for determining capital maintenance needs (major improvements, rehabilitation, and reconstruction). In principle, expenditures related to this type of maintenance are included in the investment budget. The third dimension deals with the availability of information for determining the amount of maintenance funding included in national or sectoral plans and allocated in the budget.

52. Standard methodologies exist for estimating routine maintenance needs, but asset values cannot be preserved due to the small allocations. The MEF's DGML, in charge of administrative buildings, put in place a methodology for a maintenance strategy, presented to the mission in a note dated May 2023, that needs to be clarified by manuals that are more operational. In a note on road maintenance dated April 2023, SIRAT, the competent authority for road infrastructure,[20] described a few aspects of the methodology that could usefully be supplemented based on the November 2019 provisional version of the MIT road maintenance manual. The ex ante project and program appraisal manual only very briefly mentions the assessment of maintenance costs. The Costing by Reference System (*Système de Costing par le Référentiel* – SYCOREF) is a useful data source for costing, but cannot be considered to be a standardized methodology. Maintenance planning and allocations are mostly based on mechanical ad hoc approaches, such as keeping budget funding at the same level as in the previous year. In practice, in the absence of accurate needs estimates, budget allocations approved in order to fund routine maintenance of main asset classes are inadequate to preserve asset values.[21] Because of a lack of reliable material accounting, there is no information on the estimated replacement values of main asset classes.

53. The absence of a methodology for estimating capital maintenance needs and low allowances are negatively impacting asset sustainability. There is no specific methodology for evaluating asset rehabilitation and reconstruction needs within the DGML. When needs become pressing, the rehabilitation or reconstruction of key assets is identified as a new separate project, assessed on an ad hoc basis and financed like any other new project.[22] In the absence of accurate needs estimates, budget allocations approved in order to fund capital maintenance of main asset classes are clearly insufficient to preserve asset values. However, the mission was unable to quantify the current financing gap impacting infrastructure sustainability.[23]

54. Maintenance is identifiable in the budget nomenclature, but no specific reports are used for analysis and decision-making. Funding for routine maintenance and major improvements can be identified in the budget documents using various budget nomenclature classifications.[24] However, there are no standard reports that regularly analyze allocations and actual expenditures for routine maintenance and major improvements. In practice, maintenance

[20] The authorities have developed financing mechanisms for SIRAT based in particular on earmarked taxes or road tolls in order to strengthen road infrastructure maintenance.

[21] Aside from the findings gathered during discussions with ministerial departments and National Assembly representatives regarding insufficient allocations for routine maintenance, the mission was unable to analyze data for the past three years that had been requested from these departments on the needs expressed for routine maintenance, the budget allocations, and the financing gap.

[22] For instance, PAG 2 provides for six rehabilitation and regular maintenance projects as well as a routine annual mechanized maintenance project for paved roads (see https://transports.bj/tag/pag/).

[23] An April 2023 note sent by SIRAT on the road maintenance situation in Benin mentions an overall need to the tune of CFAF 33.4 billion for road maintenance in the fiscal year 2015, without the possibility of separating routine maintenance from capital maintenance. The mission was unable to obtain more recent data.

[24] See Decree No. 2014-794 of December 31, 2014, on the State budget nomenclature.

data are reasonably transparent owing to published budget documents.[25] However, there is no specific example ultimately showing that available data are used for analysis and decision-making in connection with adjustments to maintenance funding during planning or budgeting.

55. Improving the maintenance of existing assets is of high reform priority. Maintaining existing assets, which requires fewer financial resources and is easier to implement than new construction projects, goes hand in hand with the creation of an asset register, which makes it easier to determine the appropriate maintenance level (see below under PIMA institution 15). In addition to making simple guidelines available to ministerial departments for calculating infrastructure maintenance needs, the following steps should be taken: (i) specify standardized methodologies for forecasting needs (routine and capital maintenance) for the main classes of high-stake assets, including aspects on climate vulnerabilities (see C-PIMA C4 institution below); and (ii) given the resource constraints, integrate the implementation of these methodologies into the budget procedure through an explicit reference to these methodologies in the budget circular.[26]

10. Project selection *(Institutional design: Low; Effectiveness: Low; Priority of reform: High)*

56. Project selection based on objective and transparent criteria and procedures is a key factor in efficient public investment management. The PIMA methodology assesses (i) the existence of a review of the appraisal of major projects before they are included in the budget; (ii) the publication and fulfillment of the standard selection process and criteria; and (iii) the existence of a list of already appraised projects waiting to be included in the annual budget.

57. The framework provides for a review by the MEF of projects appraised prior to being budgeted, without independent experts, but documentation of the process is limited in practice. The PIM regulatory framework (articles 6 and 8 of the aforementioned 2021 PIM decree) establishes the principle that all projects must be reviewed by the MEF before they are included in the PIP, but does not state that this review includes contributions from an independent agency or independent experts. Even though all projects appear to be reviewed during the PIP selection, pre-determination, and determination sessions, documentation of the central review of project proposals is very limited. The independent review of preliminary appraisals sometimes involves representatives of civil society, and the authorities want to refine this mechanism by involving independent specialized agencies. Some summary information is provided in the first study report on projects eligible for the 2023–2025 PIP, published in

[25] With regard to road infrastructure, SIRAT does not have a website where it can publish information on road maintenance.

[26] See the previous IMF report entitled *"Améliorer la mise en œuvre des projets d'investissement et la maintenance des infrastructures"* (Roumegas, April 2019), which presents some international good practices.

August 2022.[27] Based on the sample described below, the authorities have indicated that no major project is rejected or returned for further development. Outside of the examined sample, the DGB stated that it had rejected a few projects, but the mission was unable to analyze these examples.

58. The process for selecting appraised projects to be budgeted lacks transparency, and the criteria are applied to less than 90 percent of projects. The legal framework (Article 5 of the aforementioned PIM decree) indicates that an annual MEF circular (in principle issued in April) sets the PIP eligibility criteria for projects and specifies the resource allocation conditions. However, this circular, which is sent to the ministries, is not published ahead of the procedure. Therefore, the selection process defined in the legal framework and its operational implementation in the manuals mentioned earlier is marked by a lack of transparency and low accuracy. In practice, the analysis conducted by the authorities at the mission's request reveals that less than 90 percent of major projects are selected in compliance with the selection process required and the defined criteria.[28] However, the mission was unable to obtain the reports it had requested to assess the effectiveness of the selection process. The study report on project eligibility mentioned above provides only a very partial ex-post account (August 2022) of the procedure for implementing PIP determinations.

59. There is no formal obligation to have a pipeline of appraised projects, and the project pipeline support tool is yet to be developed. The PIM framework (see Article 8 of the aforementioned 2021 decree) states that the MEF updates the public investment portfolio database every year, but there is no formal obligation to have a pipeline of appraised investment projects. The process of building a project pipeline is underway, with the prior creation of a database containing project ideas.[29] However, in the absence of a database covering the full project management cycle, a selection cannot yet be made from a pipeline of appraised projects.

60. Developing a more effective and transparent process for selecting appraised projects to be included in the budget is of high reform priority. To that end, the annual MEF circular establishing the PIP project eligibility criteria and specifying the resource allocation conditions will have to be published as of April N for fiscal year N+1. Furthermore, the project selection process will have to be described in operational terms in the updated version of the PIM manual expected for the end of March 2023. For illustration purposes, **Annex 5** shows the

[27] See https://budgetbenin.bj/rapport-detude-des-projets-eligibles-au-programme-dinvestissement-public-2023-2025/).

[28] Based on the sample described below, the authorities stated that 43 out of 51 projects (or 84 percent in number of projects and 80 percent in cumulative financial amount) were selected in keeping with the defined rules.

[29] Ministerial departments can use an iterative platform to enter information on future projects, enabling them to continue the project maturation process. To date, the database, which is accessible in consultation with development partners, includes some 15 project ideas, without feasibility studies. This database will ultimately be rolled out at a decentralized level and interfaced with the SIGFP computer platform.

list of criteria for selecting projects previously appraised for budgeting, including the additional specific criteria for climate change (see C-PIMA C3 institution below).

D. Implementation of productive and sustainable public assets

11. Procurement *(Institutional design: High; Effectiveness: Medium; Priority of reform: Medium)*

61. This institution assesses the extent to which the national procurement system promotes and implements transparency and effectiveness good practices. The system is evaluated based on the implementation of (i) open, competitive, and transparent procedures; (ii) an appropriate contract monitoring system; and (iii) a fair and diligent mechanism to review appeals filed by public procurement bidders.

62. The 2020 Procurement Code (*Code des marchés publics* – CMP) establishes a competition and transparency framework in line with international standards. Open tendering is the preferred public procurement method.[30] Contract advertising conditions are clearly defined. Articles 17 to 20 of the CMP create the Public Procurement Regulatory Authority (*Autorité de régulation des marchés publics* – ARMP) as the regulatory body for public procurement. It has a dedicated website on which information on the regulation of public procurement must be posted. The public procurement transparency framework was strengthened through the organization of the powers, duties, and function of the Person Responsible for Procurement and of the Opening and Evaluation Committee.[31] According to the statistics provided, on average, 74.4 percent of the contracts awarded over the period 2020–2022 were part of open tenders, for all contracting authorities combined. Agreements or direct contracts were limited to, on average, 7.7 percent of the contracts awarded over the same period. However, occasional shortcomings in the transparency framework are noted, particularly the non-publication of all procurement plans and statistics on public procurement timelines.

63. The National Directorate for Public Procurement Oversight (*Direction Nationale du Contrôle des Marchés Publics* – DNCMP) has an application dedicated to contract management with a database that produces reports and statistics. However, these are published with a delay. The DNCMP is the public procurement oversight body.[32] It relies on the public procurement management system (SIGMAP, version 2), which covers all public procurement.[33] This software, not connected to the SIGFP budget and accounting management software, produces reports and statistics on the procurement portal. These efforts represent

[30] Law No. 2020-26 of September 29, 2020, on the Public Procurement Code (CMP) in the Republic of Benin.

[31] Decree No. 2020-596 of December 23, 2020, establishing the powers and duties, organization, and functioning of the Person Responsible for Procurement and of the Opening and Evaluation Committee.

[32] Decree No. 2020-598 of December 23, 2020, establishing the powers and duties, organization, and functioning of the National Directorate for Public Procurement Oversight; Decree No. 2020-599 of December 23, 2020, setting the thresholds for contract award, request for quotations, exemptions, and oversight.

[33] Contracts overseen and not overseen by the DNCMP, except those under CFAF 4 million.

progress from the 2018 PIMA. However, annual reports are disseminated with a delay. The most recent annual reports available from the DNCMP and ARMP on the portal date back to 2020, and analytical reports are not published.[34] No infra-annual report is available. **Table 7** below details the public procurement methods used in 2021 and 2022.

Table 7. Statistics on Public Procurement Methods Received and Authenticated by the DNCMP – Fiscal Years 2021 and 2022

	2021			2022		
	Number	Amount (CFAF incl. tax)	Percentage	Number	Amount (CFAF incl. tax)	Percentage
Direct Agreement	441	33,617,521,539	5.8%	309	52,138,662,604	7.8%
Open Bidding	566	452,608,572,522	78.3%	534	513,063,251,391	76.6%
Restricted Bidding	11	1,576,691,525	0.3%	17	1,057,496,883	0.2%
Call for Expression of Interest	901	38,712,331,275	6.7%	383	45,159,214,024	6.7%
Request for Information and Prices	1361	34,614,578,759	6.0%	1641	45,449,528,047	6.8%
Request for Quotation	1146	8,731,277,675	1.5%	1202	10,998,500,401	1.6%
Consultation of Suppliers	1335	8,005,096,851	1.4%	504	2,064,335,204	0.3%
Total	**5761**	**577,866,070,146**	**100.0%**	**4590**	**669,930,988,554**	**100.0%**

Source: DNCMP statistics – Public procurement portal.

64. The legal framework prescribes a fair and expeditious complaint review process, and the average complaint processing time was less than two months for the period 2019–2021. The CMP organizes the handling of disputes and non-judicial appeals before the ARMP within a very short timeframe of seven business days (Article 117 of the CMP). Within the ARMP, procurement complaints are reviewed by a Dispute Resolution Board, whose composition ensures fairness (public administration, private sector, civil society). The decisions, published on the ARMP website, are legally binding on the parties. The mission was able to verify these complaint processing times based on statistics provided by the ARMP. Although this average seven-day complaint processing time was respected for 2019, it increased to 12.3 days in 2020 and to 36 days in 2021. The average complaint processing time continues to be less than two months for the most part, which is representative of an effort to make procurement transparent. The average processing times do not appear in the statistics for 2022.

65. In this context, the recommendations to increase transparency and performance in public procurement are of medium priority. Analytical reports and statistics on public procurement monitoring, particularly on complaint processing times within the ARMP, should be published on a more regular basis. The rollout of e-procurement with the World Bank's support will improve system performance.

12. Availability of funding *(Institutional design: Medium; Effectiveness: Low; Priority of reform: Medium)*

[34] 2019 ARMP report on the effectiveness and reliability of the system for contract award, execution, and oversight published in 2021.

