



Institutional and personnel capabilities for fiscal decentralisation in Benin



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I. Context and challenges of the fiscal decentralisation reform (1/2)

Benin is a peaceful and stable country, which has 12 departments subdivided into 77 local authorities (municipalities). Its economy is strongly dependent on re-export and transit trade (with Nigeria), agriculture and services.

Economic indicators	Value
Average GDP growth (2015-2019)	4.87
GDP per capita (constant 2010 US\$) in 2019	1,180.36
Poverty headcount	40.1
Average inflation (2015-2019)	0.22
Debt to GDP ratio in 2017	54.4

Source: World Bank

Decentralisation reforms

- Decree No. 2008-276 of May 19, 2008, establishing the Municipal Development Support Fund (FADeC).
- Increase in the number of prefectures in 2016.
- Progressive introduction of single windows.
- Order No. 1699-c/MDGL/MEF on the organisation and functioning of municipal autonomous authorities in Benin of 19/06/2019.
- Law No. 2019-40 revising the Constitution of Benin of 1/11/19.

I. Context and challenges of the fiscal decentralisation reform (2/2)

After more than 15 years of decentralisation, municipalities face several challenges.

Low capability for mobilising own resources

Over four fiscal years (2013-2017), municipalities' own resources increased by only 19.43%

Low level of resource transfer by the State

Over the period 2014-2017, transfers to municipalities represented only 2% of government expenditures

Low capability for executing capital expenditures

For the 2015-2018 period, the average implementation rate of capital expenditure is only 35%



II. Methodology

The data-collection work conducted for this report proceeded in four stages:

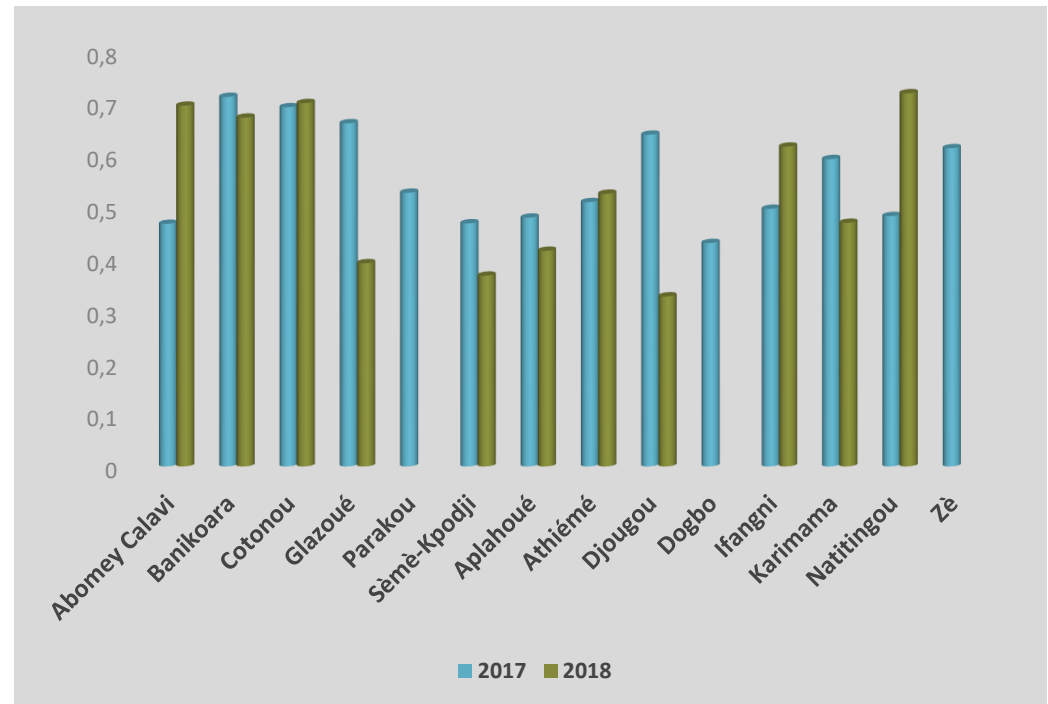
- 1. Scoping:** The scoping exercise started with consultations with a team of budget officials participating in an action-learning programme organized by CABRI with the specific objective of improving revenue mobilisation.
- 2. Field work:** A quantitative collection was conducted with 229 officials involved in the public finance management chain at the level of three ministries (MEF, MAEP, MDGL) and 9 municipalities. It was supplemented by in-depth qualitative interviews with 17 municipalities, Conafil, CSOs ... The representative sample takes into account intermediate and subordinate levels within each directorate.
- 3. Desk research:** The primary data is supplemented by a desk research establishing the context of the skills review from a variety of relevant publications such as FADEC audit reports, municipality administrative accounts, including other assessment documents (such as PEFA).
- 4. Validation:** The main findings of the evaluation were triangulated and validated by a workshop of stakeholders (including respondents to key informant interviews) before writing the final report.

II. Institutional capabilities (1/6)

Revenue forecasting and mobilisation

- The average rate of revenue execution is low and volatile. It stands at 55.6% for 2017 and 53.7% for 2018.
- Capability to generate revenue is closely linked to the level of development and the fiscal potential of the municipality.
- Municipalities lack evidence-based strategies to develop and transform the informal sector to eventually tap its revenue potential.
- Municipalities in Benin have limited discretion to set the marginal rate on a few tax types.

