

Reform of public finances to achieve the SDGs and mobilise public revenues (ReFORME)

Benin

January 2021 – December 2023

The challenge

The Republic of Benin is experiencing steady gross domestic product (GDP) growth, a moderate fiscal deficit, and a solid debt-to-GDP ratio. Despite these macroeconomic successes, Benin ranked 158th out of 189 in the 2019 United Nations (UN) Human Development Index. According to the UN, about 50 percent of Benin's 11.5 million inhabitants live below the poverty line.

To address this challenge, the government of Benin has prioritized 49 targets of the Sustainable Development Goals (SDGs) and integrated them into national development plans and budget processes. However, the achievement of many SDGs is hampered by a lack of financial resources in the national and communal budgets.

Despite the significant reforms implemented by the General Directorate of Taxes, the Beninese tax system continues to face major problems in broadening the tax base in order to mobilize sufficient domestic revenues to finance development priorities. Responsible actors are often unable to implement budget processes in a legally compliant and pro-poor manner. Budget plans are insufficiently aligned with the prioritized targets of the Agenda 2030 due to the unsystematic tracking and evaluation of development progress. Sustainability aspects and the needs of the private sector are often neglected when planning public investments.

The Beninese government is making considerable efforts to ensure transparency in the implementation of the budget cycle. However, only limited use is made of existing participation formats between governmental and nongovernmental actors. In addition, the needs of vulnerable groups are not sufficiently taken into account in budget planning.

Project name	Reform of public finances to achieve the SDGs and mobilise public revenues (ReFORME)
Commissioned by	Federal Ministry for Economic Cooperation and Development (BMZ)
Objective	National as well as communal budget cycles are implemented according to principles of good financial governance.
Lead executing agency	Ministry of Economy and Finance (MEF)
Duration	01/01/2021 – 12/31/2023
Budget	16.500.000 Euros



Left to right: Citizens consult Natitingou Town Hall bulletin boards; Communal staff exchange ideas about the commune's revenue mobilization strategy to fund Agenda 2030.



Left to right: Developing strategic revenue mobilization plans; A tax official collects a fee from a woman on Natitingou market.

Our approach

ReFORME supports the implementation of national and communal budget cycles according to the principles of good financial governance: **performance, transparency, and accountability**. The project supports the reform of public finances by providing technical, organizational and process advice at national and communal level in five priority areas.

In the area of **budget reforms**, the capacity of the financial administration to implement the budget cycle at national and local levels is being strengthened. The project promotes the implementation of results-based program budgets through targeted education and training of those responsible. Gender equality is also promoted through the introduction of methods for gender-sensitive budgeting.

In the field **domestic revenue mobilization**, the project advises the tax administration and the treasury at the national and communal levels on bringing their rules in line with international standards with the aim of improving the state's ability to self-financing. Advisory services include developing digital solutions, improving the quality of the taxpayer register, strengthening the tax compliance and service orientation of the tax administration, and broadening the tax base. This will improve the predictability and management of tax revenues along the principles of fair and efficient application of the tax law.

In the area of **transparency and accountability**, the project supports constructive dialogue between the state, communes, civil society and other partners for transparent budget planning, implementation and auditing. By empowering non-state actors, the project contributes to the consideration of rights and needs of vulnerable and disadvantaged groups in the planning and execution of budgets and public investments.

In the thematic area **public investments**, advisory services aim to improve the quality of public expenditure planning by building capacity to conduct cost-benefit analyses and feasibility studies. Mechanisms are also being developed to better align public investment with private sector needs and ensure that public spending improves the enabling environment for private investment at the national and local levels.

In the priority area **monitoring the Agenda 2030**, the project aims to improve the quality of annual reporting on the achievement of the prioritized SDGs, which is an important basis for participation in the policy dialogue. The consulting services focus on the establishment of the national monitoring system with the participation of the 77 Beninese communes and the transparent publication of the collected data on a digital platform.

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