66. This institution verifies whether systems, procedures, and tools are in place to ensure cash availability for timely payments of investment expenditures. Although contract documents specify the execution timelines, the predictability of public contract disbursements remains haphazard due to uncertainties that can affect the final execution timetable, making it difficult to estimate disbursement dates. This increases the risk of funds not being available when invoices are sent out for payment of expenses. In the event of unavailability, money orders issued on the basis of invoices become overdue after three months, weighing on government debt and possibly leading to a stoppage of investment works. The aim of this institution is to ensure that (i) ministries are able to plan and initiate investment project spending in advance on the basis of reliable cash flow forecasts; (ii) funds intended to cover project expenses are released in time; and (iii) external funding (from donors) for investment projects is fully incorporated into the main State bank account structure, often referred to as the Treasury single account (TSA).

67. Despite a robust expenditure forecasting and execution framework, ministries struggle to anticipate the date of payment of their investment expenditures due to shortcomings in forecast updates. Cash flow forecasts are expected to be prepared at least monthly.[35] Since 2021, the regulatory framework on commitment plans (CPs) and on cash flow organization and management has been strengthened with weekly and monthly cash flow plans (CFPs), updated through the web-based CFP platform.[36] The public procurement regulatory framework requires the production of a ministerial procurement plan (MPP).[37] Since 2022, the implementation of CAs and PAs for investment expenditures and of the annual work plan (AWP) presented on a quarter-by-quarter basis has been fostering expenditure predictability for sectoral ministries. AWPs and CPs announced at the start of the year to sectoral ministries are updated at least quarterly.[38] Budget execution tools (CP, AWP) are installed in the SIGFP, and periodic follow-up meetings with program managers are arranged to update them. However, although cash flow forecasts are carried out centrally by the DGTCP and are based on the CP, updates to the CFP based on MPPs and CPs is not systematic. Cash flow forecasts can therefore be insufficiently updated. In expenditures, actual disbursements tend to be lower than forecasts, with an average gap of -14 percent in 2022, and the investment expenditure execution rate (data in payments) relative to forecasts is 63.5 percent for fiscal year 2022, a gap of -36.5 percent.[39]

68. Funds for public investment project execution are disbursed regularly, but are only partially documented for investment projects carried out by agencies. The legal framework

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[35] Article 49 of the LOLF: a month-by-month annual cash flow plan is appended to the budget law for the year.

[36] Decree 2021-441-C establishing the State cash flow management framework and Decree 2021-068-C on the creation, powers and duties, and functioning of the committee responsible for developing and monitoring the provisional and month-by-month government expenditure commitment plan.

[37] Article 24 of the 2020 CMP - Decree No. 2018-231 of June 13, 2018, on the procedures for developing procurement plans – 2023 Budget execution circular, para. 2.4.

[38] 2023 Budget execution circular, para. 2.4.

[39] 2022 month-by-month annual CFP, comparing forecast and actual figures – DGTCP.

defines the notion of arrears, cash in transit, and outstanding balances.[40] It requires that expenses, including outstanding balances from accounting, be prepared annually in support of discharge laws. Expenditure execution timeframes for the various expenditure execution processes are established without being grouped in the same text.[41] Following the transfer of funds from the MEF, agency project monitoring, transfer renewal, and accountability mechanisms must enable effective payment of the expenses incurred for projects they carry out. However, these mechanisms do not guarantee the timely availability of funds. Therefore, government investment expenditures are classified as priority 5 out of 7 in the CFP, and the determinations of the monthly cash flow management committee can delay payment on investment projects in the event of a cash shortage. Only 24 percent of enterprises in the State-owned enterprise portfolio within the meaning of the 2020 law, of which executing agencies are a part, submitted their 2021 certified financial statements to the DGPED. This does not provide good visibility on the effective payment of investment project expenses to final beneficiaries.

69. The texts provide for the integration of external financing into the TSA, with a broad exemption for donor funds, causing these funds to be held in commercial banks, in practice. Article 78 of the decree on the General Regulation on Public Accounting (RGCP) states that all donor funds are to be held in the TSA, opened on the books of the Central Bank of West African States (BCEAO), while clearing a wide path for exemption, with MEF authorization, as concerns opening accounts in commercial banks for donor funds. Most of the funds of externally funded projects are therefore in accounts managed by commercial banks. These accounts, activated by project managers, are outside the TSA consolidation perimeter.[42] As part of the 2022–2024 TSA consolidation strategy, the MEF envisaged their reintegration into the TSA, encouraging donors to open correspondent account for their projects on the books of the Treasury and to close project accounts in commercial banks. The DGTCP is also planning an application to monitor bank accounts that the MEF had authorized to be opened.

70. Enhancing government cash flow management practices and tools is of medium priority for PIM. Efforts must continue to be made to improve the quality and consistency of expenditure execution forecast and cash flow management tools (AWP, MPP, CP, and CFP), particularly through a draft text outlining timelines related to the public expenditure execution chain. The work already underway with AFW support on TSA consolidation and cash flow management must continue as concerns closing public accounts in banks.

13. Portfolio management and oversight *(Institutional design: Medium; Effectiveness: Low; Priority of reform: High)*

[40] Decree No. 2014-573 of October 7, 2014, on TOFE preparation.

[41] 2020 CMP and guide on expenditure execution in program mode.

[42] See the AFW technical assistance reports on TSA consolidation and cash flow management for 2019–2021.

71. The aim of this institution is to assess the extent to which the execution of the entire public investment portfolio is properly managed and monitored. This assessment is conducted through: (i) the mechanism for monitoring the physical and financial implementation of major projects; (ii) the mechanisms for the transfer of appropriations from one project to another during implementation; and (iii) *a posteriori* reviews of projects that have reached the end of the implementation phase.

72. Although the regulation specifies the role of each monitoring actor and asserts its systematic nature, little of the information published or shared with the mission confirms the monitoring that has been carried out. The aforementioned PIM decree (articles 25 and 26) provides that a quarterly monitoring report taking stock of the physical and financial progress of each project is submitted by the sectoral minister to the MEF, MDC, SGPR, and BAI coordinator not later than at the end of the month following the quarter in question. These reports are used to prepare a consolidated semiannual PIP monitoring report, produced by the SGPR in conjunction with the BAI, which must be "made available within 45 days of the end of the six-month period in question and be notified to the Council of Ministers." There are also a dozen active project, program, and reform implementation monitoring units within the SGPR (Article 24 of Decree No. 2021-520 on the powers, duties, and organization of the SGPR), which notably conduct monthly meetings with multiple executing agencies. However, the documents mentioned in articles 25 and 26 of the aforementioned 2021 decree could not be provided to the mission. The only document that the mission received is a management report dated January 2020 from the 2016–2020 PAG for just the projects of agencies attached to the Office of the President. In light of the available documents, the potential time or cost overruns of portfolio projects therefore seem impossible to measure.

73. The traceability of appropriation reallocations between projects to take account of their respective progress and give substance to active portfolio management is fragmented. Such reallocation within the investment envelope is possible and arises from the responsibilities expected of program managers as part of program budgeting, effective since 2022. The DGB informed the mission that it validated the orders of the sectoral ministries carrying out these reallocations to, in particular, measure their potential impact on the project performance framework. However, in view of the documentation provided, the mission was unable to determine whether or not the potential reallocations helped accelerate project implementation.

74. The deployment of ex post evaluations is hampered by multiple factors, including the absence of support in their conduct. Although there is a formal requirement for an appraisal of all investment projects pursuant to articles 28 and 29 of Decree 2021-586, entrusted to the MDC, and an "independent" ex post review for two major projects per year, no mechanism exists in the texts or in practice to adjust project implementation polices or procedures based on the results of these ex post reviews. Neither the 2019 PIM manual (pages 75–81) nor the 2017 national evaluation guide includes precise practical recommendations for carrying out ex post assessments. The management report mentioned earlier includes an analysis performed in January 2020 by the BAI on 62 projects managed by PAG executing agencies attached to the Office of the President. However, its content cannot be considered an ex post assessment according to international standards. Moreover, it covers only 21 out of 62 completed projects, with no updates since. In practice, apart from externally funded projects, it seems that an *a posteriori* review of major self-funded projects is not carried out. The General Inspectorate of Finance stated that it has not carried out any ex post investment project assessments.

75. The mission's recommendations on project portfolio monitoring are of high priority. The mission recommends ensuring the effectiveness of the framework provided for by the 2021 PIM decree on the monitoring of project portfolio execution and its transparency, particularly with regard to projects implemented by State-owned enterprises (agencies or government corporations). These recommendations are detailed in **Annex 4**. It is notably recommended to include information on the physical and financial implementation of investment projects (including within agencies) in the annex to the draft budget law and in the budget execution reports, which will increase the visibility of such monitoring.

14. Management of project implementation *(Institutional design: Medium; Effectiveness: Low; Priority of reform: Medium)*

76. This dimension covers management and oversight of public investment projects during their implementation. It is assessed through: (i) the existence of an effective project management system; (ii) the drafting and application of project adjustment rules, procedures, and directives; and (iii) the performance of ex post external audits.

77. The PIM decree provides for the appointment of project managers, but implementation plans are developed when project implementation begins. Project management is organized by the PIM decree, which requires project managers to be appointed and implementation documents to be developed six months before the project launch, but does not situate this step relative to the project's inclusion in the budget. The project implementation and monitoring guide, which formalizes project management, is being adapted to the new legal framework. In practice, project managers are appointed and implementation plans are prepared, but the chronology of project documents relative to project approval in the budget is not clearly established.

78. There are no standard rules on adjustments to projects that are being implemented. Project adjustments are formally governed only by the amendment mechanisms set forth in Article 100 of the CMP, to the exclusion of any other formal procedure. In practice, according to the mission's discussions with sectoral ministries and the BAI, if project adjustments take place, they are not based on a standard methodology or objective criteria imposed on the project manager, but rather on an analysis of the situation by external actors on the basis of monitoring reports and performance indicators. These project adjustments are not specifically documented.

79. The legal framework gives the Court of Auditors the authority to audit investment projects, but this authority has yet to be exercised in practice. The recently created Court of Auditors is Benin's supreme audit institution.[43] Its duties include conducting ex post audits of investment projects and producing special reports, which it has the latitude to publish in whole or in part.[44] They can be shared with Parliament. The Court has conducted no ex post audits of investment projects to date. However, agreements on World Bank-funded investment projects provide that external audit reports conducted by private firms are under the responsibility of the Court of Auditors.

80. Strengthening the management of project implementation and external oversight is of medium reform priority relative to other PIM priorities. Harmonizing the project implementation mechanism, including the timing of implementation plans relative to budget approval, defining a standard project adjustment methodology, and updating the guide on investment project monitoring and appraisal are likely to improve investment project performance.

15. Monitoring of public assets *(Institutional design: High; Effectiveness: Low; Priority of reform: Medium)*

81. This institution verifies whether public assets are properly monitored and whether their value is correctly recognized and recorded in the financial statements. This is assessed through (i) regular updates of asset registers, based on an analysis of the stock, their value, and their status; (ii) records in government financial accounts of the value of these nonfinancial assets; and (iii) the recognition in the government profit/loss statement of the depreciation of the fixed assets in question.

82. The accrual-based accounting (ABA) and material accounting (MA) framework has been adopted, but is not in effect. Regulatory and technical ABA and MA texts are consistent with international standards,[45] representing significant progress in terms of institutional design from the 2018 PIMA. They provide for the maintenance of regularly updated asset registers in ministries, consolidated within the DGML. Work is underway to identify and value the assets.[46] They follow the 2022 opening balance sheet strategy adopted by the DGTCP and DGML.[47] The

[43] Law No. 2022-05 of June 27, 2022, establishing the organic law on the Court of Audit

[44] Law No. 2022-08 of June 27, 2022, laying down special rules of procedure followed before the Court of Auditors.

[45] Decree No. 2017-108 of February 27, 2017, establishing material accounting in the Republic of Benin – 2022 Order No. 3029 establishing the government material chart of accounts.

[46] The mission consulted the asset register of a sectoral ministry stemming from the current testing of the DGML module. Out of the 33 materials accountants to be appointed, 17 are in their positions.

[47] Order No. 289-C of February 2022 on the implementation of the strategy for preparing and making additions to the first government opening balance sheet.

previous MA mechanism provided for asset registers in ministries, but inventories are very fragmented and not valuated and concern mainly movable property and cars.

83. Pending the completion of the current work on the 2022 opening balance sheet, the value of nonfinancial assets is not recorded in the government accounts, and financial statements have yet to be produced. The SIGFP integrated computer system has had an operational ABA module since 2022, and a MA module is currently being tested. As part of the current work on the 2022 opening balance sheet, these financial statements are expected to be produced once the 2022 accounts are closed (in principle, March–June 2023).

