Report Number: ICRR0022164

1. Program Information

Country
Benin

Practice Area (Lead)
Macroeconomics, Trade and Investment

Programmatic DPF

Planned Operations
0

Approved Operations
0

Operation ID
P160700

Operation Name
First Fiscal Reform and Growth Credit

L/C/TF Number(s)
IDA-61530

Closing Date (Original)
30-Jun-2018

Total Financing (USD)
40,635,930.00

Bank Approval Date
28-Nov-2017

Closing Date (Actual)
30-Jun-2018

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	40,000,000.00	0.00
Revised Commitment	40,000,000.00	0.00
Actual	40,635,930.00	0.00

Country
Benin

Practice Area (Lead)
Macroeconomics, Trade and Investment

Operation ID
P166115

Operation Name
Benin Second Fiscal Reform & Growth DPF (P166115)

L/C/TF Number(s) IDA-61530,IDA-63070	**Closing Date (Original)** 30-Jun-2019	**Total Financing (USD)** 14647950.00
Bank Approval Date 30-Aug-2018	**Closing Date (Actual)** 30-Jun-2019	

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	15,000,000.00	0.00
Revised Commitment	15,000,000.00	0.00
Actual	14,647,950.00	0.00

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2. Program Objectives and Pillars/Policy Areas

a. Objectives

The program development objective (PDO) was: (1) to support macroeconomic stability by strengthening fiscal management; and (2) to promote economic growth by increasing agricultural productivity and competitiveness and strengthening the power sector's financial viability and production capacity. The PDO changed with the second DPL when the phrasing of the first two objectives changed and a third objective was introduced. The revised PDO was: (1) to strengthen fiscal management; (2) to increase agricultural productivity and strengthen the financial viability of the power sector; and (3) to improve equitable access to education and health services.

The wording of the first objective changed, as the economic situation within the country improved and more focus was placed on fiscal management, dropping the part related to macroeconomic stability. The second objective contains two aims that are not interrelated and have different results chains, and therefore this ICRR will rate the two elements of the second objective separately. Agriculture remained a focus of the second objective, though the longer-term aim of increasing competitiveness in agriculture was dropped, retaining only the objective to increase agricultural productivity. Similarly, for the power sector, an initial objective to improve both financial viability and production capacity was narrowed to financial viability only. DPL 2 added another objective aimed at improving access to education and health. The inclusion of this new objective reflected the government's goal to invest in improving human capital.

For the purposes of this ICRR, the PDOs for this programmatic series are taken to be the following:

PDO1: strengthen fiscal management

PDO2: increase agricultural productivity

PDO3: strengthen the power sector's financial viability and production capacity

PDO4: improve equitable access to education and health services

b. Pillars/Policy Areas

Reflecting the unpacking of PDOs, this series is considered to have had the following four pillars/policy areas:

Pillar 1: fiscal management

Pillar 2: agricultural productivity

Pillar 3: power sector's financial viability and production capacity

Pillar 4: human capital development

Pillar 1 (fiscal management) **had five prior actions in DPF1 and three prior actions in DPF2**:

- PAs 1 and 2: **Increasing compliance with tax procedures and reducing tax evasion**. In DPF1, the Ministry of Economy and Finance (MEF) piloted an electronic system to exchange information between the Tax Direction (DGI) and the Directory General of Customs and Indirect Taxes (DGDDI). In DPF2, the MEF launched a new system for the electronic reporting of corporate taxes and made its use mandatory for all large registered firms in order to simplify tax collection.

- PA 3: **Simplifying tax collection and encouraging compliance with tax procedures**. In DPF1, the DGI allowed the largest 100 taxpayers registered in its database to process their tax payments through a verified banking system.

- PAs 4 and 5: **Strengthening evidence-based policy making**. In DPF1, the MEF established the Tax Policy Unit. In DPF2, to lower tax expenditures, the MEF notified cell phone companies that tax exemptions granted to them previously would not be renewed.

- PA 6**: Enhancing the accuracy of the Recipient's public payroll.** In DPF1, the MEF carried out a staff census on all public sector employees, including civil servants, military, police officers, and pensioners in order to identify ghost employees within the public sector.

- PAs 7 and 8: **Combating fraud and better targeting of beneficiaries**. In DPF1, the MEF facilitated payments through a verified banking system: for pension salaries over 50,000 CFA Francs; for governmental scholarships; and for periodic benefits of active civil servants. In DPF2, to enhance the accuracy of public payroll, the Ministry of Labor and Public Function (MTFPAS) and the MEF unified the wage management system by harmonizing and linking the MTFPAS database of civil servants with the MEF database used to pay civil servants' salaries, benefits, and other monetary compensation.

