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Poverty Reduction Strategy Updates

The Case of Benin

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Abbreviations and Acronyms

ACBF	African Capacity-Building Fund
ADB	African Development Bank
DGB	Office of Management and Budget
CAS	Country Assistance Strategy
CDR	Report on Cooperation and Development
DGAE	Office of Economic and Financial Affairs
EPAU	Economic Policy Analysis Unit
HSS	Household Survey System
IAS	Impact Assessment System
INSAE	National Institute of Economic and Social Affairs
MDGs	Millennium Development Goals
MTEF	Medium-Term Expenditure Framework
NEPAD	New Partnership for Africa's Development
OCS	Social Research Institute
PIFS	Project/Programme Implementation Monitoring System
PIP	Public Investment Programme
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
SAP	Structural Adjustment Programme
UNDP	United Nations Development Programme

Foreword

In preparation for the PRSP-LG Plenary, four thematic papers were prepared. As inputs into these thematic papers and as additional background documentation, ECA selected thirteen countries for a survey of their PRSPs. The countries selected were Benin, Burkina Faso, Ethiopia, Kenya, Malawi, Mali, Mauritania, Mozambique, Nigeria, Senegal, Sierra-Leone, Uganda and Zambia. The survey was done by administering a set of questions in the form of a questionnaire.

The questionnaire was administered either by an ECA staff member, or by a consultant with in-depth experience of the PRS process in the respective country. The questions were deliberately broad in scope, and took the approach of wanting to update earlier country studies.

The case study authors were encouraged to interview a small number (3 or 4) of knowledgeable individuals in government, parliament, civil society, and the private sector in the countries concerned. They presented their findings in a manner that would give the reader a range of differing views. The questionnaire covered four broad topics:

1. Comprehensiveness of existing economic growth and poverty reduction strategies;
2. Ownership, leadership and accountability for poverty reduction;
3. Institutional and capacity aspects; and
4. Aid effectiveness and management for poverty reduction

The outcomes of the survey are presented as received from the authors. The views are of the individuals interviewed and are not necessarily those of ECA or of any government.

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Background

The hopes placed in the three Structural Adjustment Programmes (SAPs) and the Country Assistance Strategy (CAS) in the experience of Benin and the International Monetary Fund (IMF) during the 1990s faded steadily in the wake of successive difficulties linked to their weak social impact. It is true that these programmes and strategies have brought about an improvement in the economic and financial situation of the country in terms of macroeconomic recovery. However, they have not been accompanied by a reduction in poverty levels, particularly in the rural areas. A number of projects in the socio-economic sphere turned out to be either not viable or not very useful because rural communities in particular were not adequately involved if at all.

Consequently, in a bid to reduce social disparities and inequalities in the level of development attained in different parts of the country, the Government of Benin has opted to formulate and implement a Poverty Reduction Strategy Paper (PRSP) covering the period 2003-2005, which it released in September 2002. The PRSP was approved by the Governing Boards of the World Bank and the IMF in March 2003 and its implementation is nearing completion. Arrangements are also under way for a second PRSP for Benin.

Survey methodology

The methodology adopted for Benin's input into the second PRSP can be broken down into three components:

1. A survey by way of a questionnaire to government departments and the civil society organizations which are actively involved in the Poverty Reduction Strategy (PRS) follow-up and implementation process. These comprise:
 - (a) Government departments:
 - In the Ministry of Planning and Development: the National Institute of Economic and Social Affairs (INSAE), the Social Research Institute (OCS), the Programme Monitoring Department, the External Resources Coordination Unit, and the Economic Forecasting, Population and Regional Survey Unit;
 - In the Ministry of Finance: the National Development and Poverty Committee (*Commission nationale pour le développement et la lutte contre la pauvreté, CNDLP*), the Office of Economic and Social Affairs, the Office of Management and Budget, and the *Caisse autonome d'amortissement* (which manages debt);
 - (b) Civil society entities:

- The Public Accounts and Expenditure Committee (National Assembly);
 - The *Association de développement des exportations* (Export Promotion Association);
 - The Benin Chamber of Commerce and Industry; and
 - Social Watch Benin (focal point comprising civil society organizations).
2. A working session (one week later) involving the entities mentioned above, to discuss the questionnaire and the draft report to be derived from it.
 3. A committee comprising the entities concerned, to ratify the report.