84. The asset depreciation principle and the tools needed for its operational implementation are available, but not yet effective. The ABA and MA require the government to depreciate the tangible fixed assets it controls, with the possibility of a periodic reassessment. The texts on thresholds for fixed asset accounting *(seuil de patrimonialisation)* and the useful lives of fixed assets needed to calculate depreciation have been validated. The effectiveness of these texts will go hand in hand with the finalization of the inventory and asset valuation work in connection with the 2022 opening balance sheet.

85. All in all, work related to public asset management is of medium priority, in particular with regard to the challenges in maintaining these assets. The implementation of material accounting must be finalized so that assets and their actual state can be determined. Depreciation must shed light on the expected maintenance costs and make it possible to base asset renewal requests on reliable data, ultimately informing decision-making on the State budget.

III. CLIMATE-PUBLIC INVESTMENT MANAGEMENT ASSESSMENT (C-PIMA)

A. Climate change and public investment in Benin

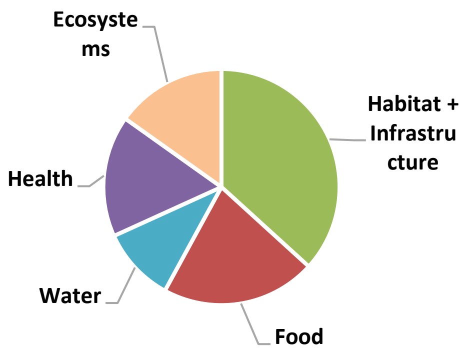
86. The Republic of Benin is facing a sharp rise in temperatures and climate risks. Annual temperatures are expected to increase by 1.0°C to 3.0°C by 2060. The expected impact from climate change (CC) in Benin, particularly the higher temperatures and precipitation expected, is likely to aggravate the challenges with which many of the country's development sectors are already dealing, especially agriculture, water resource management, and forestry. Moreover, coastal areas will experience a sharp rise in sea level. The climate projections predict: (i) accelerated desertification in the North; (ii) an increased occurrence and intensity of torrential rains and floods in the South; (iii) higher temperatures; and (iv) rising sea levels as well as greater coastal erosion, which is expected to lead to intensified coastal flooding and storm surges.[48] Owing to these developments, the Republic of Benin ranks 147th out of 191 countries on the INFORM Risk Index 2023, which measures exposure to climate risks.

87. Global warming has a negative impact on many development sectors in the country. With the expected increase in the frequency of natural disasters, the economy will face increased infrastructure asset depreciation and service disruption risks. According to the 2020 Notre Dame Global Adaptation Index, infrastructure and habitats are particularly vulnerable to heat, flooding, and a rise in sea level **(Chart 12)**. Benin is frequently hit by CC-related disasters, including floods, fires, coastal erosion, and drought, which affect infrastructure **(Chart 13)**. For example, the 2010 floods caused damage to infrastructure, agriculture, and property and led to an estimated US$257 million in economic losses (2 percent of GDP). More recently, the 2019 floods were calculated to have caused US$132 million in damages.[49]

[48] See the World Bank Climate Change Knowledge Portal.

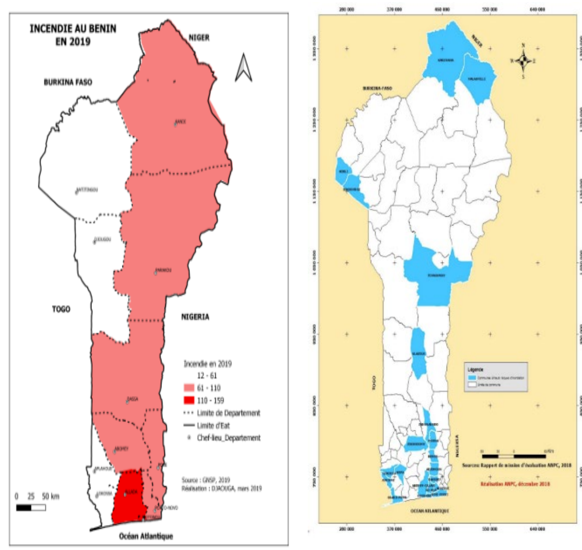
[49] See *Building Resilient and inclusive cities - Program-for-Results*, World Bank, 2022.

Chart 12. Composition of Vulnerability by Sector



Source: 2020 Notre Dame Global Adaptation Index.

Chart 13. Level of Exposure to Risks



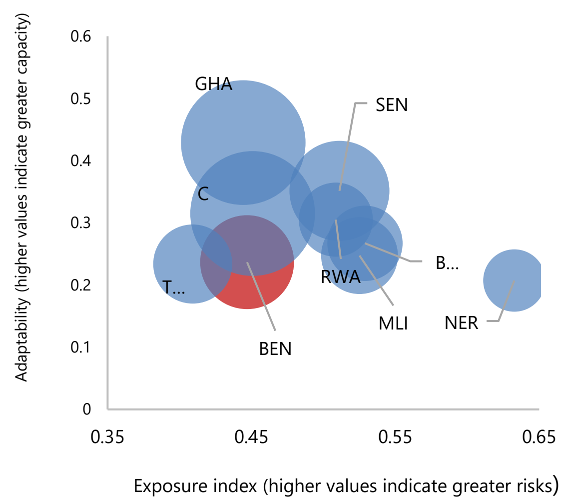
Source: National Contingency Plan 2021.

Chart 14. Natural Disaster Risk and Peer Countries

23	Niger
31	Benin
35	Burkina Faso
36	Togo
37	Mali
44	Côte d'Ivoire
45	Senegal
46	Ghana

Note: Ranking of 181 countries. The higher the rank, the more vulnerable the country.
Source: World Risk Report 2021.

Chart 15. Adaptability and Exposure



Note: The size of the bubbles represents GDP per capita in USD (2020).
The capacity index is the difference between the unit and the ND-GAIN capacity indicator, such that values closer to the unit indicate higher capacity.
Source: https://gain.nd.edu/our-work/country-index/download-data/.

88. Climate change therefore poses serious socioeconomic and fiscal risks for the country. According to the World Risk Report 2021, Benin ranks 31st out of 171 countries in terms of natural disaster risks **(Chart 14)**. This high risk level results in frequent adverse natural events that affect the population, disrupt livelihoods and economic production, destroy physical infrastructure, and impose high public and private reconstruction and rehabilitation costs. Over the past four decades, Benin has been struck by natural events that have affected over 5.4 million people.[50] An assessment of the disasters that occurred between 1990 and 2018 estimates that each major disaster leads, on average, to slower growth (-0.23 percent), to a 4-percent increase in food prices, and a weaker external balance.[51]

89. Benin's 2021 Nationally Determined Contribution (NDC) measures CC-related challenges for infrastructure. The country currently has a fairly low "adaptation capacity" score, indicating high vulnerability to severe weather events **(Chart 15)**. Rapid urbanization, an increase in informal housing, unplanned development in disaster-prone areas, and a large concentration of the population in coastal areas have exacerbated the country's vulnerability. Furthermore, buildings have deteriorated due to an incomplete regulatory framework, weak building code enforcement, and poor soil control.[52] Consequently, the National Climate Change Adaptation Plan (PNA) identifies eight key priority sectors considered to be the most vulnerable to climate change, namely: (i) water resources; (ii) agriculture; (iii) health; (iv) energy; (v) forests; (vi) coastal areas; (vii) tourism; and (viii) urban development and infrastructure. Financing of these adaptation measures is estimated at US$4.24 billion. According to the NDC, the total financial resources to be mobilized for the implementation of mitigation and adaptation measures totals approximately US$10.5 billion.

90. Benin's contribution to global greenhouse gas (GHG) emissions is insignificant. This contribution represents less than 0.05 percent of total global GHG emissions for 2020 (**Chart 16**). However, the 2021 NDC indicates that, in the absence of measures, the trend increase in global emissions will reach 71 percent over the period 2018–2030 (**Chart 17**).[53] According to GHG inventories carried out in five sectors (energy; industrial processes; agriculture; land use, land-use change, and forestry; and waste), Benin continues to be a carbon sink in these sectors. Emissions come primarily from the energy (58.1 percent), agriculture (28.5 percent), and waste (5.4 percent) sectors.

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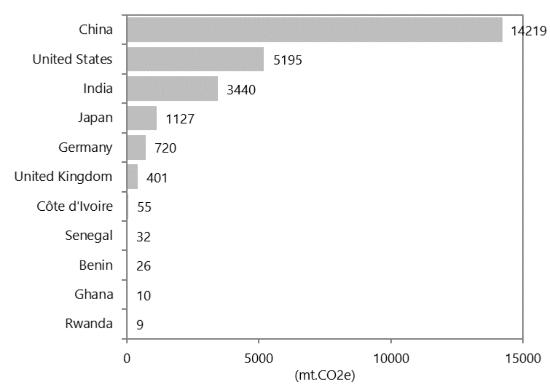
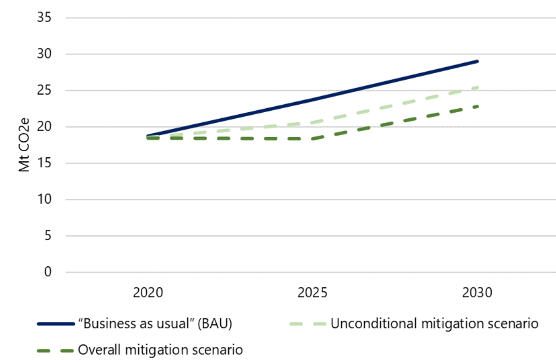
[50] See *Building Resilient and inclusive cities - Program-for-Results*, World Bank, 2022.

[51] World Bank, CAT-DDO Program Information Document, 2019.

[52] See *Building Resilient and inclusive cities - Program-for-Results*, World Bank, 2022.

[53] The increase comes from the following sectors: energy at 63.6 percent; agriculture at 24.0 percent, wildfires and hydrofluorocarbon emissions at 6.5 percent, waste at 4.6 percent, and industrial processes and product use at 1.2 percent.

Chart 16. Benin's GHG Emissions and International Comparisons	Chart 17. GHG Emission Projections
	
Source: https://gain.nd.edu/our-work/country-index/download-data/. Year 2020.	*Source: 2021 NDC.* [Unconditional mitigation scenario is without external aid whereas the overall mitigation scenario relies on external aid]

91. **Structural reforms in the energy sector and carbon credit opportunities offer low-carbon investment options.** Recognized in the NDC, the changing energy mix has an important role to play in making electricity services more affordable and in reducing GHG emissions. In 2030, the government would like to switch to an energy mix consisting of 58 percent gas, 19 percent imports, 11 percent hydroelectric power, 6 percent solar energy, and 6 percent heavy fuel oil (HFO). This requires investments in renewable energy and biomass, hydroelectric power plants, biogas, and energy efficiency measures.[54] International carbon credit markets are still in their infancy in the absence of internationally determined prices. Benin has a 2016–2025 Low-Carbon and Climate-Resilient Development Strategy as well as a recent regulatory framework laying down the terms and conditions for registering carbon projects.[55] In 2016, Benin conducted an analysis of the forestry sector and a review of the land tenure in the context of the Reducing Emissions from Deforestation and Forest Degradation mechanism, leading to a proposal on this subject.

92. **Resilient and green public investments are essential to strengthen Benin's adaptation capacity and to support the transition to green infrastructure.** Generally speaking, public investment plays an essential role in promoting sustainable and effective infrastructure. Investments that include CC adaptation have a lower overall long-term socioeconomic cost—even though the initial construction cost is higher—due to improved infrastructure resilience leading to fewer disruptions of utility services, reduced exposure of

[54] For example, reforms supported under the US$391 million MCC contract focused, among other things, on off-grid electrification through the construction of mini-grids and the provision of solar home systems.

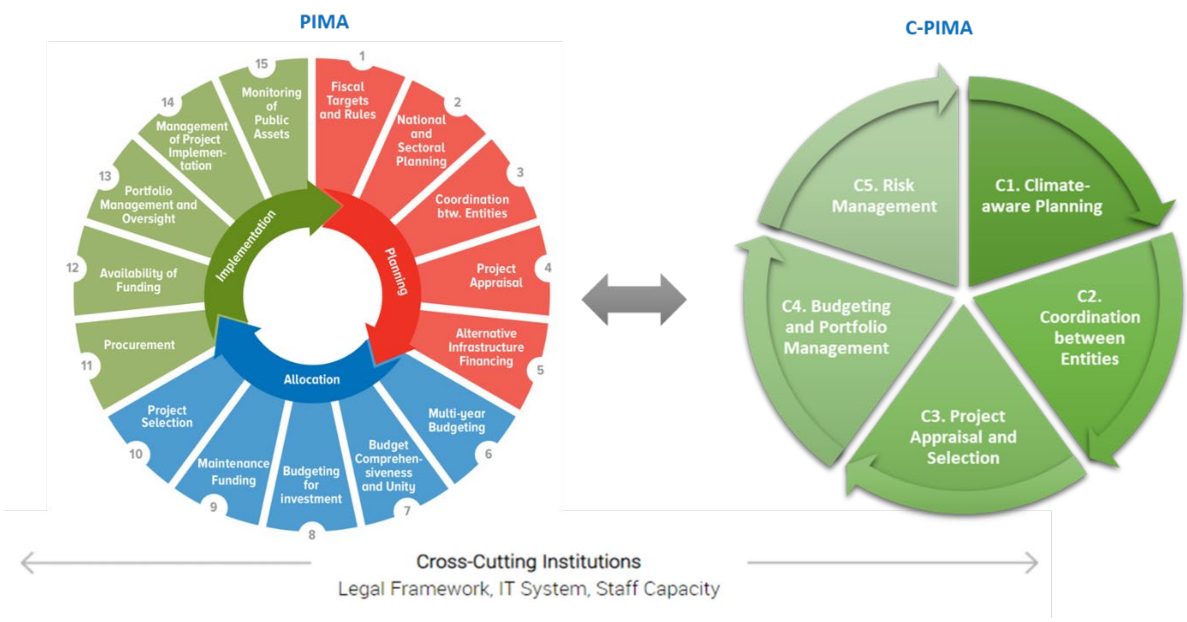
[55] Decrees No. 2022-698 and 699 of December 7, 2022, establishing, on the one hand, the procedures for registering carbon projects and, on the other, the creation, powers, duties, organization, and functioning of the Carbon Project Registration Authority (Beninese Sustainable Development Council).

assets to natural risks, and less need for maintenance and reconstruction.[56] With regard to CC mitigation, investing in sectors such as renewable energy and exploring potential gains from the carbon market would help support the energy transition to a low-carbon economy.