Pillar 2 (agricultural productivity) had three prior actions in DPF1 and three prior actions in DPF2:

PAs 9 and 10- **Promoting the development of agriculture value chains within identified agro-ecological zones.** In DPF1, the Council of Ministers established Territorial Agricultural Development Agencies relevant for the needs of each agro-ecological zone. In DPF 2, to promote agricultural research, the Council of Ministers adopted the National Program for Agricultural Research by recruiting agents for experimental stations, and the National Institute for Agriculture Research launched agro-ecological zone-specific research activities.

PAs 11 and 12- **Enhancing accessibility to credit in the agricultural sector.** In DPF1, the Council of Ministers created the National Fund for Agriculture Development with a mandate to promote private investments in the agricultural sector. In DPF2, in order to promote larger-scale adoption of improved technology in the agriculture sector, the Council of Ministers adopted the National Agricultural Extension Strategy (NAES) that promotes the delivery of extension services by private operators.

PAs 13 and 14 - **Improving quality of agricultural products.** In DPF1, the Central Laboratory for Food Safety was reinforced by renewing its accreditation in accordance with European Union standards, extending the scope of its monitoring mandate, and executing a partnership protocol with the Benin Agency for Food Safety. In DPF2, to increase and monitor the quality of agricultural products, the government adopted a National Policy for Quality and started implementing its Action Plan for food quality and safety in the agriculture sector by defining quality standards for pineapple.

Pillar 3 (power sector) had two prior actions in DPF1 and two prior actions in DPF2

PAs 15 and 16 **- Strengthening the financial viability of the power sector.** In DPF1, the Recipient cleared all its arrears accumulated against Benin Electric Energy Company (SBEE) and ensured that SBEE cleared 50% of its arrears accumulated against joint Benin/Togo-owned power generation and transmission utility, Benin Electric Community (CEB), in line with the SBEE and CEB's arrears clearance plan from DPF2.

PAs 17 and 18 - **Ensuring timely payments of electricity bills to SBEE.** In DPF1, the Ministry of Energy, Water and Mines initiated the replacement of conventional electricity meters with prepaid electricity meters. In DPF2, to support the financial viability of the power sector, the Inter-State High Council for CEB adopted a wheeling charge of FCFA 10 per kWh to compensate the bi-national utility CEB on the use of transmission networks to transit energy to SBEE.

Pillar 4 (human capital) had two prior actions as a part of DPF2:

PA 19 - **Improving equitable access to education services.** In DPF2, the Ministry of Pre-School and Primary Education required all newly recruited primary teachers to be deployed to communities where the pupil/teacher ratio was higher than the current national average.

PA 20 - **Improving equitable access to health services**. In DPF2, the Ministry of Health required that at least 80 percent of newly recruited key health care professionals be deployed to Priority Health Care Precincts identified by the Ministry based on the ratio of health personnel to inhabitants.

c. Comments on Program Cost, Financing and Dates

The project consisted of two Fiscal Reform and Growth Credits (FRGs). The first project, "First Fiscal Reform and Growth Credit" (FRG1: P160700), in the amount of USD 40 million, was approved on Nov 28, 2017. It became effective on December 14, 2017, and it closed on June 30, 2018. The second project, "Benin Second Fiscal Reform and Growth Credit" (FRG2: P166115), in the amount of USD 15 million, was approved on August 30, 2018. It became effective on November 16, 2018, and it closed on June 30, 2018.

The project consisted of two Fiscal Reform and Growth Credits (FRGs). The first project, "First Fiscal Reform and Growth Credit" (FRG1: P160700), in the amount of USD 40 million, was approved on Nov 28, 2017. It became effective on December 14, 2017, and it closed on June 30, 2018. The second project, "Benin Second Fiscal Reform and Growth Credit" (FRG2: P166115), in the amount of USD 15 million, was approved on August 30, 2018. It became effective on November 16, 2018, and it closed on June 30, 2018.

The planned cost of DPF1 was USD 40 million, and its actual cost was USD 40,635,930. The planned cost of the DPF2 was USD 15 million, and its actual cost was USD 14,650,000.

DPF1 was fully funded by the World Bank, while DPF2 was augmented with a Policy-Based Guarantee provided by the International Development Association (PBG; P167278) in the amount of EUR 180 million.

The PBG was used to support Benin's efforts to facilitate access to international financial markets and address increasing debt service, while also creating space for greater private sector access to domestic sources of credit, with longer tenor at lower cost. The PBG was used to support raising long term and affordable commercial loans which attract participation from European institutional investors. Benin used this to support two commercial loans for a total of EUR 387 million, 2.5 times the value of the PBGs. The funds raised were used to retire domestic debt and contribute to the stabilization of Benin's debt. The non-financial success of PBG was that it also helped improve the debt management unit's capacity to analyze the debt portfolio and honed their negotiations skills with international bankers.

