

Country Case Study 1: Assessment of Benin's MTEF

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Abbreviations & Acronyms

BCEAO	Banque Centrale des Etats de l’Afrique de l’Ouest
CAA	Caisse Autonome d’Amortissement (part of MFE)
CdC	Chambre des Comptes
CCEP	Cellule de contrôle et de suivi de l’exécution des projets (of CAA)
C2D	Contrat pour le Désendettement et le Développement (France)
CNDLP	Commission Nationale pour le Développement et la Lutte contre la Pauvreté (former
CP	Completion Point
DGAE	Direction Générale des Affaires Economiques
GDB	Direction Générale du Budget (part of MFE)
DGTCP	Direction Générale du Trésor et de la Comptabilité Publique (part of MFE - Treasury)
DRF	Direction des Ressources Financieres (at each LM)
DPP	Direction des Programmes et de la Prospective (at each LM)
DP	Direction de la Prévision
FCFA	Franc de la Communauté Financière Africaine
FCP	Floating Completion Point
FCPT	Floating Completion Point Trigger
GFS	Government Finance Statistics
GoB	Government of Benin
IGF	Inspection Générale des Finances (part of MFE)
IFMIS	Integrated Financial Management Information System
INSEAINstitut	National de Statistique et de L'Economie Appliquée
LdF	Loi de Finances (Finance Law)
LdFR	Loi de Finances Rectificative (Supplementary Finance Law)
LdR	Loi de Règlement (Budget Execution Law - Closure of Accounts Law)
LM	Line ministry
MECCAG-PD	Ministère d’Etat, Chargé de la Coordination de l’Action Gouvernementale de la Prospective et du Développement (Ministry of Planning)
MFE	Ministère des Finances et de l’Economie
MMEH	Ministère des Mines, de l’Energie et de l’Hydraulique (Mining, Energy and Water)
MENRS	Ministère des Enseignements Nationale et les Recherches Scientifiques
MEPS	Ministère des Enseignements Primaire et Secondaire
MOSARE	Modèle de Simulation et d’Analyse des Réformes Économiques
MSP	Ministère de la Santé Publique
MTEF	Medium Term Expenditure Framework
OP	Ordre de paiement (payment order)
PAG	Programme d’Actions du Gouvernement (strategic document of GoB)
PEM	Public Expenditure Management
PERC	Public Expenditure Reform Credit
PERAC	Public Expenditure Reform Adjustment Credit (of the World Bank)
PETS	Public Expenditure Tracking Survey
PRGF	Poverty Reduction and Growth Facility (of the IMF)
SA	Special Account (for HIPC savings)
SCAC	Service de Coopération et d’Action Culturelle (France)
ST-PAS	Sécretariat Technique – Programmes d’Ajustement Structurel (part of MFE)
TOFE	Tableau des Opérations Financières de l’Etat (summary table on Consolidated Operations of Central Government)
UEMOA	Union Economique et Monétaire Ouest-Africaine (WAEMU)

1. Background

The immediate reason to develop an MTEF in Benin was to confront the strategies formulated in the PRSP with the macroeconomic framework provided by the TOFE. The development of the PRSP started mid 2000 whereas the development of the linked MTEF started in 2001. The first MTEF developed in Benin concerned the period 2002-2004. The MTEF in Benin makes part of a much larger public finance reform process supported primarily by the World Bank (through the PERC and later the PERAC). Because of the extensive emphasis on budget reform in Benin, GoB is one of the most advanced in budget reform and also one of the most compliant UEMOA members. Furthermore, the introduction of the MTEF is mentioned as one of the conditions of the PRGF.

The budget reform started in the 1990s includes:

- introduction of a unified budget
- harmonising the Organic Budget Law and its public accounting regulatory framework, within the UEMOA framework;
- introduction of programme budgeting;
- implementation of an MTEF for the years 2002-2004 which will provide the basis for the preparation of the annual budgets;
- semi-annual monitoring of execution of the 2001 budget;
- Performance audit of the programme budgets;
- Delegating expenditure execution towards LMs and local governments, including the delegation of validation ('engagement') and authorisation ('ordonnancement') of payments;
- Financial information in functional classification;

The introduction of programme budgeting (complementary to the classical budget) has been initiated in 2000 in five priority ministries that absorb together approximately 70 percent of the budget: the Ministry of Education (MENRS), of Health (MSP), of Agriculture (MAEP), of Transport (MTPT) and of Environment (MEHU). These ministries were selected because (1) these had developed (basic) sector strategies and (2) some donor projects were being implemented in these ministries. The first programme budgets formulated cover three years (2001-2003) and include objectives, sub-objectives and activities to reach these objectives.

When the MTEF formulation process was started in 2001, apart from these five ministries no other ministries had yet developed programme budgets. Nevertheless, all ministries were asked to express their demand for resources in a (basic) programme budget representation.

The resulting demands were far from coherent with the available resources, e.g. the Ministry of Justice (MJLDH) presented a total demand of FCFA 5 bln. whereas their budget used to be only FCFA 1 bln. and the demand of MAEP amounted to FCFA 25 bln versus a budget of FCFA 5 bln.

To accommodate for these excessive demands, indicative sector ceilings have been defined based on the TOFE (see section 2), based on which the LM could reconsider their demands in accordance with the indicative sector ceiling.

Very recently, the MTEF on 2003-2005 became available (September 2002). This MTEF was attached to the final version of the PRSP that has become available after more than two years of preparation (originally it was planned for November 2001). The PRSP including the MTEF as an annex has been voted on by Parliament (September 20th 2002) and will subsequently be discussed with IMF and WB.

Finalisation of the 2003-2005 MTEF has been too late to form the basis for the preparation of the 2003 budget. Hence the budget has been based on the 2002-2004 MTEF. The allocations of the MTEF 2002-2004 for the year 2003, served as reference for the indicative sector ceilings in the budget formulation process for 2003.

2. The MTEF Process and Organisational Framework

Before describing the budget cycle and the integration of the MTEF and programme budgets in this cycle, it is insightful to go into the specific responsibilities of MFE versus MECCAG-PD.

In many developing countries, in the 80's the BWI have been propagating a division of responsibilities between investment expenditure and recurrent expenditure. Hence many governments in developing countries, including Benin, have one ministry responsible for the recurrent budget and another ministry responsible for the investment budget. In Benin, MFE was responsible for the recurrent budget, and MECCAG-PD for the investment budget. For several years now, the BWI have come to the conclusion that this separation of responsibilities undermines efficient budget execution, because of the absence of coordination between the two budgets. Since then, efforts have been made to integrate both budgets.

In Benin, the integrated budget is officially the responsibility of both MFE and MECCAG-PD. In practice, it is MFE who prepares the integrated budget based on sector budgets provided by the line ministries. Although at the central level, the two budgets are integrated, on the level of the LM the investment budget and the recurrent budget are still treated separately. The DPPs of the LMs are responsible for the investment budget at the level of the LMs. The responsibility of MECCAG-PD as to the LMs investment budgets has become limited to coordination of the DPPs at the LMs. As an alternative to their former responsibility for the investment budget, MECCAG-PD has been made responsible for the country's strategy formulation and hence is the owner of the PRSP in Benin. Because the MTEF is considered to be the instrument to confront the PRSP with the macroeconomic framework, MECCAG-PD is also the owner of the MTEF.