B. PIMA climate change module assessment framework

93. The PIMA climate change module (C-PIMA) assesses five key PIM dimensions from a climate change perspective and is an extension of the existing PIMA framework. The C-PIMA institutions are very similar to the corresponding PIMA institutions, except for the fact that some C-PIMA institutions combine multiple dimensions that are present in separate PIMA institutions and that C-PIMA institution C5 (risk management) has no PIMA equivalent. **Chart 18** describes the key C-PIMA elements and shows the relationship between the PIMA and C-PIMA frameworks. Unlike PIMA, however, the C-PIMA framework formally assesses only institutional design, given the lack of long-term data on actual practices as this is a relatively new subject.

Chart 18. C-PIMA Framework



Source: Mission

C1. Climate-aware planning *(Institutional design: Medium; Priority of reform: Low)*

94. The first C-PIMA institution assesses the extent to which public investment is planned taking climate change into account. To that end, the first dimension of this institution assesses whether national and sectoral public investment strategies and plans are in line with the authorities' objectives and expected results. The second dimension looks at whether the central

[56] See *Lifelines: The Resilient Infrastructure Opportunity*, World Bank, 2019, and *How Strong Infrastructure Governance Can End Waste in Public Investment*, IMF, 2020.

government and/or local authority regulations require land use and construction rules to consider CC-related risks. Lastly, the third dimension examines the existence, or lack thereof, of centralized guidelines promoting climate-aware public investment planning.

95. National and sectoral public investment plans are consistent with the objectives and results of the 2021 NDC in terms of adaptation and mitigation for most sectors. Benin has multiple CC mitigation and adaptation strategies, such as the 2021 NDC, the National Adaptation Plan (PNA) of May 2022 or the National Climate Change Management Policy (2021–2030), and the 2016–2025 Low-Carbon and Climate-Resilient Development Strategy. These documents are systematically incorporated into sectoral strategies and are aligned with the 2021–2026 PAG. **Table 8** shows the consistency of proposed measures between the 2021 NDC, the 2021–2026 PAG, and the sectoral strategy for three of the nine sectors selected in the 2021 NDC. For example, measures from the energy sector strategy in connection with energy efficiency are contained in the 2021 NDC and the 2021–2026 PAG. The authorities specified that the 2021 NDC was developed using a bottom-up approach based on a participatory and inclusive process, with significant involvement from sectoral ministries most concerned by climate challenges, hence the strong strategic consistency. Conversely, consistency with the 2021 NDC objectives is less clear for the already outdated 2018–2025 PND, even though it incorporates CC issues in its diagnostic assessment under the theme of "environment, climate change, and territorial development." However, as pointed out above (PIMA institution 2), the role of the 2018–2025 PND as a reference point is less significant than that of the 2021–2026 PAG.

Table 8. Alignment of Selected National and Sectoral Strategies with Benin's Climate Change Strategies

Sector	National Climate Change Strategy (2021 NDC)	2021–2026 PAG	Sector Plan / Strategy
Energy	"Energy consumption control" project (2021 NDC)		Promotion of energy-efficient lighting in households, in the tertiary sector, and in government and public lighting 2020–2024 Ministry of Energy Strategic Plan
Forestry	Intensive Reforestation Program on the National Territory Through Incentives (2021 NDC) Benin's Classified Forest Project (2021 NDC)	Special Program for Reforestation and Land Restoration Benin's Classified Forest Project	Special Program for Reforestation and Land Restoration Biodiversity Strategy and Action Plan 2011–2020

Water resources	Project to strengthen the resilience of populations and ecosystems in the Ouémé Basin vulnerable to climate change through climate-smart agriculture and sustainable management of land and water resources		National Action Plan for Integrated Water Resource Management (PANGIRE) National Strategy for the Supply of Drinking Water in Rural Benin (2017–2030)

Source: Mission.

96. Regulations on spatial and urban planning and on construction do not take into account CC-related risks and their impact on public investment. The legal framework in force on land use and urban planning and on building permit regulations does not yet consider CC-related issues.[57] The MCVDD is in the process of developing new urban planning and building codes and reviewing rules on building permits in order to take climate change into account. The regulations being drafted provide for the use of space and construction, through occupancy rules, to: (i) regulate land exposed to a natural risk (flood, erosion, landslide, etc.); (ii) improve energy efficiency in buildings; and (iii) promote the use of local materials. A local effort is also being made with TFP support to incorporate climate change into urban master plans (in the pilot phase in four communes) and sanitation plans. Moreover, flood zone maps have been made available to government property staff in 21 of the 77 communes. Lastly, the MCVDD is currently conducting a carbon footprint study on the energy efficiency of some administrative buildings (pilot project), the results of which are intended to be taken into account in construction, housing, and urban planning standards.

97. There is centralized support for the preparation of climate-aware public investment strategies, but it does not cover the evaluation of costs associated with these strategies. The MDC and MCVDD, through the Directorate General of the Environment and Climate (*Direction générale de l'environnement et du climat* – DGEC), provide support to ministerial departments and territorial authorities, particularly in connection with training and awareness on the NDC and on the use of the methodological guide for developing the 2019 sectoral strategies and policies, taking the climate dimension into account. However, this support from the two ministries does not cover the evaluation of costs associated with public investment strategies. The Commission for Economic Modeling of the Impacts and Integration of Climate Change in the State General Budget (CMEICB) supports the conduct of climate-sensitive analyses of the State budget, the development of tools for integrating climate change into budgeting processes, and training on CC-related economic modeling techniques. Support is also provided by TFPs to enhance CC integration into planning by central and local governments. In that respect, vulnerability studies have been carried out in priority development sectors, such as agriculture,

[57] See Law No. 2016-06 of May 26, 2016, on the framework law on land use planning, and Decree No. 2020-056 of February 5, 2020, regulating building and demolition permits.

water resources, and even health, and inspired the preparation of both the PNA and sectoral strategies.

98. Taking account of climate-related issues in public investment planning is of low reform priority. Benin has implemented a consistent, climate-aware strategic framework. It is important to strengthen the strategic vision in the future PND through the cross-cutting integration of 2021 NDC objectives into the strategic thrusts of this plan and through the involvement of MCVDD expertise. The current review of the regulations on spatial and urban planning and on construction is a prerequisite for informed CC planning. Mapping of risk areas could also be improved based on an analysis of local infrastructure and predictions of extreme weather events. Benin should also build its capacities in evaluating the costs of CC strategies.

C2. Coordination between entities *(Institutional design: Medium; Priority of reform: Medium)*

99. This institution is aimed at coordinating climate-related public investment decision-making across the entire public sector. Emphasis is placed on the need to adopt a comprehensive CC management approach. State-owned enterprises and territorial authorities both play an important role alongside central government in making climate-aware investments. That is why the three dimensions of this institution take turns assessing whether CC-related investment decisions are coordinated through (i) central government; (ii) government bodies (including territorial authorities); and/or (iii) the public sector as a whole, including State-owned enterprises.

100. Although there are a number of coordination mechanisms relating to CC policies, none have an explicit mandate regarding State investment choices. A number of coordination mechanisms for monitoring CC mitigation and adaptation measures are provided for mainly in Law No. 2018-18 of August 6, 2018, on climate change in the Republic of Benin (see **Table 9**). The National Climate Change Committee (CNCC) is the main entity responsible for coordinating decision-making on and the formulation and implementation of CC-related policies, strategies, and activities. Under the direction of this committee, technical commissions are charged with following up on measures regarding CC-related commitments made by Benin.[58] However, the existence of a Beninese Sustainable Development Council (CBDD) alongside the CNCC, as well as the irregular nature of CNCC meetings, raises questions as to the complexity of the mechanism and its real impact. For the time being, budget circulars or directives on the PIP make very limited, general references to CC issues, which are insufficient to establish the existence of a coordination mechanism of the climate aspects of public investment at the State level.[59]

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[58] The five technical commissions address adaptation, mitigation, technology transfer, capacity building, and the linkages between gender and climate change.

[59] See the framework letter on LFI preparation for the fiscal year 2023 and the 2023–2025 multiyear budget.

Table 9. Mandate of Key Institutions in Charge of Overseeing Climate Change Mitigation and Adaptation Actions

Institution	Mandate
CNCC (see Decree No. 2020-260 of April 29, 2020)	• responsible for coordinating decision-making on and the formulation and implementation of CC-related policies, strategies, and activities
MCVDD	• responsible for monitoring the implementation and evaluation of the State policy on housing, urban development, urban mobility, mapping, geomatics, land use planning, sanitation, environment, management of the effects of climate change, reforestation, protection of natural and forest resources, preservation of ecosystems, and protection of banks and coasts
Beninese Environment Agency (ABE)	• responsible for environmental impact studies and ensuring that the environment is considered in any development plan, program, project, or activity likely to have positive or negative effects on the environment
CMEICB	• responsible for developing methods and tools for the assessment, modeling, and economic forecasting of climate impacts with a view to optimizing strategies on adaptation and low-carbon and climate-resilient development to be promoted
CBDD (see Decree No. 2022-274 of May 4, 2022)	• responsible for developing, monitoring, and evaluating the National Sustainable Development Strategy, facilitating low-carbon development through NDC implementation, organizing and managing carbon credit monetization, and serving as a catalyst for carbon market regulation
National Platform for Disaster Risk Reduction and Climate Change Adaptation (see Decree No. 2011-834 of December 30, 2011)	• responsible for promoting the integration of risk prevention and disaster management into sustainable development and poverty reduction policies, plans, and programs • responsible for facilitating the mobilization of resources necessary for the implementation of risk prevention programs and projects, disaster management, rehabilitation, and post-disaster rehabilitation and development

Source: Mission.

101. The central government and territorial authorities coordinate climate-related investments. The aforementioned 2018 law requires territorial authorities to incorporate climate change and natural disaster risks into their local planning through PDCs. The current preparation of the fourth generation of the PDC focuses on taking local climate vulnerabilities into account, including in investment projects. The updated guide for developing PDCs includes an annex based on the 2019 guide for developing sectoral policies and strategies, which serves as the main guideline for taking account of CC impacts in all sectors. In this regard, communes receive assistance from MCVDD, MDC, and ABE decentralized structures in preparing, validating, and monitoring their PDCs with a climate dimension. Given the limited resources, it is encouraging to see that seven communes were selected to receive funding for climate projects under the Green Fund. Detailed information on authorities' climate-sensitive projects is shared with the State administration, particularly prefectures and oversight ministries. However, this information is not published.

102. The regulatory and supervisory framework for State-owned enterprises does not promote their investments' compliance with national climate policies and directives. The legal framework governing State-owned enterprises, based on the aforementioned 2020 law (see PIMA institution 5 above) does not take CC-related aspects into account. Moreover, the 2018 CC law requires the State and territorial authorities to incorporate climate change into environmental impact studies, but does not explicitly state that the provision also applies to State-owned enterprises. Lastly, Pillar 2 "Mitigation" of the 2016–2025 Low-Carbon and Climate-Resilient Development Strategy on the reduction of anthropogenic GHG emissions and the improvement of carbon sequestration potential, makes reference to the important role of renewable energy plants, but makes no explicit mention of the applicable requirements.

103. Strengthening institutional coordination mechanisms is of medium priority. The effective management and coordination of public investment decisions from a CC integration perspective are essential to promote resilient, low-carbon infrastructure. Benin would benefit from strengthening its coordination framework by clearly identifying the umbrella structure for CC-related investments and by assigning a concrete mandate to it (for example, assessing training needs, developing tools, and prioritizing climate-aware projects). Planning, budgeting, and monitoring tools and capacities should be strengthened to improve the coordination of CC-related public investments between territorial authorities and central government. As for the major involvement of State-owned enterprises in CC-related sectors, such as energy, transportation, and water, the authorities are encouraged to introduce guidelines for these State-owned enterprises so that they report on the CC results obtained.