Table: Changes in revenue implementation rate



Source: Compiled by the authors/CONAFIL

II. Institutional capabilities (2/6)

Expenditure planning

Annual planning at the municipal level is anchored in the Communal Development Plan (PDC). A number of obstacles prevent normal expenditure planning:

- Lack of own resources;
- Delays in release of information and FADeC funds;
- Poor project planning and politicisation.

Challenges

Delays in project execution as a major risk factor having significant budget implications.

- Weaknesses in the financial and technical capacities of contractors.
- Adverse weather conditions.

Prospects

Integrating risks into budget planning

- Feasibility studies.
- Environmental risk assessments.

II. Institutional capabilities (3/6)

Budget execution and efficiency

- The average implementation rate of total expenditure is only 46% in 2017 and 41% in 2018.
- Delays in release of non-conditional transfers from the central government pose a significant challenge for effective budget implementation.
- The capability to ensure value for money tends to suffer as the distance from Cotonou (economic capital) increases and when there is poor accessibility to the municipality.

Table: Implementation rates of municipal budget expenditures

Municipality	2018		
	Total expenditure	Capital expenditure	Earmarked FADeC
Abomey Calavi	0.556	0.415	0.242
Banikoara	0.497	0.436	0.413
Cotonou	0.482	0.451	
Glazoué	0.354	0.296	0.306
Sèmè-Kpodji	0.329	0.161	0.041
Aplahoué	0.330	0.277	0.421
Athiémé	0.443	0.454	
Djougou	0.251	0.165	0.101
Ifangni	0.391	0.303	
Karimama	0.257	0.233	0.248
Natitingou	0.684	0.684	0.301
Mean	0.416	0.352	0.259
Standard deviation	0.126	0.147	0.126

Source: Compiled by the authors/CONAFIL

- Methods to monitor budget efficiency:
 - Convening regular committee meetings to review performance.
 - Employing software solutions to track performance.

II. Institutional capabilities (4/6)

Procurement and cash management

Procurement

Procurement plans are among the key documents for the approval of the municipal budget. The procurement plan must be published in the Integrated Public Procurement Management System (SIGMaP).

The main difficulties are:

- Excessive delay due to the approval process involving multiple entities across different tiers of government (DNCMP, prefecture and municipality).

The solution is to strengthen the coordination capabilities of the entities responsible for intergovernmental fiscal relations.

Cash management

The cash plan is a document that accompanies the annual budget.

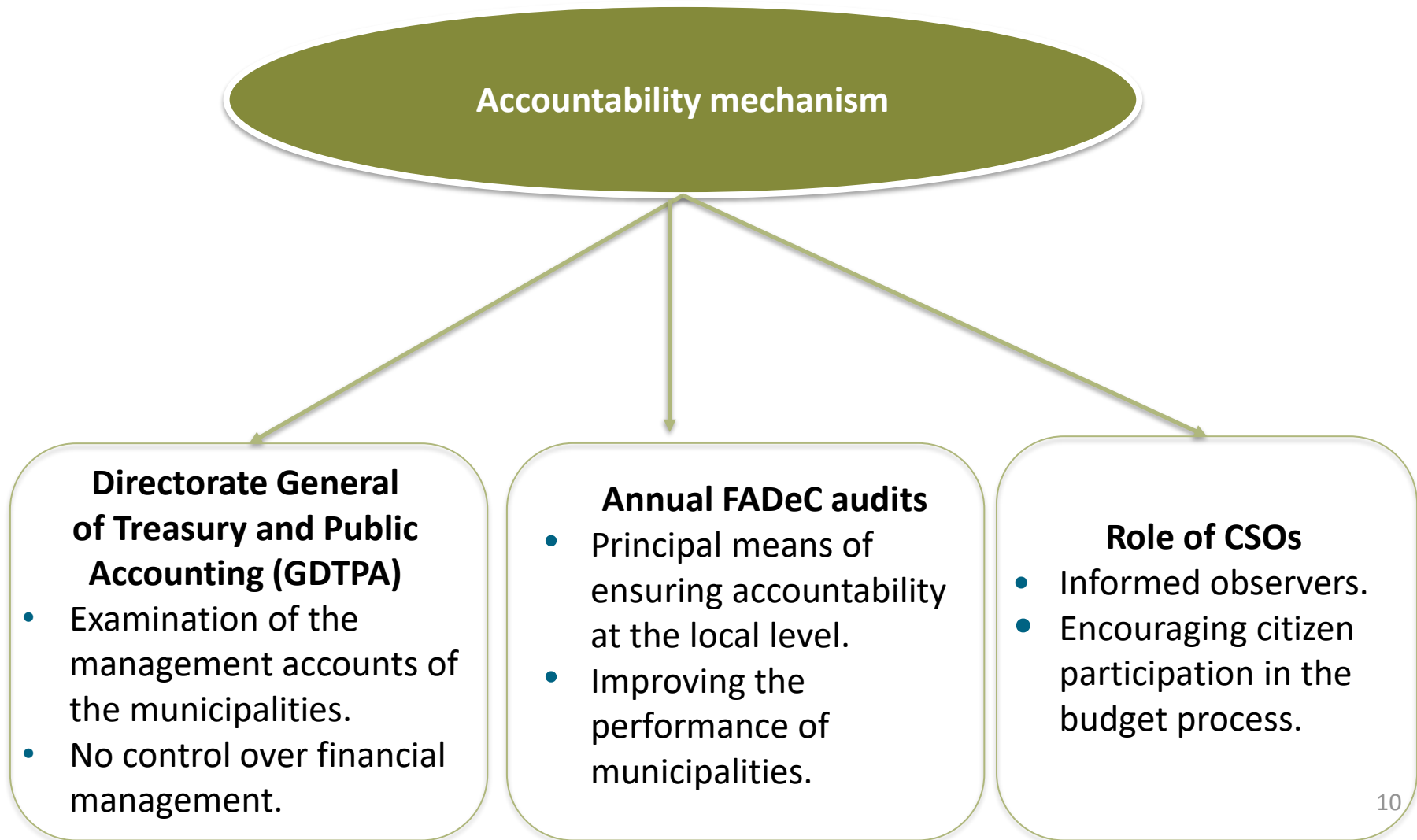
The main difficulties related to this are:

- Delays in the transfer of funds from the centre can put cash plans in jeopardy;
- The size of the municipality plays a role in the performance of the cash management system. Small municipalities are better than the larger ones at adjusting their cash-flow plans quickly.