The situation is being complicated further by the existence of the unit ST-PAS,¹ which has been established in the beginning of the 90s to coordinate the activities of the donor community with that of the government. ST-PAS is among others responsible for the formulation of the TOFE, and also of the PRSP and the MTEF. Members of ST-PAS include representatives of the government, civil society and the private sector. ST-PAS falls under the responsibility of MECCAG-PD, its director is an employee of MFE, the vice-director comes from MECCAG-PD and, physically ST-PAS is located within MFE (because of shortage of accommodation within MECCAG-PD).

Consequently the budget and the MTEF are owned by two different ministries, which are in a constant battle for power. Obviously, this situation does not contribute to the integration of the MTEF and the budget. This is the primary reason for the delay in finalising in PRSP and attached MTEF.

Nevertheless, on the surface the MTEF and budget appear to be more integrated than in most African countries: the MTEF 2002-2004 (in absence of the MTEF 2003-2005) has served as reference for the setting of the overall budget envelope and principal budgetary orientations, which are laid down in the 'lettre de cadrage' (see below). Both MTEF and principal budgetary

¹ The name ST-PAS has recently been changed in CNDLP (Commission Nationale pour le Développement et la Lutte contre la Pauvreté) but the old name is still commonly used.

orientations are discussed in a working group including participants of MFE, of MECCAG-PD and of ST-PAS. In this meeting, it is MFE who presents a proposal on the principal allocations. The role of MECCAG-PD and ST-PAS is to make comments to this proposal.

In subsequent stages of the budget cycle, including the negotiation process (conférences budgétaires), subject of discussion is the annual budget, without consideration of or feedback to the overall MTEF. However, a tight interrelation exists between the three-annual programme budgets and the classical sectoral budgets. The budget presented to Parliament is accompanied by the programme budgets and the MTEF.

In Figure 1, the budgeting cycle is shown. The preparation of the budget is co-ordinated by DGB following a process inscribed in the ‘discipline budgétaire’. This is a document describing the various stages of the budgeting process and the task of the entities involved. MECCAG-PD is involved regarding the investment budget (as has been stated above, since integration of the recurrent and investment budget, GDB and MECCAG-PD have shared responsibility for the unified budget), and STPAS for the articulation with the various SAPs, the PRSP and the coherence between these. The budget preparation process can be divided in three stages:

The first stage, which takes place around March/April, consists of the initial determination of the macroeconomic orientations by DP. These hypotheses, formulated in the ‘note d’orientation’, are approved by the GoB, notably concerning budget policy objectives such as tax revenue, the overall budget envelope and the predetermined equilibrium in accordance with the SAPs.

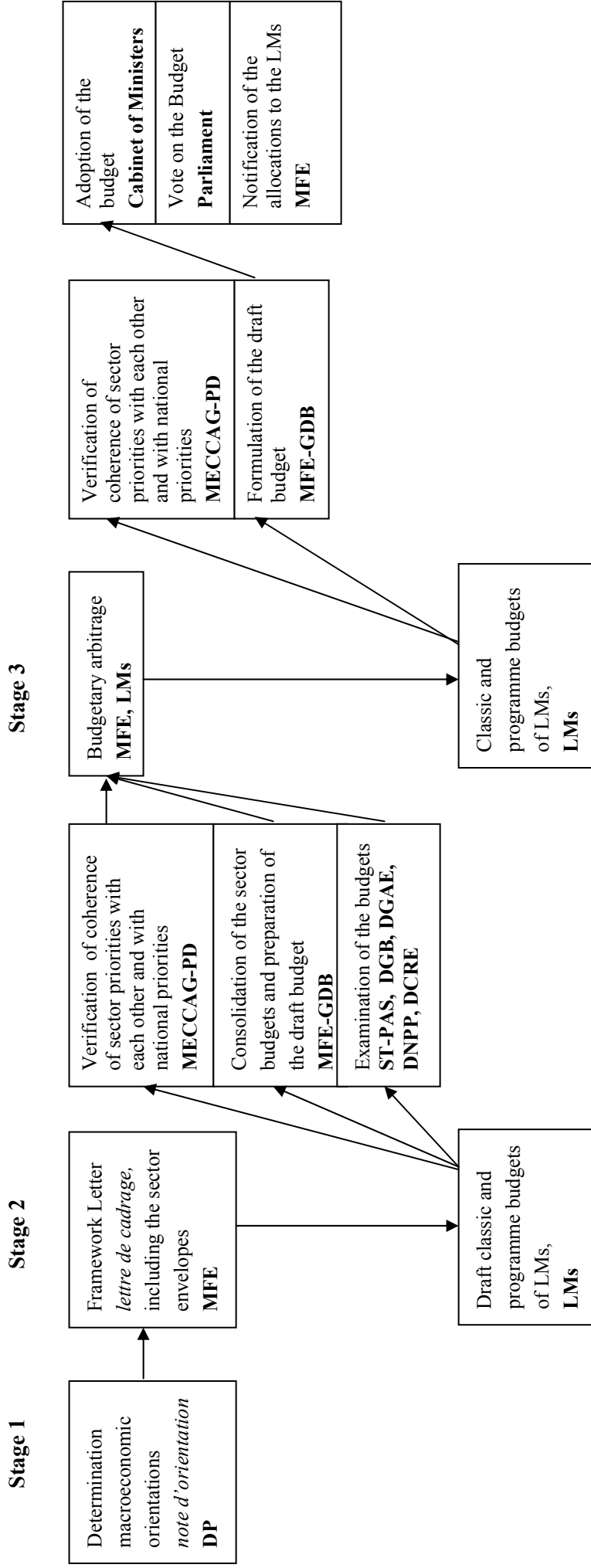
The second stage consists of the determination of the budget envelopes for each LM and of the preparation of sectoral budgets respecting these envelopes. GDB prepares the ‘lettre de cadrage’ (May) that fixes the principal budgetary orientations and permits the sector ministries to express their requirements on a uniform basis. The MTEF serves as the reference for the fixation of these annual budget envelopes. The ‘lettre de cadrage’ also refers to the programme budgets of those ministries involved (the so-called PERAC ministries), and further serves as the basis for the ‘conférences budgétaires’.

The third and final stage consist of the ‘conférences budgétaires’ presided by the MFE, during which the draft budgets of the LMs are examined. The initially fixed aggregate budget envelope is respected during this stage and also during the vote of the budget by Parliament, because of a very strict amendment right of Parliament.

Box 1: Main players and their roles in MTEF process, associated annual budget process, and PRSP process.

MFE	DGB	Coordinator of the budget preparation
	DP	Formulation of the macroeconomic framework
	DGTCP	Responsible for execution of payments
MECCAG-PD	ST-PAS	Coordinator of PRSP and MTEF
	DPP	Coordinator of the PIP (the investment budget)
LM	DRF	Responsible for the LM unified budgets
	DPP	Responsible for the sectoral investment budgets

Figure 1: The Budgeting Cycle in Benin



3. MTEF Structure and Coverage

The MTEF covers a time frame of three years. The MTEF of Benin includes a peculiarity in that it contains two scenarios: one scenario (the restrictive MTEF) based on the macroeconomic framework provided by the TOFE, and one scenario (the expansive MTEF) that starts from an estimate of the resources necessary to implement the PRSP. The restrictive scenario is in accordance with the PRGF of the IMF. The expansive scenario takes into account and therefore depends on the budget support initiative of the Danish, Dutch and EU. Finalisation of the PRSP is included as conditionality to this budget support.