C3. Project appraisal and selection *(Institutional design: Low; Priority of reform: High)*

104. The C-PIMA methodology assesses whether project appraisal and selection include climate-related analyses and criteria. The first dimension examines the existence of a CC-related analysis following a standard methodology. The second dimension looks at whether CC-related challenges are considered in PPPs. The third dimension determines if CC-related aspects are included in infrastructure project selection criteria.

105. The legal obligation to conduct environmental impact studies does not state that such studies must be carried out according to a standard methodology, defined at the central level. The legal framework provides that the implementation of any development project likely to harm the environment is subject to an environmental and social impact study (ESIS), which incorporates climate change, but makes no mention of the standard methodology—defined at the central level—to guide and support these impact studies.[60] The framework governing the ABE confers on the Agency assessment and ESIS responsibilities, but does not mention climate change and does not entrust it with a mission to develop a standard assessment

[60] See Article 23 of Law No. 2018-18 of August 6, 2018, on climate change in the Republic of Benin, and Article 36 of Decree No. 2017-332 of July 6, 2017, organizing environmental assessment procedures in the Republic of Benin.

methodology.[61] Furthermore, existing guides on impact studies do not include the CC approach methodology. The National Fund for the Environment and Climate (FNEC), an arm of the MCVDD accredited by various donors (Green Climate Fund and Adaptation Fund) for project financing in Benin, has guidelines that were developed in July 2017 to identify environmental and social risks faced by projects that include CC mitigation and adaptation aspects. In practice, the mission was able to analyze a few examples of feasibility study reports and ESISs, some of which include CC considerations.[62]

106. The current law on PPPs does not explicitly consider climate change in risk allocation or contract management. Aside from donors' requirements, the framework governing long-term public investment contract management, such as for PPPs (aforementioned 2016 law; see PIMA institution 5), makes reference to environmental impacts, but does not explicitly mention climate change in connection with risk allocation or the consideration of climate-related challenges in contract management. The current overhaul of the PPP legal framework is an opportunity to take these aspects into account.

107. Just one climate-related aspect appears among the criteria used to select projects for financing, but these criteria are published with a delay (see PIMA institution 10). The first study report on projects eligible for the 2023–2025 PIP, published in August 2022, mentions a single criterion in connection with climate change.[63] However, as indicated below in PIMA institution 10, the publication of these criteria in the study report on projects eligible for the 2023–2025 PIP occurs ex post, at the end of the project selection process. The authorities have expressed their wish to incorporate more CC-related criteria into the mechanism. For illustration purposes, **Annex 5** shows the proposed list of criteria for selecting previously appraised projects for budgeting, including the additional specific criteria related to climate change. The authorities could also usefully draw inspiration from the practices outlined in the formulation, eligibility, and selection guide for projects submitted for FNEC funding (January 2020), which sets out the project selection procedures and the pre-selection criteria for accessibility to the Green Climate Fund.

108. Incorporating climate considerations into the project appraisal and selection process and into the future PPP framework is of high priority. To that end, the standard

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[61] See Article 5 of Decree No. 2022-063 of February 2, 2022, on the approval of the ABE charter. The World Bank has a project to equip the ABE with an updated methodology, offering the opportunity to incorporate the climate dimension and build the Agency's capacities. These aspects could also be included in the PIM manual update.

[62] As an example, the feasibility study for the 2021 ruminant herd settlement project in Benin incorporates CC-related aspects, including an analysis of the risks associated with the project and a mitigation plan for those risks. The ESIS conducted by the Beninese Agency for Rural Electrification and Energy Management in May 2019 on the project to electrify 100 rural localities in Benin, financed by the African Development Bank, summarizes the climate issues that this electrification project entails in terms of potential environmental and social impacts. Furthermore, examples of environmental compliance certificates issued by the ABE that were provided to the mission do not explicitly mention the CC impact of the appraised projects.

[63] See criterion 5.2.4: *"Are the responses regarding adaptation and resilience to climate change clearly defined?"*

methodology for preliminary project appraisals will have to include rules and procedures to systematically assess the impact that major projects have on climate change. This will help determine whether potential project impacts on GHG emissions and the exposure of projects to damage caused by CC-related disasters are identified and analyzed before the projects are included in the pipeline and then selected for funding in the budget. Moreover, the future legal PPP framework will have to explicitly include CC considerations for risk allocation[64] or the long-term contract management framework. Lastly, at the critical stage of project selection, CC-related aspects will have to be explicitly included in the list of selection criteria used by the government.

C4. Budgeting and portfolio management *(Institutional design: Low; Priority of reform: High)*

109. **This institution focuses on the ability of the budgeting and project portfolio management framework to take climate change into consideration.** The C-PIMA methodology examines the ability to manage the effectiveness and efficiency of budgetary choices with regard to CC management. It focuses on the following three points: (i) identification in the budget and budget documents of specific expenditures and resources in favor of CC-related investments; (ii) the performance of external ex post audits to measure the impact in terms of CC adaptation and mitigation; and (iii) the consideration of climate change in asset management and maintenance policies.

110. **Some expenditures planned for climate-related investments are identified in an annex to the 2023 draft budget law.** The DGB has produced a budget annex to the 2023 draft budget law entitled "Climate-focused State budget analysis report."[65] This annex presents the CC reference framework in the budget process and reiterates the strategic thrusts of the national CC management policy as well as its institutional mechanism. It outlines a process for integrating CC into the budget process (formulation, programming, budgeting, and execution) and the existing strengths on which this progressive approach can be based. Lastly, it proposes an climate-focused analysis of the State budget for 2023, which identifies some planned expenditures in that respect (see **Box 3** below). This document is an encouraging first step, even though the DGB recognizes that it is in its infancy, particularly compared to the already implemented gender-responsive budgeting (GRB) approach.

Box 3. Analysis of the Climate-Focused 2023 Budget

The analysis of the climate-focused 2023 State budget includes some aspects on tax expenditures favorable to the fight against climate change, highlighting in particular tax expenditures on the acquisition and importation of new vehicles, presumed to be lower GHG emitters.

[64] Since PPPs engage the government throughout the duration of the contract, generally over the course of 20–30 years or more, CC adaptation and mitigation risks are likely to occur at some point during the contract.

[65] https://budgetbenin.bj/wp-content/uploads/2023/03/Note-sur-budget-de-l-Etat-oriente-sur-les-changements-climatiques-2023-1.pdf.

It is mainly based on a mapping of leading climate-friendly investments, established based on the eight most vulnerable sectors identified in the PNA (water resources, agriculture, health, energy, forest ecosystems, coastal areas, infrastructure and urban development, and tourism).

The table below summarizes the main results of this analysis (data in CFAF million):

Ministry	2023 PIP		2023 Climate Projects		Percentage Climate	
	CA	PA	CA	PA	CA	PA
MDC	4,354	4,354	3,562	3,562	82%	82%
MEF	13,733	9,194		5,000	0%	54%
Interior	11,945	11,945	2,500	2,780	21%	23%
Agriculture	366,680	65,430	365,332	62,530	100%	96%
Health	147,207	46,463	86,429	7,104	59%	15%
Environment	568,168	209,537	565,068	206,437	99%	99%
Energy	112,632	85,552	109,632	80,502	97%	94%
Water and Mines	683,964	83,127	676,787	81,408	99%	98%
Tourism	41,231	41,231	38,756	38,756	94%	94%
Total 8 Ministries	**1,949,914**	**556,833**	**1,848,066**	**488,079**	**95%**	**88%**
Total 2023 PIP	**2,582,242**	**959,749**	**1,848,066**	**488,079**	**72%**	**51%**

This analysis is therefore limited to eight ministries, to the exclusion of key ministries in terms of adaptation, particularly the one in charge of infrastructure and transportation. It does not appear to be very discriminant for some ministries (environment, agriculture, energy, water and mines, and tourism), which have projects that are presumed to be all, or nearly all, climate friendly. The DGB states that it is considering a more sophisticated method, such as using a weighting system, to refine the analysis.

Source: Mission, based on DGB documents.

111. The results of public investment projects in terms of CC adaptation and mitigation are not subject to any external ex post reviews or audits. There is no legal obligation or methodology for conducting internal audits and reviews of investment projects that would make it possible to assess the contribution that investment projects make to adaptation and mitigation objectives (see institution 13). Only externally funded projects are subject to external reviews, including climate-related projects, as part of agreements linking the Court of Auditors (until 2022, the Chamber of Auditors of the Supreme Court) to some donors, particularly the World Bank. However, the Court of Auditors joined an environmental audit of the Niger river basin with eight supreme audit institutions of the riparian countries (Burkina Faso, Cameroon, Côte d'Ivoire, Guinea, Mali, Niger, Nigeria, and Chad) under the auspices of the Working Group on Environmental Auditing of the African Organisation of Supreme Audit Institutions.[66] The skills thus developed could be used to create an environmental audit methodology with a CC dimension.

112. The government has not put in place any asset management or maintenance policy that takes into account the exposure of the public infrastructure stock to climate risks. At

[66] Known as the AFROSAI WGEA.

this stage, there is no methodology for estimating maintenance needs, which means that CC is not taken into account in maintenance costs. As for asset management, the current work to transition to ABA (implementation of material accounting) is in its very preliminary phase and does not yet include aspects relating to climate vulnerabilities. However, sectoral vulnerability studies conducted as part of PNA preparation include some findings and recommendations on asset management and maintenance. For example, the study on the water sector highlights the need to evaluate infrastructure resistance to extreme events, incorporate adaptation into the maintenance and replacement of new or existing infrastructure, and map the areas most at risk by determining the causes of past floods (poor maintenance, lack of drainage capacity, etc.).[67]

113. Considering CC-related issues in budgeting and portfolio management is of high priority. The DGB can rely on the experience gained thanks to GRB to improve the identification and monitoring of CC-friendly investments, by explicitly covering this issue in the budget circular and making the necessary information system adaptations to ensure effective monitoring of the expenditures thus incurred. **Annex 6** shows the lessons learned from the introduction of climate budget tagging (CBT) in Uganda. The gradual build-up of the Court of Auditors should make it possible to incorporate climate issues into the ex post assessment of public investments supporting adaptation or mitigation, in line with PIMA institution 14. Lastly, given the impact that CC has on existing assets, the climate risk analysis must be included in standardized methodologies for forecasting asset maintenance needs (see PIMA institutions 9 and 15). The first step could be to map vulnerable public infrastructure in specific places and sectors.

C5. Risk management *(Institutional design: Medium; Priority of reform: Medium)*

114. This institution assesses how exposure to fiscal risks associated with public investment that could be caused by CC and natural disasters is identified and managed. Climate and natural disaster risks are chronic sources of risks with a macro-fiscal impact and therefore require sustained attention. Fiscal risks arise from both the adaptation and the mitigation aspects of CC.[68] Consequently, the first dimension of the institution determines whether authorities publish a national disaster risk management strategy that incorporates public infrastructure exposure to climate disasters. The second dimension examines whether the government has put in place financing mechanisms to deal with the costs of damage to public infrastructure as a result of CC. Lastly, the third dimension addresses the existence of a fiscal risk analysis that covers climate risks to public infrastructure.

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[67] https://climateanalytics.org/media/pas-pna_benin_va_ressources_en_eau.pdf.

[68] The risks related to CC mitigation stem from higher capital costs incurred due to the transition to public infrastructure with low GHG emissions (increased use of renewable energies, for example). Mitigation-related risks also include so-called "transition" risks, which are risks to the value of using existing public infrastructure as a result of changes in technology and in public policy in response to international and national climate commitments (e.g., loss of value of coal-fired power plants). As for adaptation aspects, climate and disaster risks must be assessed and monitored systematically for an appropriate and effective response.

115. The national disaster risk reduction strategy and contingency plans assess the main risks and their impact on infrastructure. The 2019–2030 National Disaster Risk Reduction Strategy (SNRRC) is published and outlines the climate and natural disaster risks (floods, coastal erosion, landslides, droughts, and bush fires). It also provides a general overview of the investment exposure level in a few sectors, such as housing, roads, coastal infrastructure, and energy. National and communal contingency plans, prepared annually, provide for activities to prevent and respond to climate shocks, such as reconstruction, based on the identification of levels of exposure to climate risks. Moreover, the operational disaster response system is run by the National Civil Protection Agency (*Agence nationale de protection civile* – ANPC).[69] It is based on a national disaster risk reduction platform, represented at the central and local levels.[70] The system is being complemented and enhanced by a draft law on disaster risk reduction, tabled by the authorities before Parliament in 2020, but yet to be passed.