3. Relevance of Design

a. Relevance of Objectives

The objectives of the Series were highly relevant at appraisal and remained relevant at closing. PDO 1 (strengthen fiscal management), was highly relevant because Benin, as a member of the West African CFA franc zone, consistently reported high current account deficits that were financed by foreign direct investment and concessional capital inflows (Country Partnership Framework (CPF) FY19-FY23). The DPF series supported the authorities' efforts to strengthen fiscal management by improving revenue collection and by managing public expenditure more efficiently, particularly wages and transfers. At the time of FRG1 approval, it was stated that growth could also be higher if public investment and social outlays were not constrained by a revenue ratio that is among the lowest in SSA (PID Report Number: PIDA27744). The second operation continued supporting this objective, as uncontrolled increases in the wage bill and off-budget expenses had led to significant increases in public debt (by almost 20 percent of GDP) and in the fiscal deficit (from 1.9 percent of GDP in 2014 to 8 percent in 2015, including grants) (PID Report Number: PIDA25112).

PDO 2, to increase agricultural productivity, was highly relevant because of the need to transform agriculture from a sector with low productivity and largely subsistence-based activities to one capable of meeting its potential for high growth. There was also a need for the sector to shift to more export-oriented production that would contribute to overall economic growth far more than it was doing in June 2018, and to produce new jobs for a rapidly growing labor force (CPF). Additionally, agriculture employs about 50 percent of the population and is the economy's leading formal sector foreign exchange earner. FRG 2 continued supporting the agriculture sector, recognizing that its overall productivity could be improved once deficiencies in the agriculture policy framework and governance structure were addressed and constraints to farming, such as limited access to input and output markets and food safety and quality, were tackled.

PDO 3 (strengthen the financial viability of the power sector) was relevant given that inconsistent supply of electricity was noted as a leading constraint to private sector growth, particularly in the light manufacturing and agricultural processing sectors. Strengthening the financial viability of the power sector was essential to increasing electricity production capacity in a fiscally sustainable manner. At the time of FRG1 approval, the goal was to improve financial management of the electricity utility SBEE, and to facilitate planning for the cost-effective supply of electricity. These two measures continued during FRG2 in order to improve the power sector's long-term sustainability (PID Report Number: PIDA27744).

PDO 4 (improve equitable access to education and health services) was also relevant. Benin remains a country with low levels of educational attainment. With adult literacy rates at approximately 50 percent (35 percent for women and 61 percent for men in 2011) and a high proportion of 19–24-year-olds with fewer than 10 years of education, Benin's active labor population lacks the educational profile necessary to further reduce poverty, increase labor productivity, and create better jobs. Furthermore, addressing regional disparities in well-being was an important aspect of the CPF because Benin's lagging regions in general exhibit lower levels of prosperity and access to public services the further one travels away from the coast and toward the North (CPF - Report No. 123031-BJ). This is why PDO 4 was introduced in FRG2. Access to education and health care services varied considerably across income groups and locations despite some improvement over the last decade. A key challenge was disparity in the allocation of primary school teachers and key health care staff (doctors, nurses, and midwives) across regions, with a relatively low number allocated in poor and marginal areas of the country (PID Report Number: PIDA25112).

b. Relevance of Prior Actions

Rationale

The series targeted binding constraints within Benin by aiming to support fiscal management and address critical issues in the agriculture and power sector. These constraints were mentioned periodically in the Benin Country Economic Memorandum (Report No. 4686-BEN). Additionally, improving equitable access to education and health would help increase the human capital within the country. The issues of electricity and agriculture are stated in the Government Action Plan (GAP) and the Economic Competitiveness Support Program for Benin. By appraisal, the macroeconomic policy framework was adequate to launch the FRG series. The adequacy was justified given the nascent economic recovery in Benin, with a clear fiscal consolidation path anchored in the country's fixed exchange rate under the monetary-exchange regime of the West Africa Economic and Monetary Union and GAP. Favorable growth prospects in 2017 were driven by a recovery in the cotton and cashew crops. In addition, already in 2016, the newly elected government had reduced spending. The Bank and IMF shared similar views about the overall macro-framework, and coordination was effective. Prior actions were relevant and had a clear results chain towards the achievement of long-term goals of increasing growth and productivity through adequate short-term actions aiming at increasing fiscal stability and mobilization of revenue, and middle-term actions related to higher investments and growth led by the private sector. When it comes to agriculture, the effect of the adopted measures will likely be seen over a longer period, as they aimed at improving the structural competitiveness of the sector.

Pillar 1 - Fiscal Management

Prior Actions 1 and 2: To increase compliance with tax procedures and reduce tax evasion, the MEF piloted an electronic system to exchange information between the DGI and the DGDDI. Integrating this data allows authorities to assess and validate information in domestic value-added tax declarations or corporate income tax declarations, thus improving risk management (audit) of existing taxpayers and the broadening of the tax base. Although this PA may not have had a critical impact on the achievement of the objective, it did provide a major contribution.