A total of 17 resource persons representing 12 entities participated in the formulation of this input by Benin. The list of participants and their respective organizations is shown in the Annex to this report.

I. OVERALL ECONOMIC GROWTH INDICATORS AND POVERTY REDUCTION STRATEGIES

The average economic growth rate over the period 1997-2002 was 5.2 per cent in real terms, with an average inflation rate of 3.8 per cent (measured on the basis of the consumption price index), an average investment rate of 17.8 per cent, and the national saving rate standing at 11.2 per cent of GDP. The population growth rate over the period 1992-2002 stood at 3.25 per cent. It may be deduced from these figures that the economic performance needs to be strengthened and streamlined, because any significant and sustainable reduction of poverty requires at least a 7 per cent rate of growth, with an equitable and balanced distribution.

1. What has been the recent experience of growth and poverty reduction? Is there any evidence of the impact of the PRS on (a) poverty, (b) growth, and (c) public expenditure?

The macroeconomic objective of Benin's programme is to accelerate growth in order to ensure a significant reduction in poverty levels by boosting domestic and foreign private investment such as agro-industries, tourism, hotels, new information and communication technologies and basic infrastructure. The target is an annual rate of growth of 7 per cent on average by 2006.

An unexpectedly poor performance was observed during 2003. Apart from the inflation rate which stood at 1.5 per cent (well below the 3 per cent mark), the economic situation is not particularly robust in many respects. The growth rate of 3.9 per cent is below the PRSP objectives which prescribe a 5.8 per cent rate of growth in 2003. The overall deficit apart from grants worsened between 2002 and 2003, from 5.1 per cent to 6.1 per cent.

In terms of poverty reduction, the Government has not achieved much success. In 2002 for example, around 28.5 per cent of the Beninese population lived below the poverty line in money terms, as compared to 29.3 per cent in 1999, which represents a very slight improvement of 0.3 per cent annually. With the subsequent continuation of that trend, Benin still fell short of the minimum improvement rate necessary to attain the Millennium Development Goals (MDGs).

2. What are considered to be the main challenges from PRS implementation for the next PRS round?

In sum, the next round of PRSPs is likely to face the following challenges:

- Targeting the poor;
- Overlap between the effects of growth and the effects of redistribution on poverty reduction mechanisms and income disparities;
- Economic recovery;
- Competitiveness of the economy;
- Strengthening the sources of growth;
-
- Employment generation;
- Improving sectoral policies;
- Continuing public expenditure reform;
- Speeding up reform in the area of governance; and
- Effectiveness of decentralization measures.

These dimensions which have been singly or collectively identified as challenges, represent main areas of uncertainty, the formative nature of which—rightly or wrongly considered to be decisive for the future of the country – can evolve in a number of possible directions. The management and impact of these challenges is normally fraught with uncertainty by reason of the national and international environment, which is hardly, if ever, amenable to any overall control.

3. How is the country prioritizing and sequencing achievement of the MDGs? What issues is this giving rise to?

The priority areas toward the attainment of the MDGs for Benin are basic infrastructures, education, water and health. It is noteworthy that Benin has opted not to re-order these priorities.

The reforms that have been introduced in the social sector are a promising start. There is therefore room to look forward to even better results. Nonetheless, there remains the question as to whether the implementation of these social policies can be improved in order to achieve significant results to enable Benin to decisively address the MDGs. At the root of this dimension is the Government's and the people's existing capacities, in real terms, to make tangible progress towards attaining these goals and particularly in terms of financial, human and material resources. For example, providing basic social infrastructure, such as classrooms and health centres, with financing from development partners, is not an end in itself in the context of poverty reduction; there will additionally be a need to ensure maintenance as well as adequate staffing of high

quality on a sustainable basis and with regular training and retraining. This aspect cannot be adequately addressed in just a three-year PRSP.

4. How is the country approaching the issues of employment and youth?

Issues relating to youth and employment are addressed in the fourth dimension of the PRSP for Benin. The strategy sets out to boost incomes by promoting popular participation in the production process through enhanced access to microcredit, strengthening security across the country, development at the grassroots, and the establishment of poles of development.