116. There are annual budget allocations for contingencies and other financing mechanisms, but their "doctrine of use" does not seem to be particularly intended to cover the costs of climate-related damage to public infrastructure. The 2023 initial budget law includes a significant allocation for incidental and unforeseeable expenses, with an envelope of CFAF 239 billion. This line of credit, although it can in theory be used for the restoration of physical infrastructure, does not actually seem to be widely used for this purpose. Ministerial departments use the resources in their budgets for rehabilitation and maintenance to address damage to infrastructure, but this funding is used after the fact and is often insufficient. According to the 2019 post-flood needs assessment report, prepared with UNDP support, the damage to infrastructure was estimated at approximately CFAF 29 billion (or around 6.6 percent of capital expenditures for 2019). A National Disaster Response Fund (FONCAT) was created in 2020 and placed under MEF oversight.[71] However, this fund, which received around CFAF 3 billion to CFAF 5 billion between 2021 and 2023 (i.e. on average around 0.4% of 2021–2023 expenditures in the respective initial budget laws, excluding the wage bill), is used more for relief operations and public compensation than for responding to the impact that disasters have on public infrastructure.

117. The fiscal risk analysis appended to the budget law mentions the risks that natural disasters pose for public investment and the mitigation measures to deal with their occurrence. The fiscal risk analysis document in the 2023 draft budget law classifies adverse weather events (floods, fires, coastal erosion, droughts) in terms of the likelihood of occurrence

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[69] See Decree No. 2018-062 of February 15, 2018, on the powers and duties, organization, and functioning of the ANPC.

[70] See aforementioned Decree No. 2011-834 of December 30, 2011, on the creation, composition, powers, duties, and functioning of the national platform for disaster risk reduction and climate change adaptation. Platform activities include: (i) promoting the integration of risk prevention and disaster management in sustainable development and poverty reduction policies, plans, and programs; (ii) defining strategic guidelines and validating disaster risk reduction programs; and (iii) facilitating the mobilization of resources needed to implement risk prevention, disaster management, rehabilitation, and post-disaster development projects and programs.

[71] See Decree No. 2020-414 of August 26, 2020, creating the FONCAT and establishing its management rules.

and severity. For example, it highlights the impact of the 2019 floods on infrastructure in the education sector and assesses the economic impact of these floods in terms of tax revenue, exports, imports, and GDP. It also describes the risk mitigation measures taken by the Beninese authorities. However, the analysis has few details on the short- and medium-term quantification of public infrastructure exposure to natural disasters caused by climate change and on a more qualitative long-term assessment.

118. Enhancing the fiscal and macroeconomic analysis of natural disaster risks is of medium priority relative to the other priorities proposed in the report from a C-PIMA perspective. The fiscal risk analysis is a good starting point, but should be strengthened (i) by conducting a more thorough medium- and long-term assessment of risks to public infrastructure and (ii) by expanding the scope of the analysis through methodologies that include “transition” risk (for example, associated with a transition to renewable energy) in keeping with Benin’s commitments to green and low-carbon growth. Moreover, existing ex ante financing mechanisms should be supplemented to ensure a more effective response to the impact of climate shocks on infrastructure without undermining existing maintenance and public investment programs.

IV. CROSS-CUTTING ISSUES

119. The following section outlines the key legal framework, IT system, and staff capacity issues relevant to all PIM areas. They are discussed in the PIMA and C-PIMA institutions presented above, but it is appropriate to also address them in a cross-cutting manner to examine their strengths and weaknesses. They aim to assess (i) the consistency and completeness of the legislative and regulatory framework for effective PIM; (ii) the existence of an information system (IS) on projects, facilitating decision-making and follow-up; and (iii) staff capacities.

A. Legal framework

120. The PIM legal framework is abundant and, on the whole, very recent. In domestic law, a number of laws and decrees regulate PIM, and the main ones are listed in **Table 10**. The cornerstone of this legal framework is Decree No. 2021-586 of November 10, 2021, on PIM. Replacing an earlier text (Decree No. 2019-193 of July 17, 2019, establishing the general framework for public investment project management), the PIM decree notably transfers jurisdiction over investment selection and programming to the DGB, conferring on it an enhanced PIM oversight role. All of the structures involved in the PIM process are subject to texts specifying their powers, duties, and organization and providing for a key role to be played by the planning, administration, and finance directorates within the ministries as a result of the merger in each ministry of the planning and forecasting directorate and the financial affairs directorate.[72]

121. A number of texts under development are intended to complete this framework. First, a framework law on development planning and public policy assessment will clarify the powers now devolved to the MDC upstream (foresight and planning) and downstream (evaluation) of the PIM cycle. A draft law on PPPs and its implementing decrees is being prepared (see PIMA institution 5).

122. This legal framework is supplemented by methodological or operational documents that, on the whole, are of good quality. These guides or manuals notably relate to the upstream part of the PIM cycle (sectoral planning, preliminary appraisal), but are partly being updated (PIM manual) to reflect the changes introduced by the aforementioned Decree No. 2021-586.

[72] In particular, Decree No. 2016-366 of June 16, 2016, on the creation, powers, duties, organization, and functioning of the BAI within the Office of the President of the Republic, Decree No. 2021-307 of June 9, 2021, on the powers, duties, organization, and functioning of the MEF, Decree No. 2021-324 of June 30, 2021, on the powers, duties, organization, and functioning of the MDC, Decree No. 2021-401 of July 28, 2021, establishing the standard ministerial structure, Decree No. 2021-531 of October 20, 2021, on the powers, duties, and organization of the units for monitoring projects, programs, and reforms carried out by sectoral ministries and entities attached to the Office of the President of the Republic.

Table 10. Key PIM Legal Texts in the Republic of Benin

Text	Main PIM Provisions
Organic Law No. 2013-14 of September 27, 2013, on budget laws (LOLF)	Establishes the PFM framework and lays down basic rules for budgeting and execution, distinguishing (Article 13) between ordinary and capital expenditures (composed of investment expenses incurred by the State and capital transfers).
Decree No. 2015-035 of January 29, 2015, on the PFM Transparency Code.	Prescribes the general rules on transparency in public expenditures, particularly (Article 28) the presence of operating and investment expenditures in the same budget, with a common preparation and adoption procedure.
Decree No. 2021-586 of November 10, 2021, establishing the general PIM framework	Lays down the main PIM rules for (i) project preparation and selection, (ii) project programming and development programs, (iii) project implementation, monitoring, and appraisal; and (iv) other accounting and project management rules.
Law No. 2016-24 of October 24, 2016, regarding the legal framework on public-private partnerships (PPPs)	Establishes the framework for the use of PPP contracts and the general principles for PPP assessment, contracting, and oversight. This law will be replaced by another currently being developed that will transpose the 2022 WAEMU directive.
Law No. 2020-20 of September 2, 2020, on the creation, organization, and functioning of State-owned enterprises	Establishes the main governance rules applicable to State-owned enterprises, defined (Article 4) as taking the form of a public institution (also called agency or office), managing a public service for general-interest purposes, or a corporation, whose activities are carried out primarily for commercial purposes.
Law No. 2020-26 of September 29, 2020, on the Public Procurement Code (CMP)	Lays down the rules governing the preparation, award, execution, oversight, and regulation of public contracts.

Source: Mission.

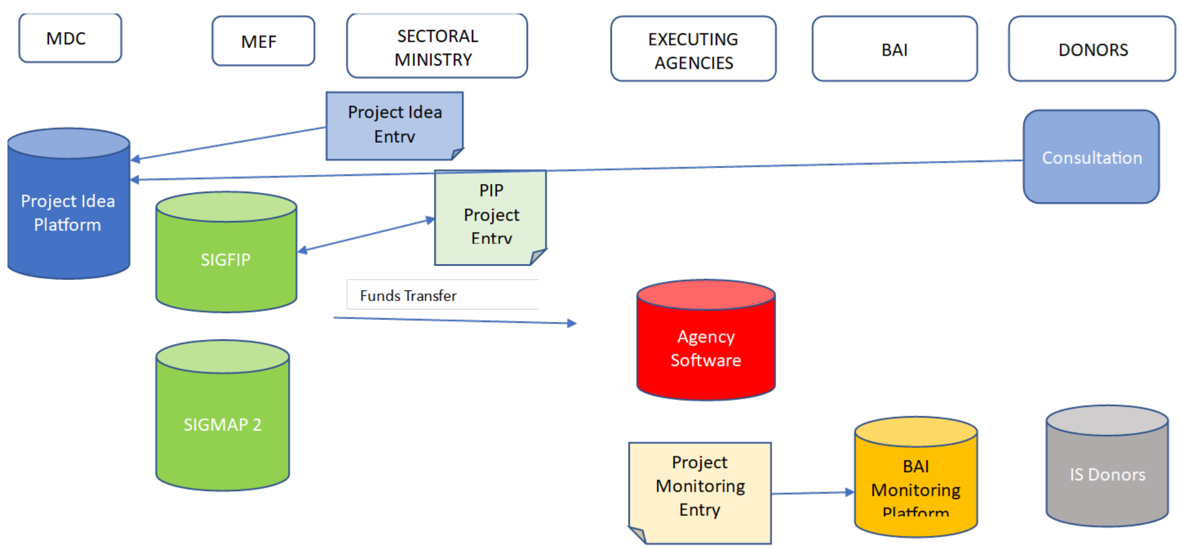
123. Benin adopted a legislative framework on climate change in 2018. Law No. 2018-18 of August 6, 2018, on climate change supplements Law No. 98-030 laying down a framework law on the environment (currently being overhauled). In particular, the 2018 law contains the obligation to consider CC in national and subnational strategies and plans. It contains general elements on both adaptation and mitigation policies. It places emphasis on capacity development and research and creates a national committee on CC (see institution C2 above for a more precise description of CNCC). Above all, it establishes the principle of CC integration into environmental and social impact studies (Article 23). The work underway can strengthen and operationalize this framework through, for example, the PPP law being developed or its decrees, which will have to specify the need to take into account CC in assessing PPP risks (see institution C3 above for more details on ESIS and on PPP legislation).

B. IT system

124. Despite a favorable institutional framework, the coordination of actors and IT tools in connection with PIM still requires operational implementation. There is an Information and Digital Systems Agency responsible for the operational implementation of digital projects.[73] Within both the MEF and the MDC, the ministry's organic framework provides for the distribution of the IT function between the ministerial Information Systems Directorate (*Direction des systèmes d'information* – DSI) and the IT departments or directorates in the main directorates general. Agencies are independent in terms of their IT systems. Within the MEF, however, coordination tools are limited to an old IT master plan (2011), replaced by a strategic plan built around SIGFP developments. In order to implement interfaces between the various existing systems supporting PIM, there will be a need to go beyond that and to formalize a framework for consultation between all the parties involved as well as interface protocols between the information systems at the technical level.

125. The PIM information technology support remains split between multiple information systems that do not communicate with one another. These systems are spread out among the various ministries, the agencies, and the BAI. With the transfer of the investment programming function from the MDC to the MEF, the number of PIM information systems has decreased. Admittedly, the MDC has a platform ultimately intended to monitor project maturation, but some old MDC information systems are no longer operational.[74] The SIGFP, now the cornerstone of information on projects included in the PIP, is not interfaced with the SIGMAP. **Chart 19** below summarizes information system mapping for investment management.

Chart 19. PIM Information System Mapping



Source: Mission.

[73] Decree No. 2022-324 of June 1, 2022, creating the Information and Digital Systems Agency.
[74] Integrated System for Public Investment Analysis and Programming (*Système intégré d'analyse et de programmation des investissements publics* – SIAPIP), DJRADO, investment management in LOLF mode, and Project Portfolio Management (PPM) for investment project monitoring.

126. CC monitoring is not taken into account in information systems. Incorporating functionalities into PIM information systems to identify CC-related projects may be a valuable asset in the planning, allocation, and monitoring of these projects. This option has yet to be used, but an initial Excel exercise to tag data for the climate note in the 2023 draft budget law has been carried out. Such a mechanism is intended to be integrated into the SIGFP to ensure specific monitoring from the project's inception, through its implementation, and to the recognition of assets thus produced, like the experience with GRB and its reporting. Inspiration can also be drawn from the mechanism for monitoring Sustainable Development Goals (SDGs), which is based on an information system dedicated to project monitoring (IMS-SDG platform, focal points in 77 communes). The consideration of the climate dimension in the investment project cycle strengthens the case for direct integration into the SIGFP.

127. Interfacing applications participating in the PIM cycle and computerizing project monitoring are of medium reform priority. The PIM information systems and actors should be better coordinated with the interfacing of existing applications to increase the reliability of public investment project management and to incorporate it throughout the climate dimension chain. The rollout under BAI stewardship of a project monitoring application - currently being tested in a few agencies - is likely to strengthen project monitoring.

C. Staff capacity

128. Main stakeholders in the PIM system have qualified human resources, generally speaking, but nevertheless need occasional quantitative and qualitative reinforcements. At the central level, the DGB and DGDP are key PIM players. The institutional reorganization related to the transfer of public investment programming to the DGB did not include the redeployment of staff from the former Ministry of Planning that used to be in charge of this dimension. However, the DGB estimates that the absence of staff transfers was not detrimental because it already had a breadth of capabilities due to the gradual alignment of procedures on ordinary and capital expenditures. Despite the existence of some internal capabilities within the DGB allowing it to assess the technical quality of a preliminary appraisal, it usually relies on expertise from other government entities or external sources for assessment beyond strictly financial aspects.