The solution can come from evaluation meetings and the use of tracking software.

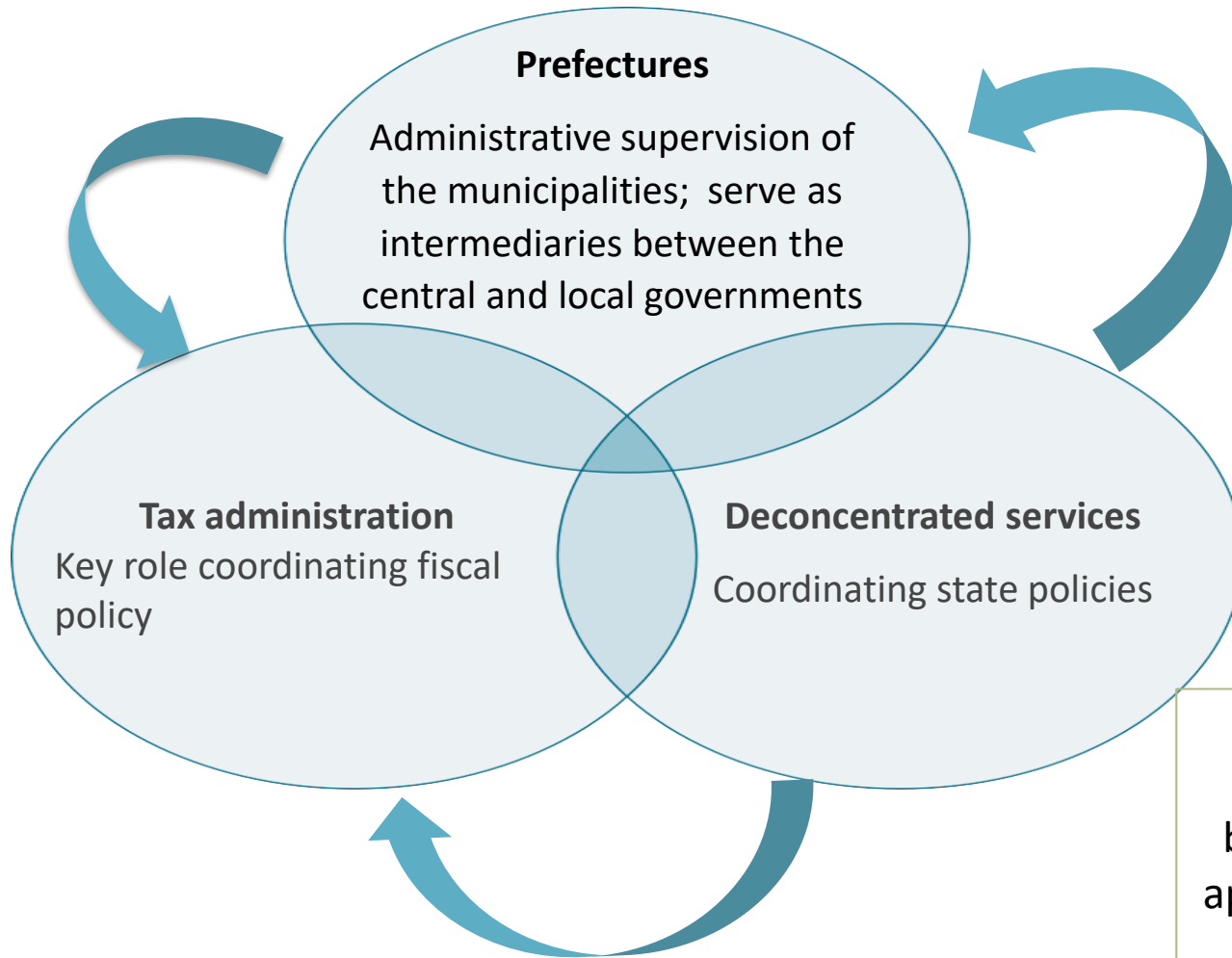
II. Institutional capabilities (5/6)