Prior Action 3: To simplify tax collections and encourage compliance with tax procedures, the DGI has enabled the largest 100 taxpayers registered in its database to process their tax payments through a verified banking system. As these large firms (estimated to be approximately 500) are responsible for 70 percent of corporate tax revenue in Benin, this prior action would allow the government to track and control tax payments in a more efficient way.

Prior Actions 4 and 5: To strengthen evidence-based policy making, the MEF has established the Tax Policy Unit within its structure. This unit would bring order into otherwise hectic tax policy formulation and assessment, as it would develop the necessary tools to measure and track tax expenditures and lower the constraints that Benin had due to tax expenditures, as the non-renewal in 2017 and 2018 was equivalent to a revenue gain of 0.21 pp. of GDP.

Prior Action 6: To enhance the accuracy of the public payroll, the MEF has carried out a satisfactory staff census on all public sector employees, including civil servants, military, police officers, and pensioners. The identification and monitoring of civil servants were needed to establish a baseline and identify fictitious or ghost civil servants, as the wage bill accounted for 44 percent of total current expenditures in Benin.

Prior Actions 7 and 8: To combat fraud and better target beneficiaries, the MEF facilitated payments through a verified banking system by integrating the human resource management information system at the Ministry of Public Service and the payroll system at the MEF. The reconciliation and interconnection aimed at preventing any deviance between the two databases in the future, which would decrease unnecessary costs.

Pillar 2 – Agricultural productivity

Prior actions 9 and 10: To promote the development of agricultural value chains within identified agro ecological zones, the Council of Ministers established Territorial Agricultural Development Agencies relevant for the needs of each said agro-ecological zone in FRG1. The development of several agencies would improve the management of each zone and consequently the entire country leading to increased productivity by determining which crops or agricultural products should be grown in each zone. Although overall productivity could have been increased even without the introduction of these agencies, they did play an important role and contributed to the achievement of this objective.

Prior Action s11 and 12: To enhance access to credit in the agricultural sector, the Council of Ministers created the National Fund for Agriculture Development with a mandate to promote private investments in the agricultural sector, and the NAES was adopted. These prior actions were adequate as they established a foundation needed for attracting and including the private sector in agriculture, thus improving productivity and driving innovation.

Prior Actions 13 and 14: The development of the Central Laboratory for Food Safety (LCSSA) and its partnership with the Benin Agency for Food Safety led to the implementation of the Action Plan for food quality and safety, thus increasing the reliability of Benin's exports as well as their expansion by meeting the international food quality standards. At one point the export of pineapples to Europe had been banned in 2016 due to food quality issues.

Pillar 3 - financial viability of the power sector

Prior actions 15 and 16: To strengthen the financial viability of the power sector, the government cleared all its arrears accumulated against SBEE and ensured that SBEE cleared 50 percent of its arrears accumulated against CEB. These two prior actions enabled the power sector utility companies to guarantee the reliability of the system, because the SEB could maintain its grid and extend it to possibly address the long-term needs of the sector.

Prior Actions 17 and 18: To ensure timely payments of electricity bills to SBEE, the Ministry of Energy, Water and Mines initiated the replacement of conventional electricity meters with prepaid electricity meters. This prior action was relevant as it allowed SBEE to improve the reliability of its revenue, thus improving its services.

Pillar 4 - **Equitable access to education and health services**

This objective was added in FRG2 and it did not have any prior actions in FRG1.

Prior Action 19: In order to improve equitable access to education services, the Ministry of Pre-School and Primary Education has required all newly recruited primary teachers to be deployed to communes where the pupils/teacher ratio is higher than the current national average. This prior action is a step in the right direction, as more teachers will be sent to parts of the country where they are most needed.

Prior Action 20: In order to improve equitable access to health services, the Ministry of Health decided to send new health care workers to specific areas of the country. This action is also a step in the right direction, as it means that more people will be able to seek medical care where there are more health workers.

However, the relevance of these two PAs was only marginally satisfactory, as a mere increase of the number of teachers does not necessarily translate into higher levels of access to education and health services. A more suitable prior action would have been to set up mechanisms to track the number of people receiving education or health services, or to task existing offices with carrying out these mechanisms. These PAs therefore had a moderate contribution to the achievement of the objectives.

Rating

Satisfactory

4. Relevance of Results Indicators

Rationale

The Results Indicators related to **Objective 1 - Strengthening Fiscal Management** were adequate and measured the achievement of this objective by tracking tax exemptions, the share of non-customs taxes paid through digital systems, and management of pensions and salaries.

RI 1: Tax expenditures associated with tax exemptions granted to cell phone companies was an adequate albeit very partial measurement of a stronger fiscal management system, as it addressed unnecessary expenditures. The government decided not to renew the tax exemptions given to cell phone companies, as these exemptions amounted to 0.21 pp of the total GDP in 2017 and 2018, which provided more income for the state budget.

RI 2: Share of non-customs taxes paid through the banking system and the e-payment system was an adequate indicator, as it monitored the development of the administration system needed for more efficient tax management.