129. The ministries involved in PIM point out a need to build their capacities, particularly to assume an effective role in overseeing their agencies. The public investment planning, programming, and budgeting work within sectoral ministries is coordinated by DPAFs and—for program managers—by program support units. DPAFs received some transfers from the former Ministry of Planning. However, the ministries do not have the ability to effectively oversee their agencies or State-owned enterprises. The latter can have specialized competencies in project management through the recruitment of executives from the private sector. This is also the case for the BAI in relation to monitoring implementation at the central level. Building bridges between ministries and agencies to allow State employees on secondment to work for agencies before returning to central government (subject to some ethical guarantees) should be encouraged to ensure better dissemination of expertise.

130. Significant efforts have been made through human resource management to improve professionalism among actors in the expenditure chain. Over the past few years, employees in charge of PIM have received institutional support as part of the PAGIPG project (2016–2021) funded by the World Bank (US$30 million), which trained approximately 2,000 actors from the expenditure chain. To sustain this capacity building, the government implemented a national job roster for the expenditure chain based on which senior officials are appointed to positions of responsibility in financial administration.[75] In order to track human resource needs and help agents have a better understanding of their tasks, organic frameworks and job descriptions have also been created within units.

131. In addition to existing trainings for PIM actors, the formal design of a training plan could strengthen capacities. Some directorates have organized training for expenditure chain agents by developing PFM modules as part of the program budget. A PIM training plan could, as a priority, focus on competencies related to project planning, preliminary appraisal, and monitoring/evaluation.

132. Staff capacities on climate-related PIM aspects must be strengthened considerably at all levels. The authorities, in collaboration with TFPs, have made significant efforts to help central and local administrative entities to incorporate climate aspects into planning and budgeting. Climate points of contact have been placed within the MEF's central administration. However, capacity building is necessary to address the persistent gaps in general matters, such as basic understanding of climate projects and NDC mechanisms, and to broaden operational expertise (preparation of costed sectoral strategies with a climate dimension, preparation or review of preliminary project appraisals, including climate risk assessments, and integration of climate vulnerabilities into maintenance needs assessments). Lessons can be learned from the experience in GRB, carried out with the support of a group of experts, particularly as concerns training the trainers and establishing gender focal points in the sectors.

[75] See Decree No. 2016-477 of August 11, 2016, on the creation of a national roster for the admission and appointment of senior officials to jobs in the public expenditure chain https://fichiernational.gouv.bj/#.

Annex 1. Detailed PIMA Scores

The following colors are used to present the scores:

Score	Low	Medium	Advanced
	1	2	3
Color			

I. PLANNING		
	Institutional Design	Effectiveness
1.a.	3	3
1.b.	3	2
1.c.	3	3
2.a.	3	3
2.b.	3	2
2.c.	3	2
3.a.	3	3
3.b.	2	2
3.c.	3	3
4.a.	2	1
4.b.	3	2
4.c.	1	1
5.a.	3	3
5.b.	2	1
5.c.	3	2

II. ALLOCATION		
	Institutional Design	Effectiveness
6.a	3	3
6.b	3	3
6.c	2	1
7.a	3	2
7.b	3	3
7.c	3	3
8.a	3	1
8.b	3	3
8.c	3	2
9.a	1	1
9.b	2	1
9.c	2	2
10.a	2	1
10.b	1	2
10.c	1	1

III. IMPLEMENTATION		
	Institutional Design	Effectiveness
11.a	3	2
11.b	3	2
11.c	3	3
12.a	3	1
12.b	2	2
12.c	2	1
13.a	3	1
13.b	2	1
13.c	2	1
14.a	2	2
14.b	1	1
14.c	2	1
15.a	3	1
15.b	3	1
15.c	3	1

Annex 2. Detailed C-PIMA Scores

The following colors are used to present the scores:

Score	Low	Medium	Advanced
	1	2	3
Color			

C.1. Climate-Aware Planning	
C.1.a.	**National and sectoral planning**
C.1.b.	**Land use and building regulations**
C.1.c.	**Centralized guidance on planning**
C.2. Coordination between Entities	
C.2.a.	**Coordination across central government**
C.2.b.	**Coordination with subnational governments**
C.2.c.	**Oversight framework for public corporations**
C.3. Project Appraisal and Selection	
C.3.a.	**Climate analysis in project appraisal**
C.3.b.	**PPP framework including climate risks**
C.3.c	**Climate consideration in project selection**
C.4. Budgeting and Portfolio Management	
C.4.a.	**Climate budget tagging**
C.4.b.	**Ex post review of projects**
C.4.c.	**Asset management**
C.5. Risk Management	
C.5.a.	**Disaster risk management strategy**
C.5.b.	**Ex ante financing mechanisms**
C.5.c.	**Fiscal risk analysis including climate risks**

Annex 3. Recommendations for PIP Improvement

1. PIP content and presentation

- *Project typology:*
  - Simplify the project typology and avoid overlap:
    - Project idea (if studies are financed through the PIP)
    - Project under study
    - Project in progress
    - New project
    - Project suspended/interrupted
- *Developments:*
  - Provide essential summary data:
    - Total number of projects and breakdown by nature (new, in progress, etc.)
    - Breakdown of the number of projects by ministry with total associated appropriations
    - Present the total PIP appropriations according to the nature of the budget nomenclature (investment subsidies, capital grants, purchases of goods and services, etc.)
  - Consider merging the study report on PIP eligibility criteria and the PIP itself to facilitate PIP data reading
- *Tables:*
  - **Add** an overall summary and all ministries combined, by donor
  - **Add** the total project cost
  - **Add** the start year (first year in which a commitment takes place) and the estimated end year
  - **Add** a visual identification for new projects
  - **Complete** missing data on PAG alignment
  - **Merge** the columns called "Completed before N-1" and "Appropriations year N-1" into a single column called "Prior implementation" (specifying the reference year)
  - **Merge** the CA columns into a single one. However, keep all the PA columns by financing source → the current maturity of CA budgeting favors posting of PA details
  - **Delete** unnecessary underlining that reduces document readability:
    - [Geographic] impact area → the geography is most often identifiable in the project title

- One of the two rows “State-executed investment” and “STATE” → they are redundant

2. <u>Other tools to support PIP quality improvements</u>

PIP quality is dependent on the quality of the information provided to the DGB by sectoral ministries, but also its comprehensiveness and comparability over time.

The mission provided the DGB with an information sheet template for an investment project that could be useful for sectoral ministries during the next PIP campaign in order to improve the quality and comprehensiveness of information at its disposal.

Annex 4. Role of Extra-Budgetary Entities in Implementing the PIP and Challenges in Monitoring Implementation

1/ Role of extra-budgetary entities in implementing investment projects

The IMF mission had not carried out a count of public institutions and State-owned enterprises in 2019, but they appear to have grown in number. From a legal standpoint, State-owned enterprises (which now fall within the scope of the aforementioned Law 2020-20) are structured as corporations, whereas public institutions have many different names: agency, office, center, institute, etc. In both cases, the entity's capital belongs fully to the State. The scope of the executing agency concept, which seems to be reserved for ten agencies (now eight after the three in the digital sector were merged) attached to the Office of the President of the Republic, remains unclear.

It appears that the exact number of public institutions varies according to the available documents, as shown in the table below.

<table>
<tr><th></th><th>State-Owned Enterprises</th><th colspan="5">Public Institutions</th><th>Total</th></tr>
<tr><td>Source DGPDE - 2023 (as at December 31, 2022)</td><td>22</td><td colspan="5">128</td><td>150</td></tr>
<tr><td rowspan="3">Source "EPA" annex to the 2023 draft budget law</td><td rowspan="3"></td><td colspan="5">97</td><td></td></tr>
<tr><td>Agencies</td><td>Offices</td><td>Funds</td><td>Institutes</td><td>Centers</td><td></td></tr>
<tr><td>53</td><td>28</td><td>9</td><td>3</td><td>4</td><td></td></tr>
</table>

Moreover, the "outflow" of investment appropriations from the State budget does not match the "inflow" identified for public institutions and State-owned enterprises (see table below). The size of the gap cannot be explained by transfers to territorial authorities (FADeC).

				Sources
2022 LFI capital expenditures CFAF 812.8 billion				2022 LFI
2022 PIP				
Internal funding CFAF 517.5 billion		External funding CFAF 295.3 billion		
Borrowing: 77.3 billion	Budget: 440.2 billion	Lending: 222.7 billion	Grants: 72.6 billion	

Expenditures executed by the State: 323.7 billion 40%	2023 PIP (2022 year)
Capital grants: 489.6 billion 60%	2023 PIP (2022 year)

INCONSISTENCY

State-owned enterprises				
Investment subsidies	107.9			2023 DGPED magazine (2022 figures)
Operating subsidies	17.1			2023 DGPED magazine (2022 figures)

Public institutions				
	Projected	Actual		
Revenue				
Investment subsidies	24.8			2023 DGPED magazine (2022 figures)
Operating subsidies	78.6			2023 DGPED magazine (2022 figures)
Status	47.7	46.9	98%	EPA note (2021 figures - actual)
Own resources	30.2	28.3	94%	
Partners	18.7	14.7	79%	
Borrowing	10.8	1.8	17%	
Grants	2.8	3.4	121%	
Other subsidies	4.36	8.66	199%	
Proceeds from disposals	0.7	0.8	114%	
Expenses				
Investment expenses	75.9	15.8	21%	EPA note (2021 figures - actual)
Personnel expenses	16.8	15.3	91%	
Operating expenses	98.5	26.9	27%	
TOTAL	191.2	58	30%	

Inconsistency of figures according to sources

Significant underexecution

The figures for 2021 show very poor investment expenditure execution in public institutions (21 percent according to Table 8 of the analysis note on EPAs appended to the 2023 draft budget law, reproduced below, the exact underlying factors of which are not explained in the text). Risk can therefore emerge from the year-to-year renewal of capital grants or subsidies that are in excess of the actual cash flow needs.

Data in CFAF billion	2019			2020			2021		
	Projected	Actual	Rate	Projected	Actual	Rate	Projected	Actual	Rate
Investments	21,088.7	14,690.5	69.7%	30,669.4	10,370.9	33.8%	75,998.7	15,776.8	20.8%

Source: DGB/DGPED, Table 8 of the EPA analysis note appended to the 2023 draft budget law.

2/ Legal mechanism for monitoring investment project implementation applied to agencies

Law 2020-20 *on the creation, organization, and functioning of State-owned enterprises in the Republic of Benin* applies to a broad field, defined in Article 4, which provides that State-owned enterprises can take the form of (i) a public institution, also called agency or office, and (ii) a corporation.

This law does not address public investment explicitly, but structures a mechanism for close oversight of the activity of State-owned enterprises that rests primarily with the Board of Directors.

Decree 2021-586 on PIM (articles 25 and 26) establishes a monitoring system that applies to all investment projects, including those carried out by agencies. The main components of this mechanism are, in principle, the following:

- Quarterly submission of a report on project implementation by the program manager to the DPAF;

- Quarterly submission of a DPAF report on physical and financial project progress according to a predefined outline; this report is submitted to the MEF, MDC, SGPR, and BAI. The DPAF "publishes it";

- Preparation by the SGPR every six months, in conjunction with the BAI, of a "consolidated PIP monitoring report" specifying the physical and financial progress, the resource mobilization level, an analysis of implementation-related constraints, and proposed corrective measures. The report "is made available within 45 days of the end of the six-month period in question and is presented during a Council of Ministers meeting."

Other texts also provide for an implementation monitoring mechanism, which can also apply to agency investment projects:

- BAI (Decree 2016-266): technical notes on program design and direct support or support through governance consultants; targeted fact-finding missions intended to inform decision-making, corrective measures, and/or enforcement "necessitated by the imperative of good governance."
- SGPR monitoring units (Decrees 2021-520 and 2021-531): monitoring missions according to an established framework throughout the national territory.

<u>3/ Effectiveness of the implementation of the monitoring framework applied to agencies</u>

Despite the mobilization of many actors "on paper," the visible results of this monitoring and oversight architecture are lacking. The various reports provided for by articles 25 and 26 of Decree 2021-586 do not appear to be published and were not shared with the mission. The table below shows the mission's main findings and their agency impact.