Benin's commitment to the process of democracy at the grassroots – i.e. decentralization – means that promoting youth employment is no longer the preserve of the central government. Thus, under the PRSP, central government agencies, with the collaboration of civil society, initiate development programmes focused on employment generation for the youth. Additionally, each region in the country is obligated to formulate its development programme by reference to the blueprints drawn from the national long-term development studies (*Etudes nationales de développement à long terme, Bénin 2025*), the MDGs, the Government Programme of Action (*Programme d'action du gouvernement*), and the PRSP. These blueprints are subject to scrutiny by the State regional representative (the Prefect) ahead of implementation.

5. How well integrated is the PRS into the overall planning and budgeting system?

The PRS process is well integrated into the overall planning and budgeting system through programme budgets and the medium-term expenditure frameworks of the various sectors which ensure the necessary coherence between the sectoral policies and the PRS.

However, more effective formulation of the programme budgets will require:

- A better institutional framework for scrutinizing them;
- Greater transparency; and
- Rationalization of the resource base in line with sectoral priorities.

Indeed, while the programme budget appears to be generally accepted, there is still some ground to be covered. There is at present no multidisciplinary institutional framework with the objective criteria for scrutinizing programme budgets of government departments and government institutions. It is true, though, that efforts are being made in that direction. In regard to transparency, the programme budgeting process faces the following obstacles: (i) the lack of real synergy between the different sectoral programmes; (ii) the means of verifying the effectiveness of the programmes *vis-à-vis* the goals set; and (iii) assessment of the impact of the actions recommended by reference to the resources mobilized and the results obtained.

II. OWNERSHIP, LEADERSHIP AND ACCOUNTABILITY FOR POVERTY REDUCTION

1. How committed is the political leadership to the PRS? How have political groups and forces contributed to poverty reduction?

There has been a strong commitment on the part of political leaders to the PRS process for Benin, particularly through the establishment and operations of the National Development and Poverty Committee (*Commission nationale pour le développement et la lutte contre la pauvreté, CNDLP*). This committee, which is headed by the Minister of Planning and Economic Development, assisted by the Minister of Finance (first Vice-chairman) and the Minister for the Family and Social Security (second Vice-chairman), comprises all the government departments, representatives of the Economic and Social Council, representatives of civil society organizations and the private sector (including the Benin Chamber of Commerce and Industry) trade unions, manufacturers' unions, parents' associations, health centres management committees, women's associations, youth associations, the federation of employers, the federation of artisans, and the National Universities of Benin (*Universités nationales du Bénin*). The institutions involved in the running of the CNDLP are the National Assembly in plenary, the Inter-Ministerial Committee, the Office of the Chief Secretary (Administration), the Social Research Institute (OCS), and regional committees (which carry out the work of the CNDLP in the various regions).

Political groups and movements have not made a significant contribution to poverty reduction. This is attributable to the lack of a programme of ownership of the PRSP by the political parties, a deficiency that arises from lack of exposure to the PRSP agenda. However, consultations are under way with a view to greater involvement of these entities. At the level of the National Assembly, the United Nations Development Programme (UNDP) is engaged in providing the necessary expertise and material assistance.

2. How effectively have (a) parliament (b) civil society groups and (c) the private sector contributed to PRS formulation (including its policy content) and monitoring? How is this expected to evolve in the next PRS round?

Civil society organizations, the private sector and development partners have all made a contribution to all stages of the PRS. They are involved in the follow-up process and will be consulted for the formulation of the next round of the PRSP.

At the beginning of the process, civil society entities formed a civic forum known as "*Espace libéral*" (Open Space) to draw up what has become known as the "contribution of civil society to the PRSP formulation". The civil society forum, which forms part of the CNDLP, took part in the process of orientation and scrutiny for PRSP 1. It was, along with other entities, involved in consultations in the regions as well. Moreover, civil society is represented in the CNDLP follow-up operations in the regions, i.e. the *Comités départementaux* (Regional Committees) and the *Comités communaux* (District Committees).

For the preparation of the follow-up report, thematic groups were established, in each of which civil society and the private sector were represented. Apart from being involved in this formal follow-up framework, some of the civil society entities undertook data gathering operations on specific areas that, in their view had been inadequately or inappropriately addressed, or not at all, in the preparation of the PRSP programme and in its implementation. This mainly relates to human rights aspects, and particularly the rights of women and children, environmental issues, and so on.

