

BENIN

UNITARY COUNTRY

BASIC SOCIO-ECONOMIC INDICATORS

INCOME GROUP: LOW INCOME

LOCAL CURRENCY: WEST AFRICAN CFA FRANC (XOF)

POPULATION AND GEOGRAPHY

Area: 114 760 km²
Population: 11.176 million inhabitants (2017), an increase of 2.8% per year (2010-2015)
Density: 97.4 inhabitants / km²
Urban population: 47 % of national population
Urban population growth: 3.9% (2017 vs 2016)
Capital city: Porto-Novo (2.5% of national population)

ECONOMIC DATA

GDP: 25.4 billion (current PPP international dollars), i.e. 2 272 dollars per inhabitant (2017)
Real GDP growth: 5.8% (2017 vs 2016)
Unemployment rate: 2.2%
Foreign direct investment, net inflows (FDI): 184.36 (BoP, current USD millions, 2017)
Gross Fixed Capital Formation (GFCF): 28.6% of GDP (2017)
HDI: 0.515 (low), rank 163 (2017)
Poverty rate: 49.5 (2015)

MAIN FEATURES OF THE MULTI-LEVEL GOVERNANCE FRAMEWORK

According to the 1990 Constitution, Benin is a unitary state with a presidential-type system in which the President is both the head of the state and head of the government. The Parliament is unicameral and its members are elected by electoral districts, which include several municipalities. The Constitution provides for the existence and free administration of local governments (art 150 & 151). The current legal framework for decentralization consists of seven laws and about thirty decrees. The year 2001 was marked by the promulgation of decentralization laws and the creation of the 77 municipalities. The first local elections were held in 2003 and the last ones took place in 2015. Local officials are elected for a 5-year term.

In 2009, Benin adopted a ten-year national decentralization and deconcentration policy (PONADEC) whose management and monitoring are carried out by an inter-ministerial committee. This policy is supported by decentralization and devolution plans (2D plans) at the sectoral level, as well as departmental inter-sectoral development plans (PDDI) at the territorial level. By resolution of 22 November 2017, the Government initiated a review of the decentralization policy and laws.

With respect to multilevel dialogue, the Municipal Budget Conferences provide spaces for discussion between local authorities and the central administration.

TERRITORIAL ORGANISATION

2017	MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGS
	Municipalities (Communes)			
	Average municipal size: 145 139 inhabitants			
	77			77

OVERALL DESCRIPTION. Benin has only one level of decentralization, which is the municipality (*commune*). The country has seventy seven municipalities, including seventy four common-law municipalities and three special status municipalities (Porto-Novo, Cotonou and Parakou). Each municipality is subdivided into districts (*arrondissements*). Districts are in turn divided into villages (in rural areas) or neighborhoods (in urban areas). The municipality is administered by a municipal council elected by universal suffrage. The municipal council is headed by a Mayor, who is appointed by the members of the municipal council. The Mayor is the leading executive officer of the municipality and he/she also represents the State within his/her territorial jurisdiction. The main cities are Cotonou (the economic capital), Abomey-Calavi, Porto-Novo (the political capital), Parakou, Bohicon and Djougou. Municipalities may join together to form inter-municipal cooperation entities in accordance with the provisions of Act No. 2009-17 on the arrangements of inter-municipal entities in Benin.

In addition, there is only one deconcentrated level of government, the department, which has no legal personality and no financial autonomy (Law 97-028, art. 1). Benin has twelve departments, each headed by a Prefect representing the State, who is responsible for the supervision of the municipalities. The sectoral ministries and state institutions also have deconcentrated units at the departmental level. Their chairs meet within the Departmental Administrative Conference (CAD) under the presidency of the Prefect. Moreover, a coordination body between the State, the municipalities and development actors is set up around the Prefect, namely the Departmental Coordinating Council (GDCC).

SUBNATIONAL GOVERNMENT RESPONSIBILITIES

Law 97-029 of 15 January 1999 on territorial organization (art. 82-107) granted municipalities the right to exercise exclusive, shared and delegated functions. Own competences include seven main areas: local development and planning; infrastructure, utilities and transport; environment; primary education; primary health care; social and cultural action; business services and investments. Shared functions are competences that are implemented by both the central government and the municipalities. However, the State retains control over their management. These functions include the following areas: administrative police, public security and fight against crime, judicial police, publication of laws and regulations, organization of elections. Delegated competences fall within the central government's powers, but their practical implementation, by virtue of the principle of subsidiarity, is delegated to the municipalities: registrations of births, marriages, deaths; wedding celebrations; issuance of certificates and legalization and certification of documents. Special status municipalities have additional responsibilities such as professional training, higher education, public mobility, security and communication

MAIN RESPONSIBILITY SECTORS AND SUB-SECTORS

MUNICIPAL LEVEL (COMMUNES)	
1. General public services	Administrative and permit services (marriages, births, deaths, etc.); Public buildings and facilities (regulation and control)
2. Public order and safety	Administrative police; Municipal police (on national and departmental roads); Traffic signs
3. Economic affairs/transport	Creation, development and management of markets; Construction and management of slaughterhouses; Support to local development, tourism; Roads and public transport; Railway networks and facilities (local); telecommunications / IT
4. Environmental protection	Street cleaning; Waste management (collection, treatment and disposal of waste); Flood protection; natural resource management and sustainable development; Parks and green spaces; Nature protection; Soil and groundwater protection
5. Housing and community amenities	Street lighting; Drinking water distribution; Housing (subsidies); Housing (Construction/renovation); Urban and land use planning; Urbanism
6. Health	Primary health care (health centres); Public health promotion and hygiene
7. Recreation, culture & religion	Creation and management of cemeteries and funeral services; Youth, sports and leisure infrastructure at municipal level; Cultural activities; Cultural heritage (local)
8. Education	Development of pre-school education and primary education; Promotion of education; Promotion of national languages
9. Social protection	Social assistance to disadvantaged and vulnerable populations