Finding	Implication
Transparency regarding investments entrusted to EPAs and State-owned enterprises	
No clear list of PIP investment projects entrusted to public institutions or public corporations	>> The overall performance of agency use is not measurable in terms of <u>efficiency</u> or <u>effectiveness</u> >> Difficulty actively managing investment projects and reallocating available funds (particularly with respect to internal financing of best or fastest progressing projects)
Absence of total PIP costs and therefore no knowledge of the financial volumes managed by public institutions and public corporations	
Lack of reliable data on the reality of the investment expenses of public institutions and public corporations and on the consistency of these expenses with State-paid funds	
Noncompliance with Article 65 of Law 2020-20 regarding the report that is supposed to be dedicated to State-owned enterprises, including public institutions	- Operating income and expenses (2019–2020–2021) are published for just 72 EPAs listed in Annex 2 (out of a total of 97) - Reciprocal financial commitments are not clearly tracked - The technical performance status and outlook on public service delivery are not tracked
Noncompliance with Article 65 of Law 2020-20 regarding the report that is supposed to be dedicated to State-owned enterprises, including public corporations	- Reciprocal financial commitments are not clearly tracked - Potential capital developments or privatization movements are not tracked
State oversight and monitoring	
Delays in the transmission of financial accounts	> Partial and unrepresentative aggregate figures > State's inability to identify possible difficulties or deviations > Lack of relevant information on subsequent budget document preparation > Possibility for entities to build up excessive cash flows relative to their execution rate
Lack of submission to the mission of any (unpublished) reports provided for in articles 25 and 26 of the 2021 decree on PIM	> No visibility on the monitoring policy and its real impact > No visibility on cross-cutting or ad hoc challenges or on the State's ability to make the necessary corrections > Difficulty for the State to define a strategy and priorities in its steering of public institutions and corporations
An unpublished monitoring tool, but one which offers an analysis that is still open to further development, through the ad hoc BAI report entitled "PAG Project Executing Agency Management Report (2016–2020)," January 2020.	The physical and financial implementation rates are presented without context and are therefore theoretical in nature; there is no mention of total project cost, potential delays already incurred, potential modifications to the initial AWP, or its lack of ambition (AWPs are used as a basis for calculating physical progress).

Capacities	
There are 10 DGPED portfolio managers who do not specialize by sector	> Delays in reviewing documents transmitted due to workload > Weakening of the structure in the event of turnover > The opinion of statutory auditors does not cover the entire scope of oversight (Law 2020-20)
Capacities within ministries	Risk of removing responsibility from staff in ministries that no longer do the work or provide the oversight

Overall, the predominant use (60 percent in the 2022 initial budget law and 70 percent in the 2023 initial budget law) of autonomous entities to implement PIPs may pose risks if not coupled with a fully appropriate and effective monitoring mechanism. In particular, the use of the agency model poses the risk of a lasting weakening of administrations, especially program managers, if they remain too far removed from operational project monitoring. The monitoring and update of ministerial AWPs thus lose their interest and value if the public policy component implemented by agencies is not subject to sufficient reporting. The implementation of mandate agreements to formalize relations between ministries and agencies is a good practice in this respect for operational oversight. However, although the mandate agreement model shared with the mission does contain a list of mutual commitments, it has no formal section on financial allocations.

4/ Guidance for improving agency monitoring

A number of guidelines, with the main ones included in the body of this report, could help improve agency monitoring.

- **Remove ineffective or inefficient agencies.** A number of agencies were closed, merged, or restructured for efficiency purposes. For example, in 2022, the agencies specified below were merged or restructured by Council of Ministers decisions. They are as follows:

  i) Creation of the MAEP by merging the Central Laboratory of Food Safety Control (*Laboratoire central de Contrôle de la Sécurité Sanitaire des Aliments* – LCSSA) with the Beninese Food Safety Agency (*Agence Béninoise de Sécurité Sanitaire des Aliments* – ABSSA);

  ii) Dissolution of seven agencies to create a single agency (ADPME) by merging the National Agency of Small and Medium-Sized Enterprises (*Agence Nationale des Petites et Moyennes Entreprises* – ANPME), the Agency for the Development of Youth Entrepreneurship (*Agence de Développement de l'Entreprenariat des Jeunes* – ADEJ), the Restructuring and Upgrading Office (*Bureau de Restructuration et de Mise à Niveau* – BRMN), the Management Development and Assistance Center (*Centre de Perfectionnement et d'Assistance en Gestion* – CePAG), the Digital Entrepreneurship Support Fund (*Fonds d'Appui à l'Entreprenariat Numérique* – FAEN) and the Benin Startup Challenge (BSC), and the Business Staff Development Center (*Centre de perfectionnement du personnel des entreprises* – CPPE);

iii) Merger of four executing agencies to create the Information and Digital Systems Agency (*Agence des Systèmes d'Information et du Numérique* –ASIN), comprising the Digital Development Agency (*Agence du Développement du Numérique* – ADN), the Information Services and Systems Agency (*Agence des Services et Systèmes d'Information* – ASSI), the National Agency for Information Systems Security (*Agence Nationale de la Sécurité des Systèmes d'Information* – ANSSI), and the Beninese Agency for the Universal Electronic Communications and Postal Service (*Agence Béninoise du Service Universel des Communications Electroniques et de la Poste* – ABSUCEP).

- **Improve compliance with Article 65 of Law 2020-20 starting from the 2024 draft budget law and ensure full compliance as part of the 2025 draft budget law.**

- **Add a summary table to the 2024 PIP indicating the breakdown of (major) investment projects by the entity in charge of their implementation**: ministry, public institution, or public corporation (name the entity).

- **Add a specific section in the ministries' DPPD-PAP to clearly identify the list of executing agencies for major ministry projects.** The link between program managers and projects implemented by EPAs and corporations under sector oversight must be formalized better, in addition to any mandate agreements that may be published.

- **Prepare and publish the semiannual report established by the SGPR/BAI on monitoring investment project implementation.**

- **Add a summary on the reality of investment expenses undertaken by agencies and State-owned enterprises to the report on State budget execution** (at least when reporting at the end of the fiscal year). Data for year N, produced at the beginning of N+1, are those that will have to be included in the documents for the draft budget law N+2 pursuant to Article 65 of Law 2020-20.

- **Should State-owned enterprises persistently fail to effectively submit their annual financial statements for the fiscal year ended, consider imposing incremental sanctions:** temporarily suspend capital grants, proceed with a lump-sum reduction of the operating subsidy, or even financially penalize the agency's management.

- **Before recording the capital grant of the agency or enterprise in the draft budget law, check the entity's cash flow:** reduce the grant if all or part of the disbursements provided for in the entity's cash flow plan can be covered by its cash levels.

Annex 5. Selection Criteria for Projects with Climate Change Components

The following list contains the criteria currently used in Benin to assess PIP eligibility for new projects and includes specifics in connection with the climate dimension. The amended criteria are shown in the first column. These illustrations can be used for the list of eligibility criteria for projects in progress.

Amended Criterion	No.	*Assessment Criteria / Subcriteria*	*Grading Scale*
1. Consistency			**5**
	1.1	*Project intervention logic (activities-results-specific objectives-general objective)*	2.0
✓	1.2	*Compliance of project objectives with SDGs, including those related to climate (by attaching the addressing document for each ministry)*	1.0
✓	1.3	*Compliance of project objectives with national development guidelines, including those related to climate*	0.5
✓	1.4	*Compliance of project objectives with national strategies, including those related to climate, and sectoral strategies*	0.5
	1.5	*Project compliance with sector priorities*	0.5
✓	1.6	*Compliance of project objectives with PIP directives, including those related to climate*	0.5
2. Relevance			**10**
	2.1	*Was the problem properly identified?*	2.0
	2.2	*Has the stakeholder analysis been carried out?*	1.0
	2.3	*Are the direct project beneficiaries qualitatively and quantitatively defined?*	2.0
✓	2.4	*Were the real social, economic, environmental, climate, and gender equity needs of the direct beneficiaries properly targeted by the project?*	2.0
✓	2.5	*Do the proposed solutions resolve the problem identified and meet the beneficiaries' social, economic, environmental, climate, gender equity, and human rights needs?*	2.0
	2.6	*Is the project innovative or complementary or does it compete with others?*	1.0
3. Efficiency			**15**
	3.1	*Is the provisional project operationalization plan based on good information?*	5.0
	3.2	*Can optimal results be reached with the provisional resources available?*	10.0
4. Effectiveness			**5**
	4.1	*Can the objectives be achieved with the planned outcomes?*	3.0
	4.2	*Are the outcome indicators provided in the logical framework CREAM+?*	2.0
5. Feasibility			**55**
	5.1	*Technical feasibility*	9.0
	5.1.1	*Deliverable specifications*	1.0
	5.1.2	*Can the activities be carried out with the proposed technical means?*	1.0
	5.1.3	*Can the expected outcomes be achieved with the planned activities?*	1.0
	5.1.4	*Have the technical risks and assumptions internal to the project been clearly understood?*	2.0
	5.1.5	*Have measures been considered to mitigate the risks internal to the project?*	1.0
✓	5.1.6	*Are the preliminary conditions for starting project implementation (agreements, procedures, organization, responsibilities, texts, laws) defined, particularly in relation to climate?*	1.0
✓	5.1.7	*Is the technical choice optimal, particularly from a climate perspective (study the optimality according to the options presented)?*	2.0
✓	5.2	*Environmental and climate feasibility*	4.0
✓	5.2.1	*Are likely environmental and climate risks properly identified?*	1.0

Amended Criterion	No.	Assessment Criteria / Subcriteria	Grading Scale
✓	5.2.2	*Is the management of project environmental and climate risks clearly presented?*	1.0
✓	5.2.3	*Are the provisional project environmental management plan and climate impact and vulnerability study available?*	1.0
	5.2.4	*Are the responses regarding adaptation and resilience to climate change clearly defined?*	1.0
	5.3	*Social feasibility*	4.0
	5.3.1	*Have the effects/impacts or expected social changes of the project been identified?*	1.0
	5.3.2	*Are the changes brought about by the project's implementation classified as pros and cons for the community?*	1.5
	5.3.3	*Does the project take into account the gender and gender equity dimension?*	0.5
	5.3.4	*Is the management of project social risks clearly presented?*	1.0
	5.4	*Economic and financial feasibility*	34.0
	5.4.1	*Have the effects/impacts or expected economic changes of the project been identified?*	3.0
	5.4.2	*Has the project's contribution to the national economy been assessed?*	3.0
✓	5.4.3	*Has an ex ante assessment been carried out, particularly on climate-related aspects, using a standard methodology?*	5.0
	5.4.4	*Will the project create jobs?*	2.0
	5.4.5	*Will the project's implementation save jobs?*	2.0
	5.4.6	*Is the internal profitability assessment effective?*	3.0
	5.4.7	*Is the net present value assessment effective?*	3.0
	5.4.8	*Has a sensitivity analysis been carried out?*	3.0
	5.4.9	*Is the cost evaluation approach in line with that of the ICPD?*	5.0
	5.4.10	*Is the financing plan for externally funded projects in line with the one contained in the loan or grant agreement?*	2.0
	5.4.11	*Is the management of project economic and financial risks clearly presented?*	3.0
	5.5	*Organizational and institutional feasibility*	4.0
	5.5.1	*Has a reliable formal project management framework been proposed?*	1.0
	5.5.2	*Is the organizational chart consistent?*	1.0
	5.5.3	*Have the competencies required for project implementation been identified?*	1.0
	5.5.4	*Suitability of profile/position of PMU members*	1.0
6. Sustainability			***5***
	6.1	*Has the project exit strategy been developed?*	2.0
✓	6.2	*Have the recurring charges been considered and assessed, particularly in relation to maintenance and its exposure to climate change?*	1.0
✓	6.3	*Is the management of risks, including climate-related risks, related to project sustainability clearly presented?*	1.0
	6.4	*Has the beneficiaries' ability to take ownership of the project's achievements been assessed?*	1.0
7. Monitoring/evaluation and audit			***5***
	7.1	*Has a monitoring/evaluation mechanism been developed?*	1.0
✓	7.2	*Are periodic reviews, monitoring reports, activity reports, monitoring missions, mid-term evaluations, final evaluations, and the closure planned, particularly in relation to climate?*	2.0
✓	7.3	*Are external and internal audits planned, particularly in relation to climate?*	2.0
Total			***100***

Annex 6. Climate Budget Tagging in Uganda

In Uganda, the Ministry of Finance, Planning, and Economic Development and the Climate Change Department have developed, jointly with the World Bank, a Climate Budget Tagging (CBT) system to track climate spending through their information system and thus support the implementation of the National Climate Change Action Plan and the NDC. Since the initial implementation in 2018, some lessons have been learned from this experience introducing CBT:

1. **The fact that the Ministry of Finance is spearheading the CBT rollout, in cooperation with the Ministry in charge of the Environment, has supported the integration of climate considerations into the budget process.** The leadership of the Ministry of Finance has encouraged sectoral ministries to conduct the tagging exercise and support the revision of planning and budgeting tools (including planning directives and the budget preparation circular) to incorporate climate change considerations.
2. **Rolling out CBT on a pilot basis has also made it possible to adjust the methodology and raise awareness of the necessary capacity building.** CBT was tested during the 2019–2020 budget preparation with a limited number of pilot ministries (energy and mines, water and the environment, public works and transportation, and agriculture) and subnational governments.
3. **The use of existing tools and systems, including the program budget, made CBT rollout easier.** CBT built on the National Climate Change Action Plan to develop the classification used as a frame of reference for climate spending. The tagging tool falls under Ugandan program classification "outputs," providing sufficient detailed information to identify climate spending. An application has been developed to automate tagging.
4. **Continuous capacity building, incorporated into the budget preparation process, sustained the exercise**. Aside from external training provided on an ongoing basis by the World Bank, a support desk was put in place by the Ministry of Finance to support CBT rollout.