Hence one MTEF 2002-2004 circulates with financing gaps of 4.2 %, 3.7 % and 3.7 % of GNP for the years 2002, 2003 and 2004 respectively, and another MTEF (the expansive MTEF) exists with financing gaps of 4.2 % 5 % and 5 % for the years 2002, 2003 and 2004 respectively. Of course having two scenario's is not in accordance with one of the aims of an MTEF: budget and policy stability. Furthermore, it is not in accordance with the PRGF.

Comparing the two scenarios leads to several interesting findings (see Table 1):

- The difference between the two scenarios is mostly allocated to the national contribution to the investment budget (the PIP): the modification of the 2003 allocation compared to the 2002 budget differs from -9.8 per cent (restrictive MTEF) versus +27.3 percent of the 2002 budget (expansive MTEF);
- The investment budget financed with external resources is smaller in the expansive MTEF than in the restrictive budget. Possibly the reason for this is that it is expected that part of the externally financed investment budget will be replaced by funds of the budget support (which will be classified under national contribution to the investment budget);
- As a consequence of the limited availability of resources in the restrictive MTEF, the investment budget of 2003 declines with 2.7 percent, making it very difficult to implement activities supporting the political strategy defined in the PRSP;
- In the expansive MTEF the strategic choices inspired by the PRSP can be recognised in the form of increasing budgets for the priority sectors (see section 9).

Table 1: Restrictive and expansive MTEFs 2002-2004 compared, in growth rates

Estimate	restrictive			expansive		
	2001	MTEF 2002	MTEF 2003	MTEF 2004	MTEF 2003	MTEF 2004
Aggregate budget						
recurrent		4.3%	6.8%	12.2%	8.2%	12.1%
investment		6.4%	-2.7%	9.4%	11.2%	9.9%
PIP nationally funded		18.9%	-9.8%	9.5%	27.3%	19.0%
PIP externally funded		-0.8%	2.3%	9.4%	0.0%	1.8%
total		5.2%	2.5%	11.0%	9.6%	11.1%
Ministry of Education						
recurrent	21.0%	4.2%	5.0%	10.3%	6.7%	10.1%
investment	44.5%	14.2%	1.5%	8.8%	18.5%	11.1%
total	26.9%	7.1%	4.0%	9.8%	10.3%	10.4%
Ministry of Health						
recurrent	28.2%	1.6%	5.9%	12.8%	6.7%	12.7%
investment	19.3%	-24.0%	-4.1%	8.8%	15.3%	11.7%
total	23.3%	-11.6%	0.8%	11.0%	10.1%	12.2%

The MTEF is meant to be a rolling framework, implying that the current year's budget execution will provide the basis of the next year's MTEF. However, information on the budget execution becomes available at least nine months after the closure of the FY, and possibly much later. Therefore in practice it is the *budget* and not budget execution of the current year (2002), corrected for some deviations, that forms the basis of the MTEF (2003-2005).

The MTEF and the budget are not completely comprehensive. especially grants are not always included.

The MTEF is presented along the lines of a classical budget presentation, including three-annual sector envelopes, showing allocations per economic expenditure category (salary, equipment and services, transfers, and capital). The programme budgets have the structure of a functional 'programme' classification. The classical budget presents allocations along administrative functions (department, direction, unit) and an economic classification. A so-called 'Tableau de Passage' ('Translation Table') is used to connect the classical and the programme budgets. However, partly due to the presentation of the programme budgets and partly to the presentation of the classical budget, the readability of the budget allocations and outturns is poor. Comparison of the classical and the program budget is difficult and include numerous inconsistencies.

One way to bring the cost aggregate of the programme budgets more in line with the resource envelopes for each sector (see section 1) has been to decrease the number of programmes. The current programme budgets include four to six programmes.

Below, the programme budgets of two key ministries: MENRS and MSP will be discussed in more detail.

3.1 Programme budget of MENRS

MENRS has adopted the programme budget approach since 2000. Within the scope of this programme approach, six programmes have been identified:

- primary education
- secondary education first round
- secondary education second round
- general administration and sector policy
- technical education
- higher education

In 2001, the ministry has been split up into three ministries. Since then, the first four programmes have been the responsibility of the Ministry of Primary and Secondary Education (MEPS), while the last two present the programmes of the other two sub-ministries: the Ministry of Technical and Professional Education (METFP) and the Ministry of Higher Education and Scientific Research (MESRS). In this text, when referring to the three ministries the term MENRS will be used although this is not an administrative entity any longer.

The six programmes reflect the sector priorities as defined in the 'Document Cadre de Politique Educative' (January 1991). These have been updated in December 1996.

For each programme, a logical framework has been elaborated specifying the hierarchy of objectives and necessary activities, the performance measures (impact indicators, products or results) and their means of verification, the responsible entities, and finally the underlying hypotheses.

In 2001, these logical frameworks have been translated into an MTEF for 2002-2004. For this purpose a simulation model was used that allows to analyse the (financial) needs of the sector to perform the policy required for the coming ten years. Special emphasis has been on the development of the sector in the context of the PRS.

MEPS, METFP and MESRS are the most advanced ministries in effectively using the programme budget approach. The presented programme budgets have improved significantly from 2000 to 2002, for instance through including logical frameworks for each programme, presentation of the strategies to follow in order to deal with specific problems, and a table showing the link between the classical budget and the programme budgets (translation table). See also section 5.

The programme budget has the advantage (compared to the classical budget) that these include all budget allocations to the sector, including allocations under other budgets (*dépenses réparties*) that have an education character, and non-allocated expenditure (*dépenses non réparties*) which is expended in the education sector. This last category needs further clarification: '*dépenses non réparties*' (DNR) are a separate 'section' in the LdF, i.e. they have the same status in the LdF as a LM. Some of the line items of the DNR section are clearly attributable to a LM, while others are not. DNR mainly comprise transfers and subsidies (an important part of which are '*crédits délégués*'), i.e. recurrent expenditures. DNR accounted for as much as about 1/3 of total recurrent expenditure in the 2000 and 2001 LdF, and constitute an increasing share of the expenditures of the education ministries and of MSP. In contrast to allocated expenditure, DNR are committed by MFE, thus not by the LM to which they belong. Unlike other expenditures, SIGFIP (see section 11) does not track the execution of DNR.

3.2 Programme budget of MSP

MSP is one of the four pilot LMs that adopted the programme budget approach in 2000. The programme budget is organised in 5 programmes corresponding to the sector strategies:

- Reorganisation of the health system pyramid
- Accounting and administration of resources
- Fight against the principal diseases and improvement of the quality of health care
- Promotion of family health care
- Prevention of and fight against the priority diseases

Contrarily to the programme budgets of MENRS, MSP does not use any simulation model to estimate the financial needs of the sector per programme. Using such a model would pose difficulties because of the overlap between the different programmes defined: the same structures are used for the three basic priority programmes (3, and 5 above) and the sector is not yet able to define the costs per objective.

Following the first programme budget formulation in 2000, this programme budget did not undergo significant changes in the subsequent exercises in 2001 and 2002. The sector strategy on which the programme budgets are based still needs to be further developed.