Accountability mechanisms



II. Institutional capabilities (6/6)

Intergovernmental fiscal relations

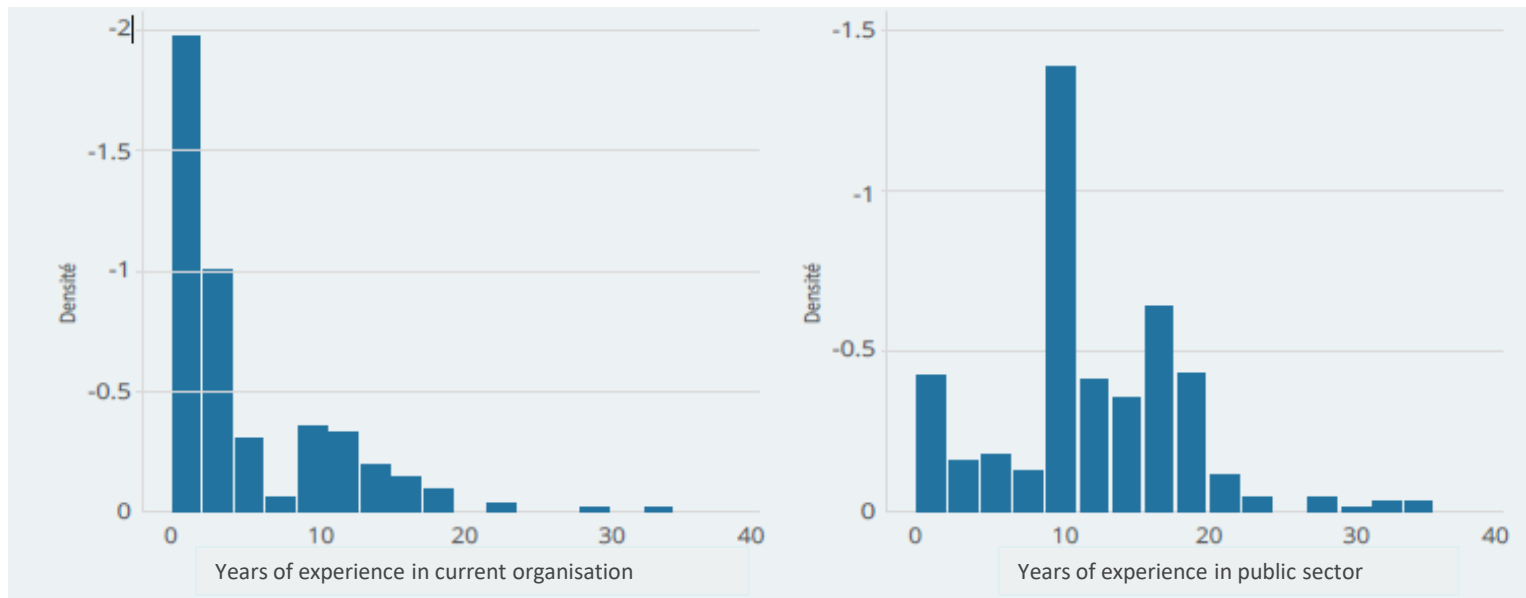


The most important challenge related to boundary delimitation appears to be that some municipalities have a narrow tax base.

III. Personnel capabilities (1/6)

Analysis of years of experience

Distribution of years of experience in the sample officials



The distribution of sample officials is skewed towards those who are newer to the current organisation and a relatively more symmetric distribution of experience in the public sector in general (including previous employment) with a modal experience of 10 years.