3. How effectively has the PRS penetrated sector ministries and subnational government? How is this expected to evolve in the next PRS round?

All sector ministries have been involved in the PRS process. Indeed, they followed the initial PRS discussions and the formulation process. They were responsible for indicating the additional poverty-reduction actions required *vis-à-vis* their respective portfolios and the strategies in place. Accordingly, they provided status reports and proposed objective re-orientations on a case-by-case basis, with explanations as to their relevance, as well as performance indicators. The contributions of the ministries provided an input for discussions and material for inclusion into the PRS. The ministries were subsequently involved in the various vetting procedures. This exercise helped highlight, for example, the relationship between security and poverty, justice and poverty, and in sum, good governance and poverty. In addition, the Medium-Term Expenditure Framework (MTEF) was formulated with their active participation.

Given that we are dealing with a renewing process, it is evident that their contribution is going to be even better in the future.

4. What effect did the PRS itself have on mobilizing parliament and civil society for poverty reduction?

The legislators did not consider the PRSP as such. However, they were given an opportunity to amend the draft PRS. Arrangements are under way to equip the National Assembly with some kind of research unit (*observatoire*) on poverty. This research unit will enable the legislators to view bills and ratification proposals in the light of poverty indicators. In the context of its second role of oversight of governmental actions, this dimension should underpin fact-finding missions and actualize the objective described as the “parliamentarian on the village path”. That indeed represents a new development in the light of the past.

Efforts are under way to create awareness at the level of the National Assembly. Support programmes toward greater ownership of the PRS by legislators are on track. These programmes are backstopped by UNDP and the African Capacity-Building Foundation (ACBF).

With regard to civil society, it is noteworthy that it has been on board from the very beginning of the process and at all levels, nationally and locally.

5. What role has the New Partnership for Africa's Development (NEPAD) and the APRM played in the PRS?

For this first round of the PRSP, NEPAD was not involved at all. However, the goals and the strategic dimensions of the PRS for Benin are perfectly in line with the NEPAD objectives. Additionally, the concerns of the APRM are taken into account in the third strategic dimension of the PRSP for Benin, namely, “strengthening good governance and institutional capacities.” It is on this basis that Benin has proposed to subscribe to peer review in 2006.

6. What relationship has the PRS process (both formulation and monitoring) had to national legislative and oversight processes?

After scrutiny by the CNDLP, the PRSP had to be adopted by the Government. The scrutiny was not, as in other countries, effected up to the level of Parliament.

For the follow-up of the implementation process, an institutional framework has been put in place. It includes all segments of the society. The reports engendered from it are made available equally broadly.

III. INSTITUTIONAL AND CAPACITY-BUILDING ASPECTS

1. How have capacity issues been approached in the PRS? How is this expected to evolve in the next round?

A specific strategic dimension has been formulated in this regard. It relates to dimension three, which is “Strengthening good governance and institutional capacities.” It includes anti-corruption efforts, strengthening management capacities and absorption of public resources, administrative reform, decentralization, the judiciary and the law enforcement apparatus, and consolidating democracy and dialogue between labour and employers. A survey on corruption and good governance is currently under way in the country. The outcome of this exercise should help improve the PRS in this area.

2. Did the PRS process help prioritize capacity needs?

The difficulty of fully grasping the incidence of poverty in Benin became apparent during the PRSP formulation process. This difficulty reposes in the interpretation of the available results from analyses. The results did not provide material for a proper categorization of poor people. It was therefore necessary to harmonize the methodologies.

A second priority emerged, namely, the extent to which poor people were able to participate in the decision-making and production processes. The approach to this priority is reflected in strategic dimension four which relates to “Promoting sustainable employment, and strengthening the capacities of poor people to participate in decision-making and production processes.” This dimension is concerned, *inter alia*, with promoting development at the community level, boosting employment and income-generating activities, social security and the advancement of women, development of microfinancing, ensuring security across the country and promoting poles of development.

It should be noted that civil society is actively engaged in putting in place a mechanism for assessment and follow-up and capacity-building of resources. In this regard, it proposes to participate in creating awareness, mobilization, advocacy, lobbying, and follow-up and monitoring.