Despite the formulated strategy the programme budget is in practice not yet focussed on poverty reduction. This is illustrated by the continuing major share of the investment budget allocated to developing the infrastructure (programme 1), of which the relevance for reducing poverty has not been demonstrated.

4. Basis and Process of Setting Resource Projections

Projections of the macroeconomic performance are prepared by the 'Direction de la Prévision' (DP). They are presented in the 'note d'orientation'. DP is a division of the economic research department of MFE (DGAE) and consists of approximately 20 experts.

The macroeconomic projections are estimated using the model MOSARE (Modèle de Simulation et d'Analyse des Réformes Économiques). Development of this model started in 2000, supported by the UNDP. In MOSARE, GDP is an endogenous variable (as opposed to the model used by IMF, see below). The model can be used to perform short-term scenario analyses (one to three years) on public expenditure and revenues. The model supposes a relatively stable economic structure, and is therefore not suitable for assessing significant changes in fiscal policy, in the oil price or in the exchange rate. For that purpose one would need a so-called Computable General Equilibrium Model (CGE).

To estimate expenditure and revenues, DP uses inputs from various sources including: the statistical office (INSEA), customs, the central bank (BCEAO), DGTCP and GDB.

The macroeconomic projections made by DP are discussed with the IMF. The IMF makes its own macroeconomic projections based on their model RIMS, in which GDP is an exogenous variable. Hence, in this model a growth path needs to be used as input, after which the model is used to assess the impact of GoB policy on the fiscal deficit.

MOSARE is clearly more detailed and more adapted to the local context than RIMS.

DP is a member of ST-PAS, and therefore involved in developing the MTEF. Nevertheless, the aggregate resource envelope of the MTEF does not necessarily need to be in accordance with the macroeconomic projections of DP, but can be set at a higher level. As the IMF is not only checking the macroeconomic framework, but also the budget (in a later stage of the budget formulation process), the aggregate resource constraint still needs to respect the PRGF.

There are always deviations (ex-post) of the real outcomes from the projections. These are examined, and the hypotheses underlying the model are adjusted accordingly. The structure of the model is not subject to revisions.

At the moment, with support of GTZ, the model is being worked on to include a 'poverty' section.² Table 2 presents MTEF projections prepared and the actual expenditure outturns. It should be kept in mind that at the moment of drafting the MTEF 2002-2004, the outturns for 2002 were not yet available. Hence, it can be seen that because the budget outturn for 2001 turned out to be significantly higher than the estimate in the MTEF, both the restrictive and the expansive MTEFs of 2003-2004 show a higher figure for 2002 than the 2002-2004 MTEF. However, for the ensuing years 2003 and 2004, the restrictive MTEF shows significantly lower figures than the 2002-2004 MTEF. The 2003-2005 MTF shows slightly higher figures than the 2002-2004 MTEF for the years 2003 and 2004.

² One expert of GTZ provides this support in several West African countries, including Benin and Burkina Faso.

Table 2: MTEFs and actual expenditure Benin, FCFA billion

	2001	2002	2003	2004	2005
MTEF 2002-2004	300.2	375.9	420.8	470.9	
MTEF 2003-2005					
Restrictive		394.7	394.0	433.9	449.6
MTEF 2003-2005					
Expansive		394.7	420.9	478.6	478.6
Actual outturns *	353.2				

5. Basis and Process of Setting Aggregate Limits and Broad Allocations

As has already been mentioned in Section 0, the allocations for the year 2003 in the MTEF 2002-2004 (in the absence of the MTEF 2003-2005) have been the point of departure for the setting of the expenditure limits for the 2003 budget. The sector envelopes were not copied directly, but some adjustments resulting from new developments have been made. Hence, the aggregate and sector ceilings are not exactly the same as the MTEF projections. In previous years, it was the preceding budget that provided the starting point for the budget preparation. Subsequently, this was adjusted for inflation and extended with allocations towards some new policy proposals.

During the budget formulation process, it is only the annual budget that is the subject of discussion. There is no feedback from this discussion towards the MTEF. Nevertheless, it is emphasised by both donors and MECCAG-PD that the discussions on the MTEF should progressively take the place of the discussion on the annual budget.

The overall expenditure ceiling is usually changed several times during the budget preparation process, but after approval of Parliament it is fixed and in principal needs to be respected (see section 8). Other ceilings are ceilings per LM, and ceilings for the recurrent and for the investment budget. Additionally, the PRGF requires a constraint on the wage bill and contains targets for expenditure on education and health. The ceiling of the recurrent budget is directly based on the ceiling of the preceding year adjusted for inflation, whereas the ceiling of the investment budget is highly dependent on the overall ceiling. Our comparison of the restrictive and the expansive MTEFs in section 2 showed that the difference between the two scenarios is largely reflected in the allocation towards investment.

Before the preparation of the MTEF started in 2001, the investment budget laid down in the PIP was already multi-annual. This PIP has now been fully integrated in the multi-annual programme budgets of the LMs and in the MTEF. At the LM the responsibility for the integrated budget lies with the DRF. Preparation and implementation of the investment budget (or PIP) is the responsibility of the DPPs (coordinated by MECCAG-PD).

The aggregate and sector envelopes are proposed by GDB. These are discussed with MECCAG-PD and ST-PAS before drafting the 'lettre de cadrage' which fixes the indicative ceilings. For the budget of 2003 the MTEF 2002-2004 figures on 2003 served as a reference. During the 'conférences budgétaires' the sector allocations can still be changed as a result of the negotiations, and also the aggregate envelope can still be changed. To give an idea of the frequency of these

changes: the allocation towards MENRS changed three times (downwards) during the 2003 budget preparation after their initial setting in the 'lettre de cadrage'. When the participants of this negotiation process themselves (MFE, MECCAG-PD, LMs) cannot come to an agreement, the case is presented to the Cabinet of Ministers to decide upon. Hence, in the end it is the Cabinet of Ministers, that is responsible for the aggregate and sector envelopes. Finally, the LdF is discussed with the IMF: all budget envelopes should be consistent with the PRGF.

Changes in aggregates between different MTEF exercises (see Table 2) and also changes in the underlying programme budgets are not clearly documented.

The programme budgets of the PERAC ministries specify objectives, expected output and actions to take (see section 3).

For the programme 'first cycle of secondary education' of MEPS a Logical Framework approach has been followed, including sector objective, programme objective, output and activities. Furthermore for each of these elements, performance indicators, source of these indicators, responsible entity and finally assumptions have been designed. Also performance targets for the period until 2005 are included (see Table 4).

The programmes of MSP are also represented in a logical framework, however without consistently specifying performance indicators, means of verification and assumptions on external conditions. Furthermore very few performance targets are included. See Table 3.

The performance indicators and targets set in the programme budgets are the reflection of the priorities set in the PRSP. Programme budgets, MTEF and PRSP are just different manifestations of one single process.

The definition of the performance indicators is done by the DPPs in the LMs under coordination of MECCAG-PD. On technical issues, the Centre for Political Economic Analyses (CAPE) is consulted. This is an 'independent' economic research agency funded by the GoB and administratively falling under MECCAG-PD. Only indirectly, through the PRSP process (see section 9), targets and indicators are based on public consultation.

The development of the programme budgets is too young to say anything on the actual use of the information these provide, for instance on not achieving performance targets. MSP defined several performance indicators.³ However, these indicators are not yet effectively used to monitor the results of the implementation of MSP's policy and different programmes. The programme budget approach cannot be completely operational before having the experience using it for several budgetary exercises, especially in order to be able to use the performance indicators as signals and as bases for allocation decisions.