RI 3: Percentage of civil servants' salaries and benefits processed through the unified wage management system and **RI 4: Share of payments of pensions (above CFAF 50,000), scholarships, and civil servants' benefits processed through the banking system** were both adequate ways to monitor the achievement of the first objective, as they directly related to better fiscal management of public expenditures.

The Results Indicators related to **Objective 2** – **Increase agricultural productivity** were inadequate as they didn't capture productivity.

RI 5: Number of agro-ecological zone—specific experiments launched was not an adequate way to track the increase of agricultural productivity, as the number of zones or experiments does not necessarily translate into higher productivity. This RI only partially measured progress towards reaching this objective.

RI 6: Moving average (three years) of the quantity (tons) of processed cashew (C), processed pineapple (P), and processed rice (R) was not relevant to the objective of increasing productivity in that it measured volumes rather than productivity (i.e., without reference to the input side of a productivity measure). . It therefore cannot be taken as evidence of progress toward PDO2.

RI 7: Share of cashew (C) and pineapple (P) tested by LCSSA which meet international standards was a quality indicator but it did not capture agricultural productivity.

The Results Indicators related to **Objective 3 – Strengthen the financial viability of the power sector** were specific and pinpointed crucial technical improvements needed for the achievement of this objective.

RI 8: SBEE's arrears with CEB was a relevant indicator as the SBEE accumulated substantial arrears to the bi-national (Togo and Benin) transmission utility (Communauté Electrique du Benin, CEB) which imported electricity from Ghana and Nigeria. Due to the fragile fiscal position, the public sector had also accumulated arrears towards SBE and Benin wanted to gain more independence when it comes to power supply.

RI 9: SBEE's revenue collection rate from all public sector institutions was relevant for measuring the achievement of this objective. However, it could have been more clearly noted what was meant by "all" public sector institutions. Would this indicator, for example, encompass local governments?

RI 10: Percentage of revenue protected through the installation of smart energy meters for large companies was important, as a steady flow of revenue is crucial for adequate investment and maintenance planning. This was one additional way to maintain financial stability of the power sector in Benin.

The Results Indicators related to **Objective 4 - Improve equitable access to education and health services** sought to capture equity considerations by measuring progress specifically in disadvantaged areas. However, they could have measured the actual increase in the number of people successfully accessing education and health services instead of the percentage of teachers and health workers deployed.

RI 11: Percentage of newly recruited teacher deployed in communes with pupil/teacher ratio higher than the national average could have been formulated differently, as the presence of teachers does not necessarily mean higher access for students. It might have been better to formulate this indicator through the number of students who signed up for classes or the increase in the percentage of children and young people participating in any level of the education system.

RI 12: Percentage of newly recruited health personnel deployed in Priority Health Precincts only captures a part of what determines access to health services. It might have been better to set the indicator so that it measured the number of people who approached and applied for any health service.

Rating

Moderately Unsatisfactory

5. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

Strengthen fiscal management
Supported by PAs 1 through 8; and RIs 1, 2, 3, 4

Rationale

Under this objective, the achievement of three RI targets was judged to be **high,** ,and the achievement of one RI target **modest** with a delay. RI 3 and RI 4 collectively improved the system of monitoring human resources costs, which is about 30 percent of government spending, leading to an overall improvement of fiscal management.

- **RI 1**: Tax expenditures associated with tax exemptions granted to cellphone companies. Target (2019): less than CFAF 1 billion. The achievement of the RI target was **high**, as tax exemptions were cancelled for all cell phone companies as of 2019. However, availability of funds doesn't necessarily imply improvement of the fiscal management.

- **RI 2**: Share of non-customs taxes paid through the banking system and the e-payment system. Target (2019): greater than 65 percent. The achievement of the RI target was **high**, as 79.6 percent of large firms paid taxes through banking and e-payment systems in 2019, and 97 percent in 2019.

- **RI 3**: Percentage of civil servants' salaries and benefits processed through the unified wage management system. Target (2019): > 80 percent. The achievement of the RI target was **modest** and with a delay, as the databases were unified, but this was effective only for all new civil servants that entered the system since the unification. The process of unification is still ongoing for all other civil servants, with the validation of the system expected in H1 2020.

- **RI 4**: Share of payments of pensions (above CFAF 50,000), scholarships, and civil servants' benefits processed through the banking system. Target (2019): > 80 percent. The achievement of the RI target was **high**, as virtually all payments above the threshold are now done through the banking system, using the civil servants' bank account details. This means the indicator is close to 100 percent and has exceeded its target.

Rating

Satisfactory

OBJECTIVE 2

Objective

Increase agricultural productivity
Supported by PAs 9 through 14; and RIs 5, 6, 7

Rationale

Under this objective, while two of three RI targets were achieved (and one mostly achieved), the RIs were not sufficiently relevant to this objective, focusing on quality and output volumes rather than on productivity. As a result, the achievement of this objective **cannot be verified** and is therefore efficacy is considered to be **negligible**.