3. What impact did PRS have on public finance and expenditure management? Specifically, what was the experience with poverty funds; public expenditure reform; and the costing of PRS programmes? How are these expected to evolve in the next round?

The adoption of the PRS, coupled with budget reform, has, thanks to results-based management, enabled greater transparency and accountability in the management of public revenue and expenditure. In concrete terms, funds earmarked for the social sector are allocated to the very poor, free primary education, and so on.

In order to improve the management of public finance and expenditure, the Government decided, with the approval of Parliament, that all State institutions would, with effect from 2006, be subject to the budget-programme procedures.

Indeed, there is no sector that is not involved in anti-poverty efforts in one way or another. However, it is clear that sectors such as health, education, water, sanitation, microfinancing, food production, manufacturing and rural access roads, are at the forefront. The Government has placed these sectors among the priority dimensions of the PRS.

Budgetary allocations to the social sector have improved slightly in absolute terms. Public investment in this sector, in terms of budgetary allocations, increased from CFAF 50.841 million in 2001 to CFAF 55.167 million in 2004, peaking in the interim (2004) at CFAF 67.734 million. In relative terms, however, the share of social expenditure in public investment had stabilized around 29.5 per cent.

4. What is the status of poverty information, analysis and monitoring? How well are these integrated into the PRS planning and monitoring process?

Benin's Social Research Institute (OCS) is an institutional framework charged with follow-up and monitoring. It serves as a focal point for the information that goes into follow-up and assessment of the PRS through the coordination of four information systems on PRSP follow-up and assessment *via-a-vis* the MDGs. The information systems are:

- The System of Collection and Analysis of Aggregate Indicators (*Système de collecte et d'analyse des indicateurs agrégés, SCAIA*), which is spearheaded by the Office of Economic and Financial Affairs (*Direction générale des affaires économiques, DGAE*);
- The Household Survey System (SEM), spearheaded by the National Institute of Economic and Social Affairs (INSAE);

- The Project/Programme Implementation Monitoring System (*Système de suivi d'exécution des projets/programme SSE*), spearheaded by the Office of Management and Budget (*Direction générale du budget, DGB*);
- The Impact Assessment System (*Système d'évaluation d'impact, SEI*), spearheaded by the Economic Policy Analysis Unit (*Cellule d'analyse de politique économique*).

It should be underscored that it is the SEM that analyses poverty by means of the Integrated Modular Survey on Household Living Conditions (*Enquête modulaire intégrée sur les conditions de vie des ménages, EMICOV*), carried out at five-year intervals, which provides a profile on poverty levels in the country. A follow-up survey is conducted every year to measure the progress made in regard to poverty indicators. It is to be hoped that the Master Plan on Statistical Development, once formulated and implemented, will further improve the information system needed for follow-up and analysis of poverty levels in Benin.

A national database known as BenInfo provides information on various socio-economic indicators in Benin. It is the fruit of partnership with the United Nations system in Benin. This database needs to be improved and updated as a tool for follow-up and evaluation of PRS implementation.

In regard to the planning and follow-up process, the PRSP envisages the formulation by the Government of Benin of an annual PRS implementation progress report for the preceding year. The objective of this report is to gauge the progress made within the framework of the PRS implementation. The results of the report can be used in the preparation of the annual review of the PRSP, in the context of which Government and development partners renew their commitments towards the implementation of the PRSP.

The progress report is required to be finalized and submitted for approval by the end of June of the current year so that the conclusions and recommendations contained in it can be taken into account in the preparation of the Government budget for the following year.

IV. EFFECTIVENESS AND MANAGEMENT OF EXTERNAL ASSISTANCE FOR POVERTY REDUCTION

1. What progress has been made in: (a) alignment of donor programmes with the PRS; (b) harmonization of donor assistance with national processes and with each other; and (c) predictability of donor assistance?

Benin has, for some time now, been engaged in a major reform programme for public finance with a view to ensuring strategic, effective and efficient utilization of public funds in order to promote growth and improve living standards. Thus, the new development in regard to the project support system is the submission of all external assistance to the Government budget process with a view to greater accountability in public expenditure. In that context, Benin is a beneficiary of two major poverty reduction programmes, one of which is financed by the World Bank, and the other by the African Development Bank (ADB).