As will be described in section 9, the entire PRSP process in which the programme budgets play an important role, already results in higher allocations to priority sectors.

³ These indicators are represented mostly in the National Health Information System (SNIGS).

Table 3: Examples of programmes, sub-programmes, performance indicators and performance targets of MSP according to the programme budget 2003-2005

Ministry	Programme	Sub-Programme	Performance Indicator	Performance Target
MSP	Programme 2. Financing, mobilisation and improvement of the management of resources		Execution rate of the budget	None
			Delay of tender procedures for National and International tenders	National: 3 months International: 6 months
	Programme 4. Prevention of and fight against the priority diseases	Prevention and fight against Sexually Transmittable Diseases / Aids	Percentage of HIV-positives at the prenatal consultancy	Not exceeding 6%
		Prevention of and fight against malaria	Utilisation rate of contraceptives Percentage of the population sleeping under mosquito nets Rate of mortality due to malaria	Increasing from 50% in 2000 to 65% in 2005 Augmenting from 13% in 1999 to 50 percent in 2005 Reduction from 10.7 per 10,000 inhabitants to 6.2 per 10,000

Table 4: Logical Framework of the Programme ‘First cycle of secondary education’ of the MEPS

Intervention logic	Objective verifiable Indicators	Sources of verification	Responsible	Assumptions (external conditions)
Sector Objective Growth of human capital, in the form of an increase of the share of the population with at least third grade of secondary education	Percentage of the population with at least third grade increases from 13% in 1999 to 20% in 2004 and 26% in 2011	<ul style="list-style-type: none"> Annual statistical survey Statistical investigation 	DPP (of MEPS)	<ul style="list-style-type: none"> Health Household income Alimentation Political commitment and willingness to allocate resources
Specific Programme Objectives Create conditions for improvement of the access to and effectiveness of primary education	<ul style="list-style-type: none"> Gross school attendance rate increases from 26% in 1999 to 33% in 2005 Rate of continuation to college (secondary education) increases from 49% in 1999 to 58% in 2005 	<ul style="list-style-type: none"> Annual statistical survey Statistical investigation 	DPP	<ul style="list-style-type: none"> Recruitment policy Absence of social crisis Reorganisation of public finances
Results				
1. Access to first cycle of secondary education	1. The number of pupils augments from 159 thousand in 1999 to 232 th. in 2005 of which 12% in the private sector	<ul style="list-style-type: none"> Annual statistical survey Statistical investigation 	DPP	<ul style="list-style-type: none"> Political commitment and willingness to allocate resources Recruitment of teachers
2. Enforcement of quality and efficiency	2. The rate of repeating grades reduces from 22% in 1999 to 16% in 2005	<ul style="list-style-type: none"> Annual statistical survey 	DPP	<ul style="list-style-type: none"> Political commitment and willingness to allocate resources Recruitment of teachers

Intervention logic	Objective verifiable Indicators	Sources of verification	Responsible	Assumptions (external conditions)
3. Optimal utilisation of mobilised public resources	<ol style="list-style-type: none"> 3. The execution rate of the budget is at least 95% 4. The non-salary component of expenditure raises from 8% of the salary component in 1999 to 13% in 2005 	<ul style="list-style-type: none"> • Budget execution report 	DRF	<ul style="list-style-type: none"> • Political commitment and willingness to allocate resources • Recruitment of teachers
Activities				Assumptions
With respect to result 1:				
1. Recruit at least 1500 new teachers before 2004	<ol style="list-style-type: none"> 1. The number of pupils per teacher reduces from 54 in 1999 to 52 in 2005 	<ol style="list-style-type: none"> 1. Annual statistical survey 2. Annual statistical survey 	<ol style="list-style-type: none"> 1. DPP 2. DPP 3. DPP/DRF 	<ul style="list-style-type: none"> • Political commitment and willingness to allocate resources • Recruitment of teachers
2. Implement all new CEG before 2004	<ol style="list-style-type: none"> 2. 87 new CGE are build 	<ol style="list-style-type: none"> 3. - Annual statistical survey - Budget execution report 		
3. Promote private education in urban areas	<ol style="list-style-type: none"> 3. - The proportion of private education increases from 10% in 1999 to 12% in 2005 - Subsidies to private education will amount FCFA 400 million in 2005 			
4. ...	4. ...			
5. ...	5. ...			
With respect to result 2:				
1.				
With respect to result 3:				
1.				

6. Policy, Planning, the MTEF and Budgeting

To get some understanding of the way in which new policy is introduced, it is instructive to describe the budget preparation process within the MEPS.

Around June, the Director of the DRF sends two letters to the regional representations of MEPS and one to all project directors.

The first letter asks to present their budget proposals and action plans for the coming year presented both in the classic and in the programmatic way. These should include activities that are up and running ('services votés') and new policy proposals. An interesting remark is that with respect to the 'services votés' the letter indicates that these can be corrected for inflation estimated at 3 percent. Furthermore, this letter gives the advice to only select projects which have an impact on the principal performance indicators of the sector or which demonstrate a clear contribution to the PRS.

The second letter asks to provide a PIP, presenting the projects underway ('services votés') and new policy proposals. New policy proposals should be accompanied by an explanation of their relation with the sector strategy and the programmes of the sector. The letter encourages new proposals, as 'the indicative resource envelope allocated to the ministry is based on very optimistic assumptions'.

The letter to the project coordinators is similar to the one described above. This letter is accompanied by a form in the classical presentation and another form for the programme budget (see Table 5 and Table 6).

Table 5: Classic presentation of a budget proposal table

	Budget 2002	Budget 2003		
		'services votes'	new measures	total
	(1)	(2)	(3)	(4) = (2)+(3)
42 MEPS				
<i>PROJECT TITLE</i>				
61 Expenses on personnel				
61 1 Salaries				
61 3 Premiums and remittances				
62 Goods and services				
62 9 9 Various expenditures envisaged				
62 9 92 Various recurrent expenditures				
23 Acquisition, construction and repair of buildings				
24 Acquisition and repair of equipment and furniture				

for this task. Nevertheless, the results of the audit have been used as an input for the 2003 (performance) budget preparation.

Box 2: Chambre des Comptes

The “Chambre des Comptes” is GoB’s ex post, external expenditure execution control institution. It reports to the President and to Parliament. Its traditional tasks are control of the ‘comptes de gestion’ and preparation of draft LdRs. However capacity problems make that its first task is not fulfilled. With regard to the second, resulting from the delay in information flows, the LdR for FY 1998 has been presented to Parliament. The LdR has the same nomenclature and level of detail as the LdF has. Additionally, the “Chambre des Comptes” is conducting performance audits for 5 pilot LMs.

The costing of programme budgets differs per LM. For instance, MENRS uses a simulation model to analyse the (financial) needs of the sector as a function of the policy required to assure the development of the sector for the coming ten years in the context of the PRS. MSP is confronted with difficulties to estimate the financial needs of the sector per programme, because of the overlap between the different programmes defined: the same structures are used for different programmes. Therefore, the sector is not yet able to define the costs per objective.