- **RI 5**: Number of agro-ecological zone-specific experiments launched. Target (2019): >15. The RI target was achieved, as 22 experiments were launched in 2019 (5 more than expected) providing evidence, among others, on seeds adaptation, usage of fertilizers, and maintenance of crops for Benin's principal crops (pineapple, cashew nuts, cotton, corn, palm oil, rice and fisheries). However, the RI did not adequately capture the PA's impact toward the objective of increased agricultural productivity, as the number of agro-ecological zones or experiments does not necessarily lead to increased productivity. Thus, the achievement of the target is judged to be **negligible**. A numeric target, such as the type and number of newly planted crops or cultures, would have better captured the achievement of the objective.

- **RI 6**: Moving average (three years) of the quantity (tons) of processed cashew, processed pineapple, and processed rice.

	Baseline 2016	Baseline 2017	Target 2016	Result 2019
Processed cashew	5,600	7,600	8,500	5,920
Processed pineapple	52,000	81,800	100,000	177,735
Processed rice	33,300	52,000	69,500	254,100

This target was mostly achieved (a decline in international prices of cashew by about 50 percent in 2019 contributed to lower output for cashews), but the increase in the quantity of processed crops may have stemmed from higher inputs, rather than increased agricultural productivity.

- **RI 7**: Share of cashew and pineapple tested by LCSSA meeting international standards. This target was achieved, and higher quantities of tested crops and agricultural products improves the possibility for Benin to export more goods abroad (or avoid having certain goods banned simply because they do not meet international standards). It might lead to increased production of certain crops or products in order to respond to foreign demand, but it cannot yet be verified.

	Baseline 2017	Target 2019	Result 2019
Cashew	88.6 percent	> 90 percent	94 percent
Pineapple	88.1 percent	> 90 percent	97 percent

Rating

Unsatisfactory

OBJECTIVE 3

Objective

Strengthen financial viability of the power sector
Supported by PAs 15 to 18; and RIs 8, 9, 10

Rationale

Under this objective, one target was achieved, one was partially achieved, and one was not achieved.

- **RI 8**: SBEE’s arrears with CEB: Baseline (2017): CFAF 39.2 billion. Target (2019): <CFAF 10 billion. Result 2019: CFAF 11.82 billion. This target was partially achieved, and the achievement of the target is judged to be **modest**. The ICR does not explain why this target was not achieved.

- **RI 9**: SBEE’s revenue collection rate from all public sector institutions. Target (2019): >50 percent. The result in 2019 for the central government was 95 percent, and 65 percent for parastatal and local governments. This target was achieved, and the achievement of the target is judged to be **high**. Higher collection rates as a result of the installation of pre-paid meters at government institutions was an important factor for the achievement of this result.

- **RI 10**: Percentage of revenue protected through the installation of smart energy meters for large companies. Target (2019): >40 percent. The result in 2019 was 0 percent. It was expected that this target would be achieved in 2020. This target was not achieved , and the achievement of the target is judged to be **negligible**, as the installation was delayed due to procurement issues. Forty-six thousand smart meters were received as of December 2019, and their complete installation was expected by end 2020 (ICR, p. 28).

Rating

Moderately Unsatisfactory

OBJECTIVE 4

Objective

Improve equitable access to education and health services
Supported by PAs 19 and 20 in FRG2; RIs 11,12

Rationale

Under this objective, one target was partially achieved, and one target was not achieved. Moreover there were shortcomings in the relevance of the indicators to the objective.

- RI 11: Percentage of newly recruited teachers deployed in communes with pupil/teacher ratio higher than the national average. Target (2019): >90 percent. This target was partially achieved, and the achievement of the target is judged to be **modest**.   65% of newly deployed teachers were to communes with higher-than-average pupil-teacher ratios, meaning that 35% of teachers instead of the targeted maximum of 10% were not deployed to underserved regions. This RI could have been phrased in a way that would take into account which group of people would have access, thus failing to properly assess the “equitable” portion of the objective.

- RI 12: Percentage of newly recruited health personnel deployed in Priority Health Precincts. Target (2019): >70 percent. This target was not achieved, and thus the achievement of the target is judged to be negligible, as the recruitment of 1,384 health personnel in 2018 was delayed (ICR, p. 28). The recruitment of additional health personnel did not happen, so the government reassigned existing staff, allowed direct recruitment (using districts' own resources), restricted public health providers from working two jobs (one in the private sector), and rationalized the allocation of health resources. According to the ICR, these measures improved the level of service in eight priority precincts. However, the original target was not met, as no additional health workers were recruited. The conclusion from the previous RI can also be applied for this one in terms of the adequacy of the RI, as the number of newly recruited health workers does not necessarily translate into more equitable access.

