

BENIN: BRSP AND PRSSP BUDGETARY SUPPORT PROGRAMMES

Project Performance Evaluation Report (PPER)

Programmes Objectives

The overall objectives of the two programmes, as indicated in the review of the appraisal and completion reports were complementary and aimed essentially at establishing a stable macroeconomic framework, capable of generating strong and sustainable growth of which the poor would be the primary beneficiaries. The specific objectives of these budgetary support and poverty reduction programmes were (i) acceleration of sustainable growth; (ii) improvement of access by the population to basic services and environmental protection; and (iii) promotion and strengthening of good governance. The macroeconomic objectives focused on the following four points: (i) reduce the proportion of poor people by at least 3% annually starting from 2004; (ii) achieve a 7% GDP growth by 2005 and an investment rate of over 20% of the GDP; (iii) maintain inflation at below 3%; and (iv) maintain budgetary revenues at 17% of the GDP throughout the duration of the programmes.

Achievement of objectives and outcomes

Although significant progress was made particularly in (i) budget management with the extension of programme budgets to all the ministries, and (ii) the improvement of basic infrastructure (Rural water supply, health, education and Environmental protection), the macroeconomic performances remain mitigated.

Indeed, the performance of both programmes over the period covered (2002-2005) has been remarkable. Benin has made strides in (i) the stabilization of the macroeconomic framework; (ii) liberalization of the economy; (iii) budgetary reform with the establishment of the programmatic approach within a medium-term expenditure framework; and (iv) access to basic social services. Only the privatization of major public enterprises has suffered delays. Efforts in the implementation of the programmes have often been impeded by some exogenous factors such as the decline in world prices and local production of cotton, measures taken by neighbouring Nigeria to limit re-exports on its territory, the reticence by Parliament to endorse some measures as well as social control by the civil society. All these factors adversely impacted on the performance.

At the macroeconomic level, prior to the implementation of either programme, the annual average economic growth of Benin was 4.5% for the 1990-1999 period. During the adjustment decade, Benin posted better results than the other countries in the franc zone. This trend continued under the BRSP. Real GDP growth rate reached 5% in 2001 and 5.3% in 2002. In 2005, GDP growth fell to 2.9% from 3.1% in 2004. The 2003-2005 period was therefore marked by a downturn. Thus, the growth objectives set in the PRSP (5.8% in 2003; 6.8% in 2004 and 7% in 2005) were not attained. Concerning actual per capita growth rate, it fell from 1.3% in 2003 to 0.06% in 2005. The per capita real GDP growth targets (3.2% in 2003 and 3.8% in 2005) were not attained either. Inflation was brought under control at 4% in 2001 prior to the programmes. It fell to 2.4% in 2002 and rose back to 5.4% in 2005, after dipping further to 1.5% and 2.7% in 2003 and 2004 respectively. The target value of the PRPS was to achieve a rate of inflation equal to or lower than 3%.



Following the efforts made by the Government, the targets were achieved in this domain. Indeed, the rate is in line with the WAEMU convergence criterion which has varied considerably since 2003, from 1.5% to 0.9% in 2004 and rising sharply to 5.4% in 2005. The current account balance (excluding grants) increased from 8% of the GDP in 2000 to 8.7% in 2005. Benin ONE HAVING reached the HIPC initiative decision point in 2000 and the completion point in March 2003, the country received debt relief.. The debt/GDP ratio fell to 33.4% in 2004 from 48.1% in 2002.

The mixed macroeconomic performance is due to a large extent to exogenous factors: agricultural outputs which remain dependent on the vagaries of the weather and the easing of tensions in trade ties with Nigeria. In addition, the reforms are encountering institutional weaknesses and delays in carrying structural measures. The result of this is that the achievements of macroeconomic stabilization and economic recovery remain fragile.

Programmes Impact

The implementation of the programmes enabled the strengthening of the fiduciary framework, the effective testing of programme budgets, strengthening of sectoral technical support services and the restructuring of the public procurement system to render it more transparent. However, despite significant progress in the liberalization, the structural reforms have not fully achieved the expected effectiveness. Since 2002, Benin has been making gradual progress in this area though this has not been sufficient to enable the private sector take over from the Government in the management of large enterprises.

Remarkable progress was made in the areas of education for all, access to drinking water and health services. The performance augurs well for Benin in its efforts to achieve the millennium goals by 2015. With regard to poverty reduction, Benin was unable to achieve strong and sustainable growth capable of significantly reversing the rate of poverty. The incidence of poverty stagnated during the period. From 28.5% in 2002, the incidence varied between 26.8% in 2003 and 2004 before settling at 27% in 2005. The human poverty index did not improve either.

The programmes had a positive influence, on the one hand, on the environmental protection while making it possible, inter alia, to formulate an environmental management programme with a system of performance monitoring and on the other hand on regional integration especially within the framework of the UEMOA.,

Main Lessons

The budgetary support has yielded effective benefits in terms of adjustment loans and project lending, in particular: (i) the programmatic approach which has enhanced governmental leadership for its development programmes, the budgetary process and concerned institutions, and reduces transaction costs in the provision of external aid; (ii) a multi-sectoral approach which enhances collaboration and coordination while maximizing the impact on poverty reduction; (iii) improvement of governance and management of public finances; and (iv) improvement of basic services such as water supply and sanitation, health and education.

However, there is a need to pursue and consolidate the reforms geared towards improving the preparation and execution of programme budgets, widening the productive base and diversifying production, building institutional capacities and improving good governance in line with the PRSP strategic objectives.

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