8. The MTEF and the Budget Execution and Planning Processes

During budget execution it is officially only possible to deviate from the budget by voting a LdFR (Supplementary Finance Law). After voting the LdF, changing line item allocations requires at least a decision of DGB. Modification between different budget lines⁴ requires in principle a supplementary budget,⁵ by the Minister of Finance or a LdFR. UEMOA directives provide strict limits for changing the distribution of allocations between economic line items (‘titres’).

In practice, when the need to divert from the budget as laid down in the LdF arises, there is no time to wait until a LdFR is voted on in Parliament, and exemptions from this rule are allowed. Hence, deviations from the LdF are made without voting these in Parliament. It is normal practice to delay votation of the LdFR until the LdR is voted on long after the corresponding FY has ended.

For example for the year 2002, the macroeconomic forecast shows a deficit of 5.2 percent of GNP, whereas the initial budget showed a deficit of only 4.2 percent. This was a result of lower than expected domestic revenue collection on the one hand, and higher expenditures on the other hand. The additional expenditure consisted essentially of (1) subsidies to the cotton sector (FCFA 18 bln), (2) a 6.5 percent increase in public sector salaries following a general strike of GoB employees (FCFA 5.3 bln), (3) an unexpected increase in interest payments on loans (FCFA 5.3 bln), and (4) unexpected expenditures for equipment (FCFA 4 bln). In order to minimise the effect on the deficit, the GoB proceeded to reduce investment and recurrent expenditure financed with domestic means. This reduction has been primarily (i.e. for 90 percent) directed at non-priority sectors. The Cabinet of Ministers has decided these deviations.

⁴ ‘Directions’ or ‘articles’.

⁵ An ‘acte budgétaire’ e.g. an ‘arrêté’.

Furthermore, at MSP, supplementary budgets are said to be occasionally prepared and voted on amounting to totally 2 to 5 percent of the budget of MSP.

In case of increases in the aggregate resource constraint, these are said to be mostly divided evenly over all ministries, priority ministries or not. This is not in accordance with the fact that the difference between the restrictive and the expansive MTEF are primarily allocated towards priority sectors. The latter might be a trend-break resulting from the PRS process itself.

Several practices have been institutionalised that facilitate deviation from the budget. The normal expenditure procedure used to be as follows: expenditure is committed, validated, authorized and finally paid. The Director of Administration of the LM concerned handles the commitment, validation and authorization stages, but the commitment and validation stages are subject to the control and approval of the Financial Comptrollers Office (CF). The payment stage is handled by DGT (treasury), who verifies the appropriateness of the operations and proceeds with the payment. Two procedures have come into existence to accommodate for the need for a faster expenditure procedure:

- Payment order procedure (OP): this is a procedure whereby payment is made provisionally prior to authorization;
- Expenditure commitment-authorisation procedure. Following the commitment-authorisation procedure services can be ordered before they are committed, after which they are committed and authorised at the same time. By contrast, the normal rules require that the funds be committed before the service is ordered and delivered.

Currently effort is being made to restrict the use of both procedures, the use of which has increased to roughly 25 percent of total expenditure.

Other measures taken to address the weak budget execution include:

- Delegation of responsibility for commitments and authorisations to the LMs (since January 1st 2001), which was formerly the responsibility of GDB.⁶ This implies that LMs are authorised to commit, validate and authorize their expenditures.
- Because of the new expenditure network SIGFIP put in place beginning of 2001 (see section 11), all public expenditure will have to be executed according to regular procedures and integrated into SIGFIP. This implies that externally financed investment expenditures which are largely directly executed by donors following their own procedures, will not only have to be included in the budget, but will also follow the general public accounting rules.

Budget execution is reported on annually in the LdR. Budget execution, especially of the investment budget (the PIP) is still weak, although the execution rate of investment expenditures increased from 65.3 percent to 85.0 percent between 1998 and 2000 (see Table 7). Still, execution rates show a continuing over-programmation of expenditures or alternatively, a lack of absorptive capacity.

Performance measurement of public expenditure is still very difficult. E.g. for some sectors, still no performance indicators have been determined. This seriously limits the capacity to implement the action plan regarding the priority sectors and to measure the quality of expenditure.

There are insufficient human resources - both quantitative and qualitative - in parliaments Finance Committee to fully exercise its obligation to examine budget execution.

⁶ Except for investment financed out of external funds

Table 7: Budget allocations and outturns 1998-2000

Shares in %	Budget 1998	Outturn 1998	%	Budget 1999	Outturn 1999	%	Budget 2000	Outturn 2000	%
General budget *	263.9	218.2	82.7	277.1	236.1	85.2	314.1	293.3	93.4
Expenditure allocated to LMs (‘reparties’)*	199.7	153.9	77.1	211.2	170.4	80.7	233.8	209.7	89.7
recurrent	80.8	76.3	94.3	84.6	82.5	97.5	96.7	93.1	96.3
investment	118.9	77.6	65.3	126.5	87.9	69.5	137.1	116.6	85.0
Expenditure not allocated to LMs (‘non-reparties’)*	64.3	64.4	100.2	66.0	65.6	99.5	80.1	83.6	104.4
Health **				30.9	25.5	82.5	31.6	26.1	82.6
recurrent				14.2	13.2	93.0	16.6	11.1	66.9
investment				16.7	12.3	73.7	15.0	15.0	100.0
Education**				51.0	45.0	88.2	63.6	51.6	81.1
recurrent				40.2	38.3	95.3	46.5	41.3	88.8
investment				10.8	6.7	62.0	17.1	10.3	60.2

Sources: * EC, The Netherlands and Denmark 2002;

** IMF 2002; IMF country report No. 02/158

9. The MTEF and the Poverty Reduction Strategy

As has been stated already in section 0, the MTEF and the PRSP are closely linked. The MTEF has been introduced to confront the strategies formulated in the PRSP with the limited resources available. The nature of the two policy instruments is of course very different. The MTEF is to be formulated annually, whereas the PRSP may be revised once in a while but not annually. Hence it can be stated that the MTEF is coordinated based on the underlying PRSP rather than the reverse.

Table 8 shows that in the MTEF, allocations towards those sectors defined as priority sectors in the PRS increase at the expense of the non-priority sectors. The definition of priority sectors in the context of poverty reduction in Benin is broad, as it includes not only the three ministries of Education and the MSP but also the Ministry of Mining, Energy and Water (MMEH), the Ministry of Agriculture (MAEP), the Ministry of Public Works and Transport (MTPT) and more.

In this respect the PRSP of Benin deviates from the primary focus of the donors, including the IMF, on health and education, and reflects the GoB’s own interpretation.