Rating

Unsatisfactory

Overall Achievement of Objectives (Efficacy)

Rationale

The FRG series achieved the targets for six of its twelve results indicators, partially achieved targets for four other indicators, and did not achieve targets for two indicators. However, several RIs, including all RIs for PDO2, were not sufficiently relevant and did not therefore provide sufficient evidence of achievement. Achievement of the first PDO is rated satisfactory and second PDO is rated as unsatisfactory. Objective 3 is rated moderately unsatisfactory, and 4 is rated unsatisfactory.

Overall Efficacy Rating

Moderately Unsatisfactory

6. Outcome

Rationale

With satisfactory relevance of prior actions and a moderately unsatisfactory efficacy, outcome of the series is Moderately Unsatisfactory.

a. Rating

Moderately Unsatisfactory

7. Risk to Development Outcome

Program outcomes are likely to be sustained, although there are risks. Benin has already delivered credible fiscal consolidation and improved economic growth, successfully completing six reviews and an IMF program. Measures taken under the fiscal objective such as e-reporting and e-payment should be sustainable and supported by other donors (Canada) as well as a follow-up DPO series. Monitoring by the Tax Policy Unit should, over time, subject tax expenditures to evidence-based assessment. The power sector is more fragile. However, measures such as the introduction of a performance-based management contract for SBEE, as well as the change in mandate of the CEB, should support the actions taken in the FRG series. There are some areas where sustainability concerns are greater. The government is pushing ahead on addressing cost/price issues in the power sector, but tariff reform and private sector participation in generation are difficult reforms. There have been important achievements since the end of FRG series, with the adoption of a tariff increase in December 2019 that puts tariffs closer to cost recovery. Similarly, the adoption of a new Electricity Code in January 2020 paves the way for private sector participation in the energy sector. However, these efforts face important challenges linked to political economy considerations.

Risks have been heightened in the context of the COVID-19 crisis. Benin’s real economic growth is expected to decelerate significantly to 3.2 percent in 2020. Setbacks can be expected. The crisis will affect the liquidity and solvency of state-owned enterprises, in particular the electricity utility. While the medium-term outlook remains favorable, high uncertainty on the duration and depth of the crisis still creates risks to the sustainability of the program.

8. Assessment of Bank Performance

a. Bank Performance – Design

Rationale

Strong analytical underpinnings in the form of previous WBG analysis, and particularly the support of ongoing projects in the power, agriculture, education, and health areas, were key to the design of the series. Further, this analysis went beyond World Bank work, using relevant academic research when needed (notably in education and health, ICR, p. 31, table 6). Additionally, some of the main elements of the reform agenda, such as the domestic measures in the fiscal objective, are linked to work done by other development partners. However, risks related to the technical design of the program were underestimated. The introduction of the health/education objective added risks given that PAs were only introduced in the second DPO in the series. Finally, the reforms of the power sector were overly ambitious, as they initially aimed to reform the sector to some extent. The overall complexity of these reforms, including the many areas covered by the series (agriculture, energy, education, health, and fiscal), deserved more careful consideration of the risks linked to the technical design. In addition, M&E design could have been more systematic, as the definition and sources of some RIs were inadequate, making it difficult to evaluate results. Other results data were difficult to track down and obtain because of low institutional capacity within the government and the coordinating unit’s lack of clear authority to collect information on M&E. The project team added that mitigation measures and strong commitment by the authorities helped to manage this risk, and low institutional capacity was not a major obstacle to implementation and stability. This is true as the existence of Bank-financed IPFs in the sectors chosen (agriculture, energy, health and education) also supported the implementation of the different actions and mitigated against sector risks by ensuring continued support by the specialists.

Rating

Moderately Unsatisfactory

b. Bank Performance – Implementation

Rationale

Sector strategy and policy risks were effectively mitigated. For example, when it became evident that the prior actions in the health/education objective would not be met as expected in 2018, a letter was immediately sent to the Bank, and Bank sector specialists assisted the government in finding alternative ways to achieve the PDO. The Bank made necessary adjustments to the program to maintain relevance and to adjust to different rates of progress in different reform areas. The Bank adjusted indicative triggers to improve specificity (Objective 1) and likelihood of implementation (Objective 2) given low institutional capacity and the time frame of the series. These adjustments helped maintain program relevance.

Rating

Moderately Satisfactory

c. Overall Bank Performance

Rationale

Despite some shortcomings in recognizing risks related to the introduction of the health/education objective and the fact that some goals were unlikely to be achieved during the time frame of the series, the Bank monitored the project in an efficient way and communicated with the government in a timely manner to offer support whenever an issue would arise. The Bank also made a creative decision to allow and support a PBG, which led to a synergy with project goals and might lead to additional benefits for the country even after the end of the project.