III. Personnel capabilities (2/6)

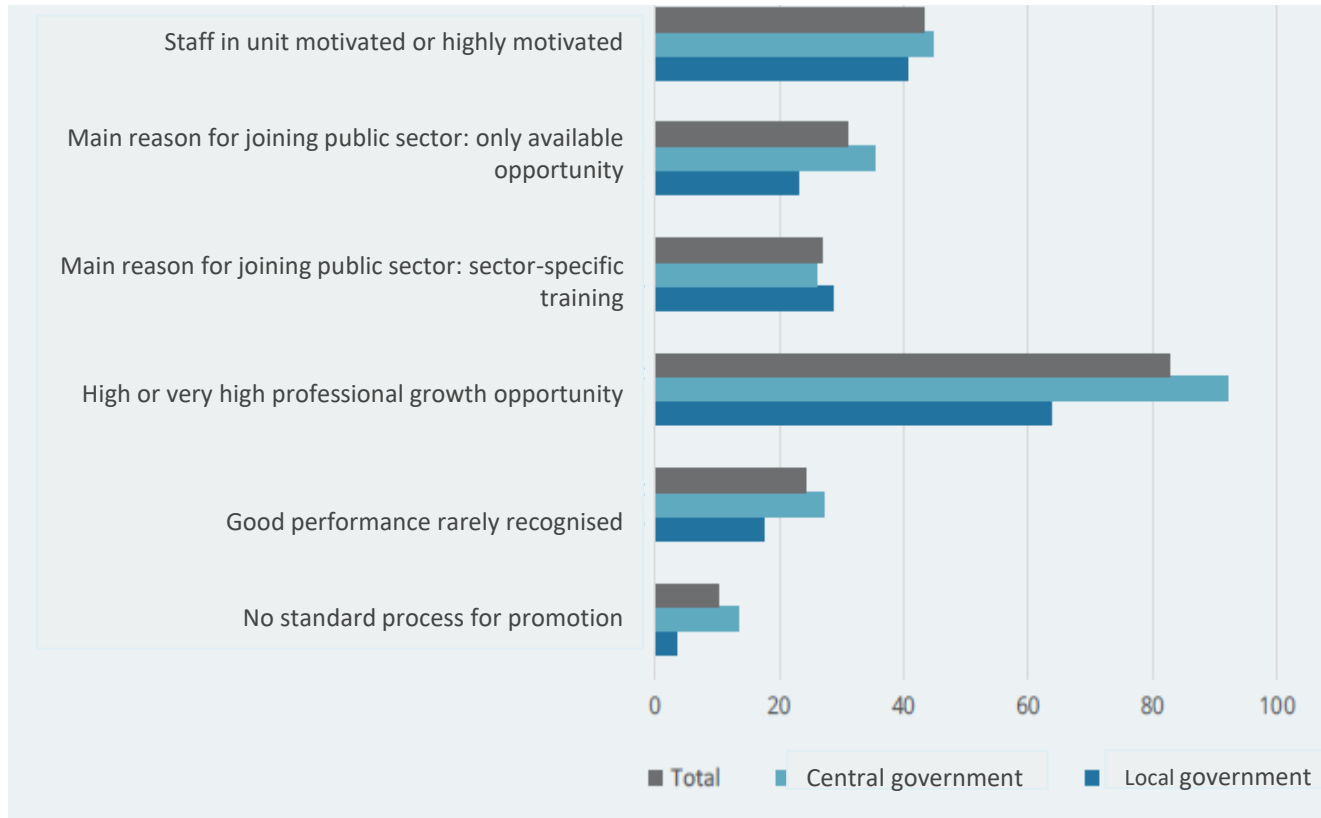
Personnel capabilities indicators

Personnel capabilities are defined as a combination of motivation, competencies and resources. The table opposite shows provides a classification of the indicators with respect to the three dimensions of personnel capabilities.

Dimension	Indicator used in this report
Motivation	<ul style="list-style-type: none">• Perception of level of motivation of colleagues• Main reason for joining public service• Reward and growth opportunities• Staff turnover
Competencies	<ul style="list-style-type: none">• Skills mismatch in unit
Resources	<ul style="list-style-type: none">• Mentoring• On-the-job training opportunities

III. Personnel capabilities (3/6)

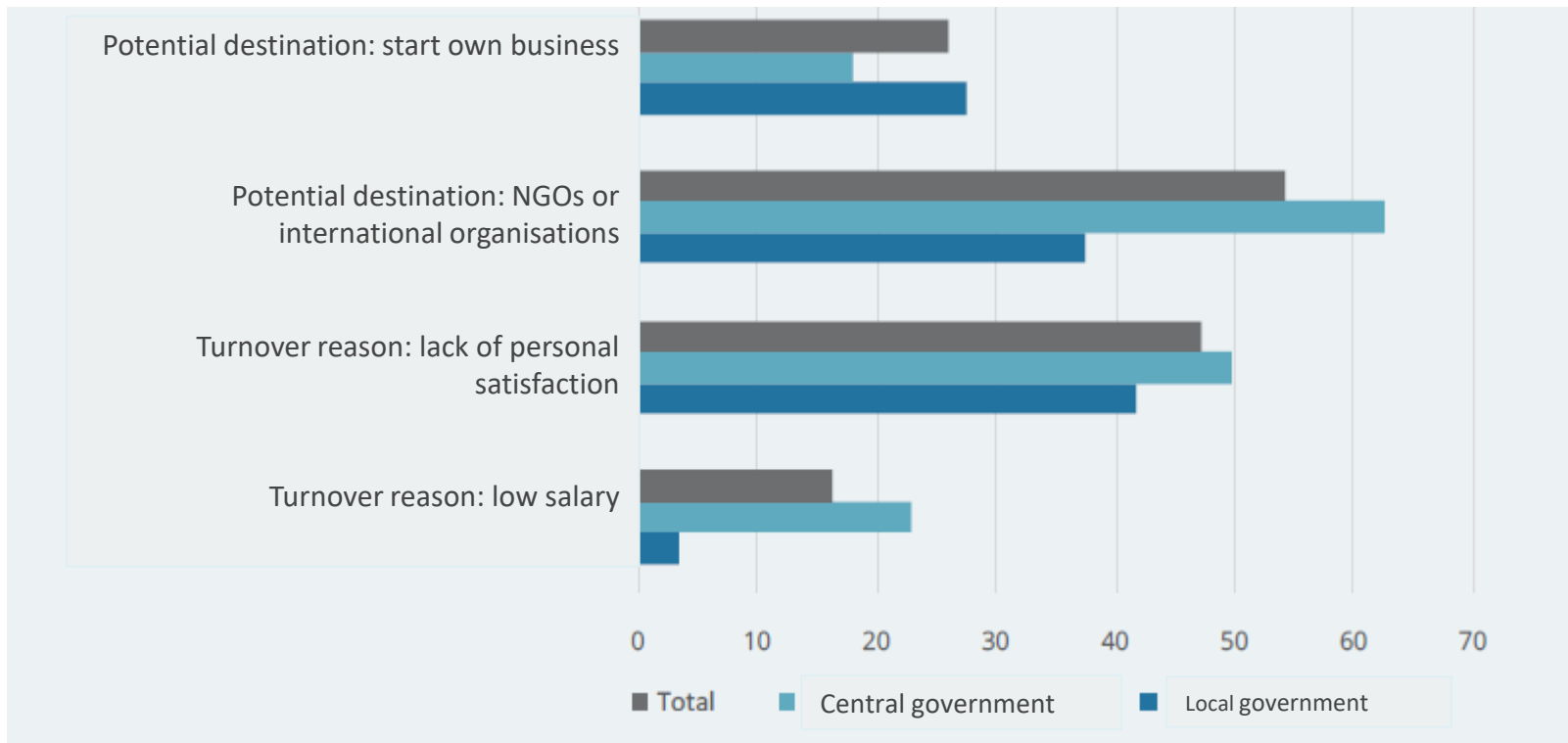
Personnel motivation



Personnel motivation is a key element in improving capabilities. Most officials feel that their colleagues are not sufficiently motivated. The majority feel they have very good professional opportunities.

III. Personnel capabilities (4/6)

Potential turnover reasons and destinations



Over 47% of respondents said that lack of personal satisfaction would be the reason for leaving. NGOs and international organisations appear to be the most popular, particularly among central government officials.