Table 8 Allocations MTEF 2002-2004 towards priority sectors, non-priority sectors and institutions

	2001	2002	2003	2004
Ministère de la Sante Publique (MSP)	9.8%	9.9%	10.0%	10.1%
Ministère de l'Agriculture, de l'Élevage et de la Pêche (MAEP)	7.2%	7.4%	7.4%	7.5%
Ministère de l'Environnement, de l'Habitat et de l'Urbanisme (MEHU)	4.8%	6.9%	7.0%	7.1%
Ministère des Travaux Publics et des Transports (MTPT)	10.3%	10.7%	10.7%	10.9%
Ministère des Enseignements primaire et secondaire (MEPS)	14.0%	14.3%	14.5%	14.7%
Ministère de l'Enseignement technique et de la Formation professionnelle (METFP)	1.9%	3.0%	3.3%	3.3%
Ministère de l'Enseignement supérieur et de la Recherche scientifique (MESRS)	4.3%	4.4%	4.5%	4.5%
Ministère de la Famille, de la Protection sociale et de la Solidarité (MFPSS)	0.4%	0.6%	0.7%	0.7%
Ministère de l'Industrie, du Commerce et de la Promotion de l'Emploi (MICPE)	1.2%	1.5%	1.6%	1.8%
Ministère de la Culture, de l'Artisanat et du Tourisme (MCAT)	0.7%	0.9%	1.3%	1.6%
Ministère des Mines, de l'Energie et de l'Hydraulique (MMEH)	2.5%	2.7%	2.7%	2.8%
Total Priority Sectors	57.1%	62.3%	63.5%	65.0%
Other Ministries, including	41.0%	35.9%	34.8%	33.3%
Garde des Sceaux, Ministère de la Justice, de la Législation et des Droits de l'homme (MJLDH)	0.7%	0.9%	0.9%	1.0%
Ministère d'Etat, chargé de la Coordination de l'Action gouvernementale, de la Prospective et du Développement (MECCAG-PD)	3.4%	2.6%	2.6%	2.4%
Ministère des Finances et de l'Economie (MFE)	4.8%	5.1%	5.1%	4.8%
Ministère de l'Intérieur, de la Sécurité et de la Décentralisation (MISD)	3.7%	3.4%	3.2%	3.1%
Institutions	1.9%	1.8%	1.7%	1.7%
'Non reparties'	16.1%	12.0%	11.8%	11.6%

Also, the actual budget allocations to the priority sectors have been increasing in recent years as is illustrated by allocations to Education and Health (see Table 9).

The budgetary allocations to MENRS have increased considerably since 1998. With respect to the enormous increase in the investment budget one need to observe that:

- Investment outturns have been very weak, e.g. 57 percent in 2000
- Figures on investment include some recurrent expenditure, namely salaries and goods and services.

Allocations towards the health budget have increased from 1.4 percent of GDP in 1998 to 2.3 percent of GDP in 2001. This increase is primarily the result of an increase in the investment budget that has increased from 0.5 percent of GDP in 1998 to 1.2 percent of GDP in 2001. However, as with the education budget, the weak execution rates and the large share of recurrent expenditure in the investment budget (approximately 22 percent of the investment budget of 2001 consisted of recurrent expenditure), the actual increase in investment expenditure is significantly less. It appears difficult to absorb the additional resources disposable. Nevertheless MSP nearly doubled the realized investment between 2000 and 2001.

An important observation is that the investment allocated to MPS is largely directed towards developing infrastructure, and for instance not to other programmes such as ‘fight against the principal diseases’ or ‘improvement of the quality of healthcare’ (see section 3.2). As the relevance of developing infrastructure in reducing poverty has not been demonstrated this is remarkable, and shows that some programme budgets are in practice not really focussed on poverty reduction, despite the formulated strategy explicitly stating to aim at reducing poverty.

Table 9: Budget of MENRS and MPS in percentage of the aggregate budget, 1998-2001

	1998 Budget	1999 Budget	2000 Budget	2001 Budget
MENRS				
Recurrent	27.4%	30.9%	29.4%	39.5%
Capital	4.5%	7.4%	10.2%	40.7%
MPS				
Recurrent	9.0%	9.7%	10.3%	10.6%
Investment	5.6%	9.8%	12.4%	12.8%

Also institutionally both instruments (PRSP and MTEF) are linked, as they are both coordinated by ST-PAS. Other players involved in the PRSP process are the LMs who draft their sector strategies. MECCAG-PD coordinates these strategies and monitors whether these are in line with other strategic documents.

Next to the PRSP, other strategic documents used are: the ‘Programme d’Actions du Gouvernement’ (PAG) 2002-2007, which provides the strategy for the current government; and the ‘ALAFIA’ which formulates the long-term goals (until 2025) of the GoB. Although the programmes and projects presented in the PAG and in the PRSP are elaborated by the same people (the DPPs of the LMs), there are large differences and inconsistencies between the PRSP and the PAG. Because of the longer horizon of the PAG, the DPPs had a different idea of the possibilities and as a result different, much less realistic projects were presented.

Furthermore, the strategies are not always translated into the MTEF. For example the Ministry of Justice (MJLDH)⁷ is mentioned everywhere as a priority sector, but in the MTEF it is not included in the list of priority sectors. Nevertheless, its allocations in the MTEF, although very small, are increasing. Also the Ministry of Interior and *Decentralisation* (MISD),⁸ another priority, is not included as priority ministry in the MTEF, and its resource allocation diminishes.

Several donors⁹ make efforts to reinforce the ‘Observatory for Social Change’ (OCS), which is a network for coordination of institutions involved in the PRSP process. This OCS includes members of the government, of the civil society and of the business sector. The difference with ST-PAS is that ST-PAS is dominated by MFE and MECCAG-PD. Furthermore St-PAS does not deal with poverty monitoring. However, the establishment of OCS is frustrated by lack of consensus on the role and status of the network.

The costing of PRS priorities is the same costing as the costing of programme budgets described in section 7, as all new policy is judged with respect to its impact on the PRS.

⁷ Garde des Sceaux, Ministre de la Justice, de la Législation et des Droits de l’homme (MJLDH)

⁸ Ministre de l’Intérieur, de la Sécurité et de la Décentralisation

⁹ Including Denmark, Switzerland, and the Netherlands

The allocation and tracking of HIPC funds does not deviate much from the ordinary budget preparation and execution process. The procedure of using HIPC funds is that MFE selects lines in the budget of the priority LMs which suffice the HIPC conditions to be funded with HIPC resources. This is an entirely administrative issue, selected lines are dealt with just as any other line. The HIPC Initiative seems to be less of an issue in Benin than in most other countries, due to the fact that generally the GoB does not have a problem finding sufficient funding. Nevertheless there are some differences between HIPC and other expenditure:

- HIPC savings can only finance poverty reducing expenditures relating to a limited number of Line Ministries (LMs), i.e. expenditures in the fields of health, primary education, water supply, and public works. As to the possible influence of the PRSP process on HIPC savings allocation, this is still very limited.
- HIPC savings have contributed to the considerable increase in both budgeted and executed health and education expenditures over the 2000-1 period. Execution amounts have increased more than with the size of the annual HIPC savings amounts.
- At the Decision Point, GoB has agreed upon the implementation of annual physical audits of HIPC expenditures in particular. GoB states that the 2000 HIPC expenditure audit is almost finalised, though currently there seems no method available in Benin to verify if HIPC savings allocations have effectively reached their intended beneficiaries or not.

10. The MTEF and Local Government

Following the French tradition Benin has a highly centralised structure of government. However, Benin has recently initiated a decentralization process and is establishing local governments. This decentralisation process will soon reach a milestone: municipal elections will be held December 1st 2002. Two reasons are given for this decentralisation process: (1) it will enhance the participation of the population in the political decision process, and (2) it will contribute to enhance the absorption capacity for public expenditure.

Today, the combined budgets of the local communities make up some 2.5 percent of the state budget, or 0.5 percent of GDP. This is considered insufficient for the responsibilities of the local communities, as defined in the 'community law' that will come into effect following the elections mentioned above. In this law the responsibilities of municipalities and local communities are formulated. These include local housing, infrastructure, primary and maternal education, health, and police. Nevertheless, no additional allocation towards the local communities is included in the 2003 budget.