Overall Bank Performance Rating

Moderately Satisfactory

9. Other Impacts

a. Social and Poverty

The FRG series is expected to have a positive impact on poverty reduction. In the short run, the fiscal measures reduced risks to macroeconomic stability and, in the longer term, should free up fiscal space to permit increases in social spending. Moreover, the government has pledged to use one-third of the fiscal spaced freed up by the debt re-profiling (made possible by the PBG) to increase social spending. The Poverty and Social Impact Assessment (done for FRG1) laid out the broader importance of improving efficiencies in the electricity sector to ensure broader access. A lack of reliable power impacts the few poor households who have access, and putting the utility on a sustainable path is a first step to increasing electrification more broadly (70 percent of the population lacks access). The improvements in student/teacher ratios in underserved areas supports the broader human capital agenda of the GAP.

b. Environmental

Measures supported by the FRG series are not likely to have negative impacts on the environment. While it is too soon to measure these outcomes, the measures supported in agriculture, especially the shift to increased autonomy around an agro-ecological paradigm, would be expected to better match geography with strategy, including a strategy around climate-smart agriculture (crop diversification, land management, inputs). Similarly, putting the electric utilities back on a viable financial footing reduces the pressure to use short term (thermal) generation and creates space for investments in sustainable energy needed to meet growing demand. While the Electricity Code was passed in January 2020, under the new DPO series, it was initially conceived as part of FRG1. As adopted by Parliament, the code sets explicit targets for renewable energy and improved private sector participation in the sector.

c. Gender

The actions on education and health, if they translate into improved access (which is not adequately measured) would have positive gender outcomes. In particular, improving health services in underserved poor areas should reduce high levels of maternal mortality, preterm birth, and malnutrition. In the long term, if sustained, the actions should improve Benin’s human capital gap between male and females. Unfortunately, disaggregated data was not measured through the results framework to assess gender utilization (or outcomes) for school enrollment or health services.

d. Other

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10. Quality of ICR

Rationale

The ICR is clearly written and concise. It is candid and critical. It provides sufficient and convincing evidence related to prior actions, results indicators, and achievement of objectives. It also provides a balanced narrative of the positive and negative sides of preparation as well as implementation, intervening factors, and context. The ICR describes the PBG in a separate table, as it had a significant impact on the success of the series. It also devoted attention to the impact of COVID-19 pandemic on development outcomes and the future viability of achieved outcomes.

a. Rating

Substantial

11. Ratings

Ratings	ICR	IEG	Reason for Disagreement/Comments
Outcome	Moderately Satisfactory	Moderately Unsatisfactory	While the operation met several RI targets, they did not accurately capture the impact of the PAs on the objective.
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	
Relevance of Results Indicators	---	Moderately Unsatisfactory	Some indicators could not monitor the achievement of objectives
Quality of ICR	---	Substantial	

12. Lessons

IEG concurs with the general lessons of the ICR:

Lesson 1: **Longer term engagements are necessary to achieve overhauls in sectors.** The reforms from FRG1 related to the power sector aimed at addressing short-term and medium-term bottlenecks of the sector. Achieving those objectives together with fiscal sustainability has been only possible due to the continuous programmatic series, that is, the FRG series and the following DPO series which completed reforms initially expected in the FRG series. However, the late introduction of PAs in health and education made it difficult to track progress and impact.

Lesson 2: **To achieve greater and faster impact of reforms, it is important to coordinate with other donors and Bank-financed investment loans**. The process of monitoring is enhanced as problems can be identified quickly, experts can be mobilized to support the authorities, and mitigation measures can be agreed upon. This was the case with deployment of health personnel, where reforms had to be revised to attempt to achieve the objective using alternative methods.

Lesson 3: **Innovative solutions and flexibility to support government requests can bring additional benefits.** During this project, the government requested to use a PBG after a careful analysis of the debt portfolio, development of a debt management strategy, and its strengthened capacity over recent years, which enabled it to create more fiscal space.

Lesson 4: **Additional effort is needed to integrate M&E into government systems from the outset, particularly in a low-capacity country.** During this series, there were shortcomings related to the M&E framework in terms of a lack of proper definition of some indicators from the outset. This made traceability difficult, sometimes even requiring reaching out to the original author of the results indicators.

To these lessons, IEG adds the following:

Lesson 5: Any project or series with human capital strengthening should include consideration of gender (if even in the collection of sex disaggregated data), especially in countries such as Benin where there is a significant human capital gap between males and females.

Lesson 6: The World Bank's policy-based guarantees may offer creditworthy low-income African countries a way to obtain external financing at better-than-commercial terms in support of credible fiscal and social reforms.

13. Project Performance Assessment Report (PPAR) Recommended?

Yes

Please explain

This project is unique because of the impact that the PBG had on the success of the project. In the absence of the PBG, the government would not have been able to address increasing debt service and support its efforts to facilitate access to international financial markets, while also creating space for greater private sector access to domestic sources of credit, with longer tenor debt and lower financing costs (ICR, p. 24). For this reason, a PPAR is recommended.