III. Personnel capabilities (5/6)

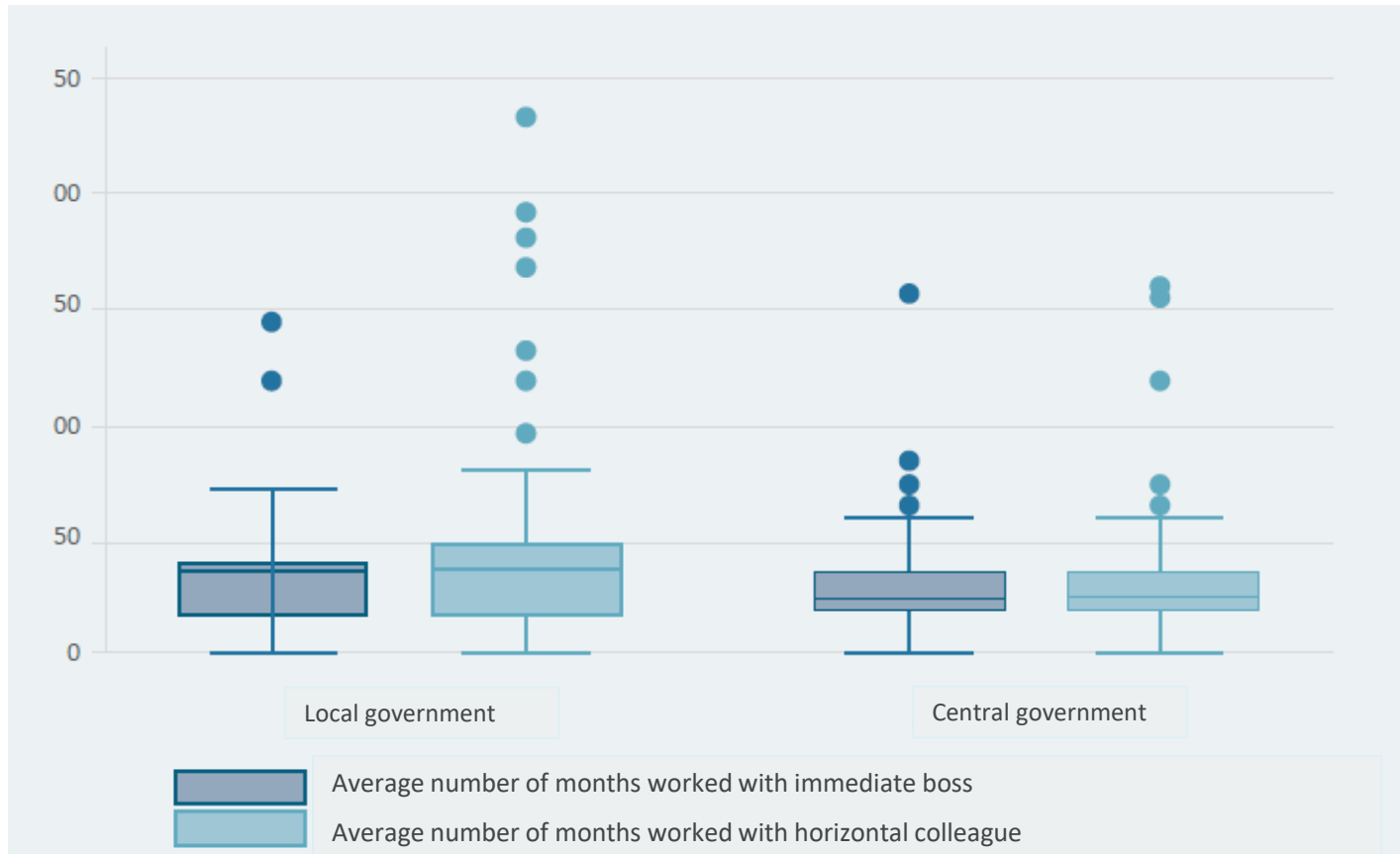
Skills mismatch

Skills mismatch could significantly hamper performance.

- Most officials at the central level believed their unit's performance has been negatively affected by not having the right people in the right positions.
- The problem is more severe in local government institutions, where almost 70 percent of officials reported that skills mismatch has hampered performance. Human resources capabilities of municipalities are constrained by the hiring freeze instituted by the central government. This level of mismatch could have far-reaching consequences, particularly because the level of perceived motivation is also worryingly low, and there is often no mechanism for perfect monitoring of employees in such positions.