Local governments do not prepare medium term resource or expenditure projections. Resources and expenditures are not presented in the central budget in more detail than simply by the entry 'transfers'. A transfer to a local government is considered as having reached its final payment stage, even when the money is not yet spend by the local government.

11. Quality of Information

On January 1st 2001, a new budget classification has been implemented in accordance with UEMOA criteria. This classification includes an economic, an administrative and a functional classification but has no reference to programmes. The new budget classification comprises a 15 digit code and has been programmed into the SIGFIP (see below) application.

A budget execution report (LdR) should be sent to parliament within 9 months after the end of the fiscal year, usually a delay has occurred. For the first time in 30 years the budget execution accounts for FY 1998 were submitted to Parliament before the end of the following year, i.e. at end 1999.

The budget is not comprehensive. Not all grants are reflected in the budget and outturn data. Furthermore the budget does not clearly and explicitly present the key hypotheses of the macroeconomic framework.

It is not easy to perform crosschecks between the programme budgets and the general state budget, the available 'Tableaux des Passage' are insufficient. Execution and monitoring of the programme budgets is hindered by the need to follow the budget lines in administrative and economic classification. The programme budget can only be implemented at the stage of budget execution once the corresponding budget lines are taken into account in the integrated fiscal management system SIGFIP. A functional or programme classification is not available in the integrated financial management system SIGFIP, in contrast to the administrative and economic classifications (see below).

Information on budget execution is presented in several documents:

- a monthly budget execution statement provided by DGB, but this information is limited and not comprehensive;
- DGTCP produces a monthly bulletin showing account balances. This bulletin is intended exclusively for the Minister of Finance, furthermore, its presentation is not very accessible;
- STPAS produces a monthly TOFE in cooperation with DP;
- SIGFIP outprints are available at any point in time.

Analysis of GoB's budget execution data remains very difficult. This is partly due to lack of time series on aggregate as well as sector expenditures resulting from changes in budget nomenclature and presentation during the period 1998-2001. Moreover, execution data are only available on commitment basis (and not on payment basis). Before 2001, there were no detailed budget execution reports available for the LMs, except for those that adopted programme budgeting in 2000. The implementation of SIGFIP has improved this data availability considerably.

From FY 2001 onwards, the budget execution process is computerized in the form of SIGFIP. SIGFIP will soon provide a link between the budget and treasury, so that it will be possible at any time to see to which extent the budget is already committed, ordered, approved or paid. That is, this would be very easy were it not for the following (child) diseases:

- Initial operating difficulties have resulted in a freeze at the commitment level during the first half of 2001. This slowdown in budget execution made DGTCP pay urgent expenditures through exceptional procedures.
- In 2001 SIGFIP excluded salaries and externally financed investment. Hence, SIGFIP is less comprehensive than the LdF. Making SIGFIP comprehensive is one of the key structural reforms within the PRGF framework.
- Classification mistakes have probably been made within SIGFIP during 2001. After the first operational year of SIGFIP, data produced were still not insightful, hard to analyse and seemingly incorrect.
- An interface between SIGFIP and Wmoney (DGTCP's general accounting system) is lacking, due to which tracking throughout the entire budget execution process is not possible. Implementation of the interface is a key structural reform within the PRGF framework. By mid-2002 the linking was still not in place.
- SIGFIP is not sufficiently made use of by GDB to track budgetary execution.

- ST-PAS (responsible for the TOFE) continues to collect information in the pre-SIGFIP way, as if nothing had changed.
- Some budgetary operations such as externally financed capital expenditure and external debt payments remain to be covered by SIGFIP.

With the delegation of responsibility for ordering ('ordonnancement', see section 8), the delegates also need to enter their orders into SIGFIP. At the beginning this caused several problems due to the absence of access to SIGFIP in the LMs, and insufficient knowledge of the delegates to use SIGFIP. These problems seem to have been largely overcome by now.

Currently, poverty related expenditures are not clearly specified in the LdF.

12. Conclusions

The strength of the MTEF of Benin is its institutional integration in the budgeting process. The use of the MTEF as a reference when setting the aggregate and sector ceilings, should enhance aggregate fiscal stability. However, although institutionally the annual budget is based on the MTEF, in practice the link between the two is not very strong. This is partly caused by the fact that the budget and the MTEF are owned and produced by different entities (MFE versus MECCAG-PD). This is a weakness of the MTEF in Benin that will not be easily overcome because of the difficult relations between the two ministries.

With respect to allocational efficiency: the MTEF serving as the quantification of the PRSP, has a definite impact on allocations towards priority sectors. The GoB interprets the concept of 'priority sectors' to include a broad range of sectors in Benin, and not only the standard priority sectors Health and Education. Also, the programme budgets, which reached already an impressive state of development in some ministries (notably Education), are meant to increase allocational efficiency. With respect to the latter it is observed that the programme budget approach does not yet focus on the PRS. Furthermore, performance-auditing capacity has not yet sufficiently been developed.

Operational efficiency is assumed to be enhanced through the process of decentralisation of public management, including financial responsibility. This process is not a direct consequence of the MTEF.

Another strength of the MTEF in Benin is the vast public finance reform supporting it, including: the development of the already mentioned programme budgets, budget unification, computerisation of budget execution in the form of SIGFIP, and the introduction of a functional budget classification. A weakness in this respect is the difficulty linking the programme budgets to the classical budget.

- Several improvements of the MTEF and related issues are possible (in the medium-term):
- A budget calendar should be introduced including reference to the MTEF, stating that discussions will first be on the three-annual allocations of the MTEF after which the allocations for the first year will serve as the (indicative) annual ceilings presented in the 'lettre de cadrage';
- The link between the budget and the MTEF needs to be enhanced. To this aim all LMs should develop medium term fiscal frameworks.
- The link between the PRSP and the MTEF, although institutionally strong, should be more reflected in the MTEF allocations. The link between the PRSP and the MTEF could be enhanced by strengthening monitoring by other entities than MFE, MECCAG-PD and ST-PAS,

for instance by the OCS framework which includes representatives the government, of the civil society and of the business sector.

- It does not suffice to focus on poverty reduction only on a central level, on the level of sector allocations. To have an impact, also the LMs should focus on poverty reduction, reflected in their (programme) budgets.
- The practice of incremental budgeting, the automatic continuation of ‘services votés’ even corrected for inflation, should be questioned. Existing policy should not be protected from discussion, but should be discussed during the ‘conférences budgétaires’ just as new policy proposals. Of course this requires improved insight in budget execution.
- Information on budget execution, although improved with the introduction of SIGFIP, should further be ameliorated. For instance, lower levels of government should be assisted (by MFE) in supplying their information on budget execution;
- SIGFIP should be made comprehensive: it should also include externally financed investment projects and external debt payments;
- SIGFIP should be extended to include programme budget lines.
- Inconsistencies between the classical and the programme budgets should be minimalised, and the facilitation of the comparison of the budgets through the ‘Tableau de Passage’ should be improved;
- The quality or level of development of the programme budgets of the various ministries should be more even, the programme budget of MEPS serving as an example. Also efforts should be made to develop the programme budgets of the non-priority sectors.
- Capacity for performance-audit at the ‘Chambre des Comptes’ should be enhanced;
- Special procedures used to get around the normal budget execution procedures should be further limited.

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