As a matter of fact, submission of all forms of aid to the budget process is an aim, a goal; but it is also a corollary, or even a requirement, of the programme budget. This goal is only partially achieved as long as some of the resources are still mobilized outside the budget.

Benin has resolutely embarked on that path. It appears, though, that the procedures of some of the development partners are not amenable to that approach, and this applies to the development partners of the United Nations system for example. Efforts are under way to enhance the transparency and reliability of procedures at the country level. It is expected that the experience will inspire more development partners.

Even though procedures at the country level (in regard to tendering, disbursement, etc.) have been accepted and are applied by most of the development partners, the situation appears to be that the harmonization is gradually taking shape. The predictability of donor assistance is conducted through the MTEF under the PRSP framework, with more items than in the past.

2. What progress has there been in shifting aid towards budget support?

Budgetary and accounting reforms in Benin are conducted within the framework of public finance rationalization. Noticeable progress has been made in this area. Almost all the government departments now formulate their programme budget and MTEF. Thus, external assistance increasingly takes the form of budgetary support. Only recently, a consultative forum of Benin's development partners drew up a joint budgetary support mechanism, and its evaluation will also be conducted jointly. However, it should be noted that very few of the development partners have accepted the principle of budgetary support.

It is noteworthy that in the development assistance sphere, budgetary assistance is the exception rather than the rule. Most will join in only gradually with experience. Moreover, since transparency in the management of public resources is what is at issue, the country concerned has to offer proof and guarantees thereof, over a reasonably sustained period of time, and with the backing of credible, reliable and dependable procedures. The Government is making efforts in that direction. The fiduciary framework has been revised and is now governed by a new code on tenders.

3. What mechanisms exist to ensure donor accountability at the country level?

Mechanisms obligating donors to render account to the country on assistance given are in place and in most cases are reflected in reviews on public expenditure and programmes or other forms of evaluation, and these may be medium- or end-term in scope.

The instruments used to that end are:

- The Report on Cooperation for Development (RCD);
- The Public Investments Programme (PIP);
- Periodical meetings with development partners initiated by Government;
- Oversight and evaluation missions;

- Monthly meetings of development partners based in Benin;
- Sectoral reviews; and
- The annual review of the PRS, which is a forum for most of Benin's development partners to consider the progress report.

4. How is political conditionality being handled?

There are no political conditionalities that pertain to Benin. In February 1990, at the National Convention, Benin opted for a liberal democratic system and the rule of law. No effort is spared at present to safeguard the gains of that Convention.

Accordingly, policy conditionalities are dealt with through dialogue between Government and development partners, either within the framework of joint committees (bilateral partners) or of mechanisms put in place by multilateral institutions.

5. Is there a specific aid management strategy or policy?

A policy paper on debt management is being prepared. This document is expected to act as a bridge between macroeconomic policy and budgetary policy. However, a debt-management framework was already in existence in Benin. The institutional framework consists of the Ministry of Finance (the *Caisse autonome d'amortissement*, or Exchequer Unit), the Ministry of Planning and Economic Development (in particular, the External Resources Coordination Unit and the Programme Monitoring Department) and the Ministry for Foreign Affairs and Intra-African Integration).

The *Caisse autonome d'amortissement* (Exchequer Unit, CAA) manages borrowed funds and debt servicing. In July 2003, the National Committee on Debt (*Commission nationale d'endettement*) was established, with the task of providing advice on all commitments and overseeing the maintenance of debt viability and the sustainability of public finances.

However, some of the government departments, either deliberately or out of ignorance, continue to act and to enter into negotiations outside this framework. This explains why the CAA does not have a comprehensive perception on grants. Efforts are under way, with a focus on the civil service as well as individual ministries, to create awareness with a view to rectifying this situation. It is noteworthy that proposals are not always scrutinized before being transmitted to development partners, which reflects a weakness in the system.

Like other least developed countries (LDCs), Benin uses international instruments to manage aid. Accordingly, grants are given preference and loans are negotiated on concessionary terms. The benchmark for investments translates into a 35 per cent minimum level of concessionality where grants are not available.

This approach, which consists in exploring the possibility of grants, then loans on concessionary terms, followed by market conditions, ties in with the MDGs framework number eight, on global partnerships for development, and commitments made by developed countries *vis-à-vis* the LDCs.