III. Personnel capabilities (6/6)

Length of time worked with supervisors and horizontal colleagues

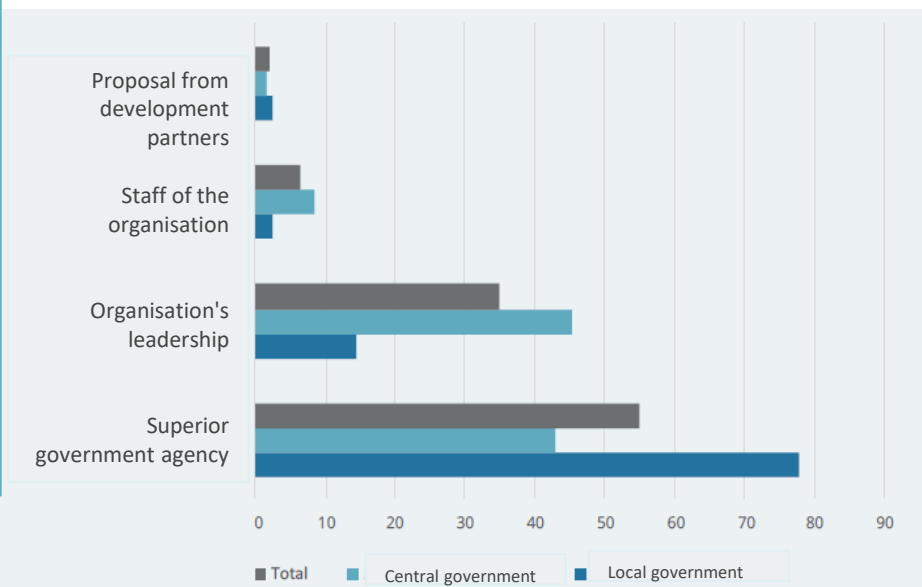


Mentoring is a key part of building human capital for new and younger officials. Central government institutions seem to offer greater opportunity for mentoring than local government institutions. However, the frequent turnover/reshuffling of managers (mentors) hinder the learning process in the long term.

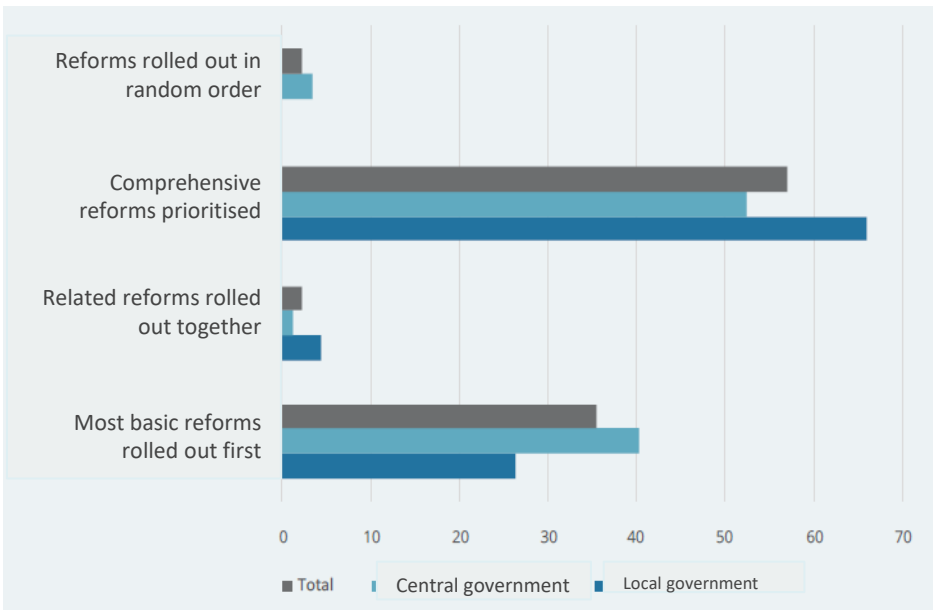
IV. Reform ecosystem (1/3)

Fiscal decentralisation in Benin continues to evolve in an iterative fashion with additional reforms implemented gradually. An organisation's leadership is considered the main source of ideas/practices in central government institutions.

Origins of new ideas/practices



Sequencing of reforms



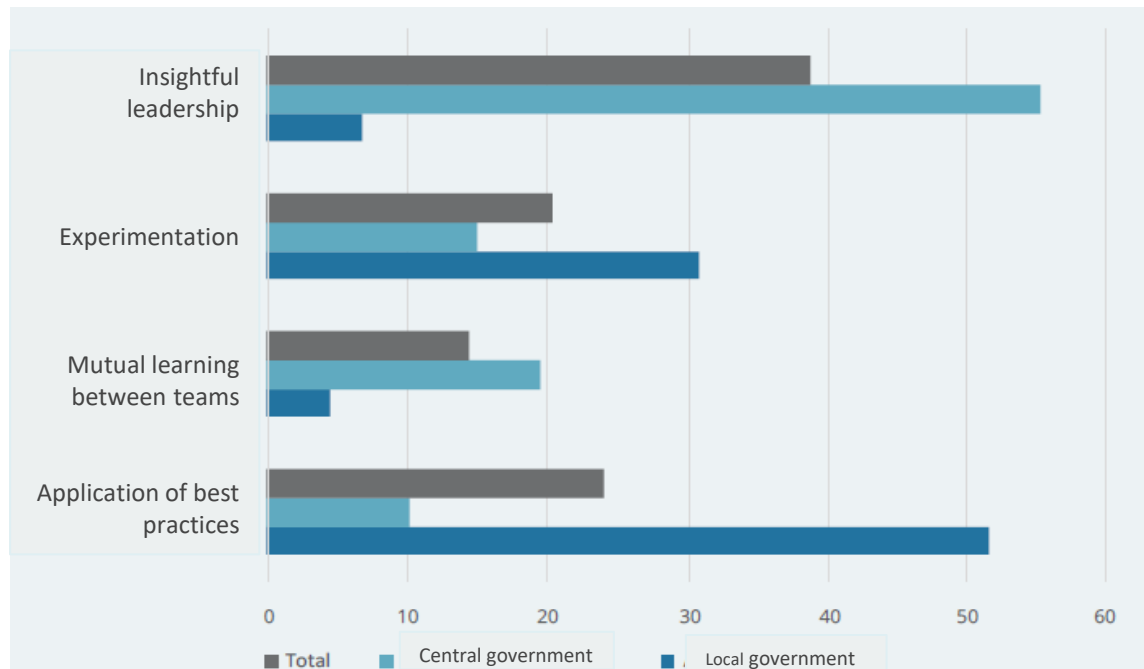
In the context of the fiscal decentralisation reforms, priority is given to comprehensive reforms.

