



1. Project Data:		Date Posted : 06/23/2004	
PROJ ID: P061577		Appraisal	Actual
Project Name: Perac	Project Costs (US\$M)	10.0	20.0
Country: Benin	Loan/Credit (US\$M)	10.0	20.0
Sector(s): Board: PS - Central government administration (80%), General agriculture fishing and forestry sector (5%), General education sector (5%), Health (5%), General transportation sector (5%)	Cofinancing (US\$M)		
L/C Number: C3479			
	Board Approval (FY)		01
Partners involved :	Closing Date	12/31/2001	03/31/2003
Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components			
a. Objectives			
There were four objectives:			
1) To increase the impact of government expenditures on economic and social development and poverty reduction .			
2) To improve governance by providing a transparent system of budgeting linking budget allocations to program objectives and sector strategies .			
3) To strengthen the Government's administrative capacity to manage public expenditure efficiently .			
4) To establish a fiduciary framework enabling the provision of external financial assistance .			
b. Components			
The Credit was based on the following set of institutional reforms and capacity building to reach the above objectives:			
1) Reform of the budget preparation system through the use of performance budgeting in five pilot ministries, with the goal of improving the strategic allocation of resources to reduce poverty .			
2) Strengthening the administrative/institutional capacity for more efficient and timely budget execution and reporting .			
3) Establishing a fiduciary framework including internationally recognized methods for procurement, financial management, and auditing of budget execution .			
4) Greater use of monitoring and evaluation techniques to better evaluate and report on the outcomes of public expenditures.			
c. Comments on Project Cost, Financing and Dates			
The Credit was a one-tranche operation based on 15 actions taken prior to Board presentation . These related to the 2000 and 2001 budgets, to budget implementation, reporting, and auditing, to procurement, and to anti -corruption. It was disbursed upon effectiveness in August 2001.			
Following the decline in the international price of cotton - which had started in early 2001 - it became clear in the spring/summer of 2001 that this would have a negative impact on the fiscal position of the Government during 2002. To mitigate this impact and protect the budgetary allocations to the social sectors, the need for a cotton subsidy was discussed and agreed with the Government and the IMF for the 2001-02 campaign and to be financed under the 2002 budget. Accordingly, in October 2001, the closing date of the original Credit was postponed to March 31, 2003, to allow for the preparation of a Supplemental Credit of US\$ 10.0 million. The latter was approved by the Board in November 2002, and disbursed upon effectiveness in March 2003.			
The project was the first phase of a medium-term reform program supported by a series of programmatic PRSC Credits, the first one approved by the Board in March 2004.			
3. Achievement of Relevant Objectives:			

- 1) The objective of increasing the impact of public expenditure on economic and social development and poverty reduction was partially achieved. Initial steps were taken in formulating performance budgeting in the pilot ministries : (i) the revision and updating of sector strategy enabled some ministries to improve their programs and priorities and, as a result, the presentation of their program-budget; (ii) pilot ministries initiated the preparation of unified budgets combining recurrent and investment expenditures; (iii) the preparation of the 2002 budget was coordinated with the introduction of a medium-term expenditure framework (MTEF); and (iv) the adoption of a PRSP at the end of 2002 helped ministries clarify their priorities and budget choices, thereby facilitating performance budgeting. However, and despite the fact that the PERAC was the first phase of a medium-term program, progress was limited and uneven among ministries. Due to delays, limited capacity, and resistance in the administration, results were generally short of expectations. Moreover, at the cabinet level, the final budget allocations are still largely determined by political considerations and the inertia deriving from the large number of donor -financed projects. Also, planned expenditures for education and rural water and sanitation in the 2002 and 2003 budgets were higher than actuals for 2000 and 2001, but those for health were lower (actual data for 2002 and 2003 were not available to OED).
- 2) Due to the limited success under 1) above, the objective of improving governance was also partially achieved, as transparency in budgeting is closely linked to the quality and internal consistency of sector strategies and programs and to the pace at which these are reflected in budget allocations. Also, the weak performance in M&E (see below) limited progress in this area.
- 3) The objective of managing public expenditure more efficiently was partially achieved. Several steps were taken in that direction: the delegation of spending authority to line ministries, simplification in controls, the integration of capital and recurrent budgets at the line ministry level, and the adoption of a computerized budget management system. However, the management of public resources remains handicapped by the limited performance of the M&E function in spending ministries.
- 4) The objective of improving the fiduciary framework as a whole was only partially achieved. Although the external audit function was strengthened, progress was slow in the critical area of procurement reform and in internal audit institutions, except in the Ministry of Economy and Finance.

4. Significant Outcomes/Impacts:

- 1) Macro-economic stability was maintained and the fiscal deficit kept under control.
- 2) With time, the project generated interest on the part of additional ministries to move gradually to performance budgeting.
- 3) The introduction of unified budgets (combining recurrent and capital expenditures) is a significant outcome, especially in countries traditionally dependent on externally financed investment programs usually managed by the Ministry of Plan, with little or no interface and coordination with the national budget managed by the Ministry of Finance.
- 4) The PERAC assisted GOB in preparing a MTEF and in completing a final PRSP.

5. Significant Shortcomings (including non-compliance with safeguard policies):

- 1) Ownership of the reform was not shared equally at preparation /appraisal - and even during execution - and is one of the main factors behind the uneven performance under the project.
- 2) In the same vein, and as the ICR points out, ministries whose managers /staff were showing resistance to performance budgeting or ministries that had a too vast and /or too complex project portfolio (e.g., Rural Development in both cases) should not have been included in the pilot. It dispersed unnecessarily the efforts of both the Bank and GOB and most likely diluted the outcome/results of the project. This was a serious shortcoming at entry.
- 3) In addition to the above, the Bank underestimated at preparation /appraisal the problems and delays inherent to introducing a drastically different budget approach, given the weak capacity of countries like Benin.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Moderately Satisfactory	See Sections 3 and 5.
Institutional Dev.:	Modest	Modest	
Sustainability:	Likely	Likely	
Bank Performance:	Satisfactory	Satisfactory	
Borrower Perf.:	Satisfactory	Satisfactory	
Quality of ICR:		Exemplary	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

- 1) The transition to performance budgeting is a slow and gradual process, especially in countries with limited administrative and institutional capacity.
- 2) In promoting/extending performance budgeting, the Bank and the borrower should choose very carefully the candidate ministries.
- 3) As the ICR points out, not only does performance budgeting require a considerable input from the Bank and donors to supervise and assist in the transition at the level of the central ministries, but also at the sectoral levels,

where specialized TA and training are needed for strategy formulation, methodology, links between budget requests and results, monitoring, performance indicators, etc .

4) In the absence of tranche conditionality in budget reform, it is critically important for the preparation /appraisal team and the borrower to set clearly agreed and realistic targets, benchmarks, and triggers before moving to the next operation. It requires also close supervision and monitoring by the Bank .

8. Assessment Recommended? ☒ Yes ☐ No

Why? As part of a PPAR covering the programmatic series .

9. Comments on Quality of ICR:

The ICR is very well written and structured, comprehensive, and internally consistent . The lessons learned are very good.