IV. Reform ecosystem (2/3)

Institutional relationship between the structures involved in the reform process

- Local government units rarely implement reforms on their own, as collaborative planning and sensitisation take the biggest share.
- On the other hand, central government units either engage others at the planning stage or plan and implement reforms on their own.

Main drivers of improved performance



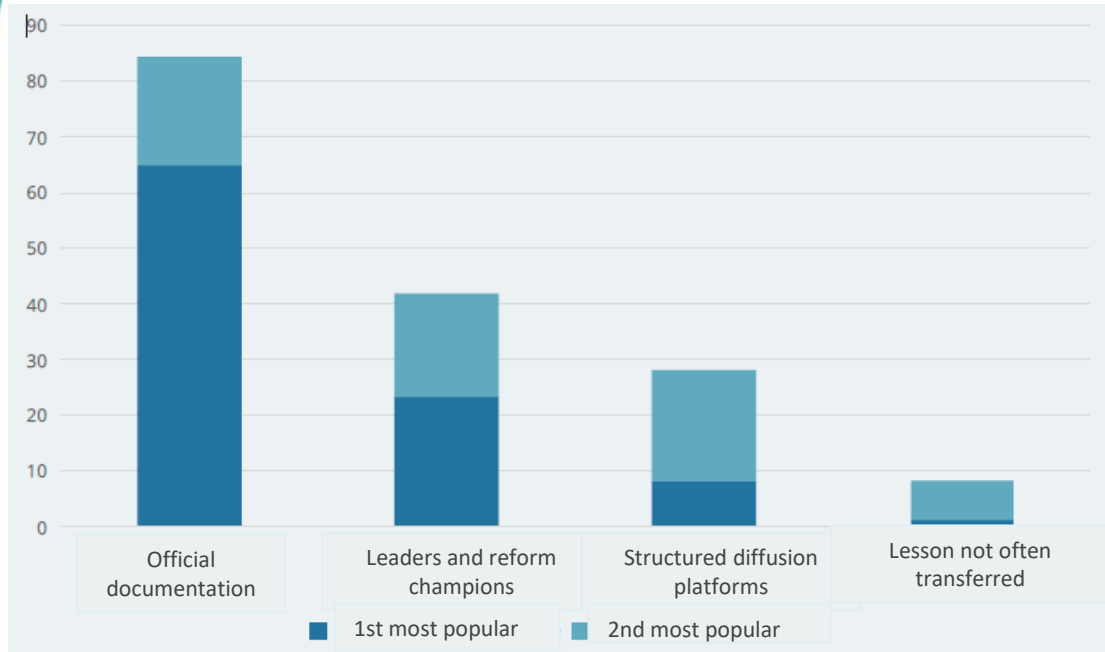
Main success factors

- *Insightful leadership* at the central government level.
- Application of best practices at the local level.

There has been a greater improvement in performance at the local level than at the central level.

IV. Reform ecosystem (3/3)

Means to transfer past reform lessons



Official documentation is the most common mechanism to transfer lessons learned from past reforms and projects.

Involvement of external consultants in day-to-day activities and reform initiatives

Given the broad scope of public finance responsibilities at the local level relative to existing internal capacities, it is important that external personnel be called upon to fill in gaps, particularly in municipalities.

V. Discussion of key results on capabilities for fiscal decentralisation (1/2)

Delivery capabilities

Weaknesses:

- Struggle to mobilise local revenues and efficiently implement the municipal budget;
- High level of skills mismatch at the local government level.

Strengths:

- Use of specialised technologies to increase personnel capabilities in a bid to improve efficiency.

Prospects:

- Strengthening the contracting relationship between municipalities and (independent) tax collectors.

Regulatory capabilities

Weakness:

- Lack of regulatory measures between municipalities and independent tax collectors as well as other service providers in a context of information asymmetry.

Strengths:

- There are robust capabilities for ex-ante control supplemented with relevant technologies to streamline the process;
- Effectiveness of ex-post external control. Capabilities built in central government institutions have been instrumental in ensuring accountability at the local level.

V. Discussion of key results on capabilities for fiscal decentralisation (2/2)

Coordinative capabilities

Weakness:

- Lack of robust institutional mechanisms for vertical and horizontal coordination capabilities.

Strength:

- CONAFIL plays a key role in coordinating the efforts of the Government and the TFPs in the implementation of PFM reforms.

Analytical capabilities

Weakness:

- Unevenly distribution of analytical capabilities across municipalities.

Strength:

- Technical support from the central government to compensate for the gaps in analytical capabilities of local governments.

Prospects:

- Foster home-grown analytical capabilities to reduce municipalities' reliance on consultants and seconded personnel at the central government level.

Conclusion

As one of the trickiest aspects of decentralisation, fiscal decentralisation often requires a series of well-synchronised capabilities at various tiers of government for local service delivery to run smoothly and efficiently.

The main findings of the review point to weaknesses in delivery capabilities at the local level that may have been caused by a combination of personnel problems and co-ordination failures in the intergovernmental fiscal relations system. However, the central government plays a critical role in compensating for overall gaps and potential disparities in analytical and regulatory capabilities at the municipality level.

When it comes to the reform ecosystem, there is fertile ground for implementing effective reforms and fostering organisational learning, provided that key weaknesses in human resources capabilities are addressed.



Thank you for your kind attention!