SUBNATIONAL GOVERNMENT FINANCE

Scope of fiscal data: municipalities.	Ministry of Economy and Finance (at central level) and the National Commission on Local Finance – CONAFIL (at local level).	Availability of fiscal data: Low	Quality/reliability of fiscal data : Low
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GENERAL INTRODUCTION. Law 98-006 of 15 January 1999 on the financial regime of municipalities provides municipalities with financial autonomy. They have their own budget voted by the municipal council, which they execute. The municipality's accounting is entrusted to an accountant from the Public Treasury appointed by the Minister of Finance. At the end of the fiscal year, the Mayor prepares the administrative account while the accountant prepares the management accounts.

The distribution of resources between the national and local levels is not commensurate with the competences assigned. As the fiscal power of municipalities is limited, their own resources are also limited. Financial transfers from the central government to the municipalities remain the main source of financing for municipalities. Since 2008, a mechanism for transferring revenues from the central government to the municipalities has been established – the Municipal Development Support Fund (FADEC). This fund is under the authority of the Ministry of Decentralisation, Local Government, Administration and Planning and administered by the National Commission on Local Finance (CONAFIL).

SUBNATIONAL GOVERNMENT EXPENDITURE BY ECONOMIC CLASSIFICATION

2016	DOLLARS PPP / INH.	% GDP	% SNG EXPENDITURE	% GENERAL GOVERNMENT EXPENDITURE (SAME EXPENDITURE CATEGORY)								
Total expenditure	29	1.4%	100%	<table style="margin-left: auto; margin-right: auto;"> <tr><td>Total expenditure</td><td>6.0%</td></tr> <tr><td>Staff expenditure</td><td>3.0%</td></tr> <tr><td>Social benefits</td><td>0.0%</td></tr> <tr><td>Direct investment</td><td>9.3%</td></tr> </table>	Total expenditure	6.0%	Staff expenditure	3.0%	Social benefits	0.0%	Direct investment	9.3%
Total expenditure	6.0%											
Staff expenditure	3.0%											
Social benefits	0.0%											
Direct investment	9.3%											
Incl. current expenditure	16	0.7%	55.2%									
Staff expenditure	5	0.2%	15.8%									
Intermediate consumption	3	0.1%	10.3%									
Social expenditure												
Subsidies and current transfers	4	0.2%	12.9%									
Financial charges												
Others	5	0.2%	16.1%									
Incl. capital expenditure	13	0.6%	44.8%									
Capital transfers												
Direct investment (or GFCF)	13	0.6%	44.8%									

EXPENDITURE. Total local expenditure has been increasing since 2008, at a relatively sustained rate (around 8% per year) over the last three years: In 2016, it amounted to XOF 68.91 billion, i.e. 29 PPP dollars per capita, reaching almost 4 times its 2003-2007 level. This increase is linked to the increase in capital expenditure, which has grown significantly during the 2013-2015 period as a result of transfers received from FADEC. Personnel costs resulting from the increase in the number of staff to assume the transferred competences are constantly increasing: They represent about 16% of total municipal revenues in 2016. In some municipalities they exceed the year's own income.

The share of municipal expenditure in general government expenditure is still quite low (6%), although it increased significantly in 2016 compared to the 3% on average observed over the last three years.

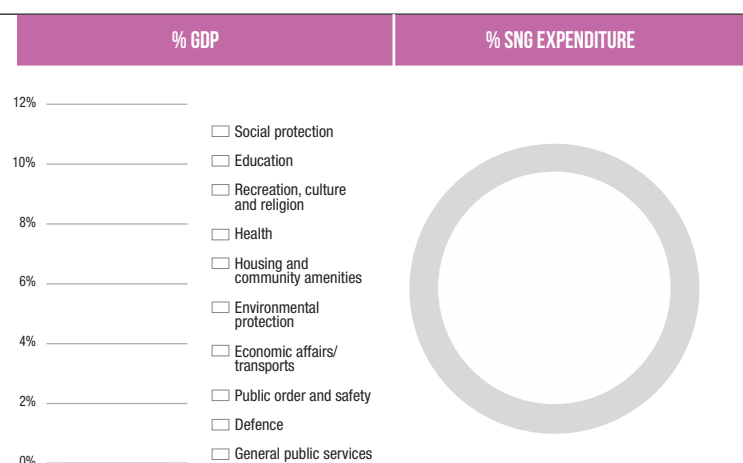
DIRECT INVESTMENT. Municipalities are required by law to allocate, each year, resources in the capital expenditure section to promote the development of their territory. Capital expenditure financed from the municipalities' own resources fell in 2016. Audit reports on the use of resources transferred by the central government via FADEC indicate that more than 50% of the resources are devoted to finance new works, followed by repairs or rehabilitations, and then equipment. Furthermore, at the national level, the implementation of the Government's action plan for 2016-21 should lead to an increase in overall public capital expenditure in the coming years in specific areas (energy, transport, living standards, agriculture and tourism).

BENIN

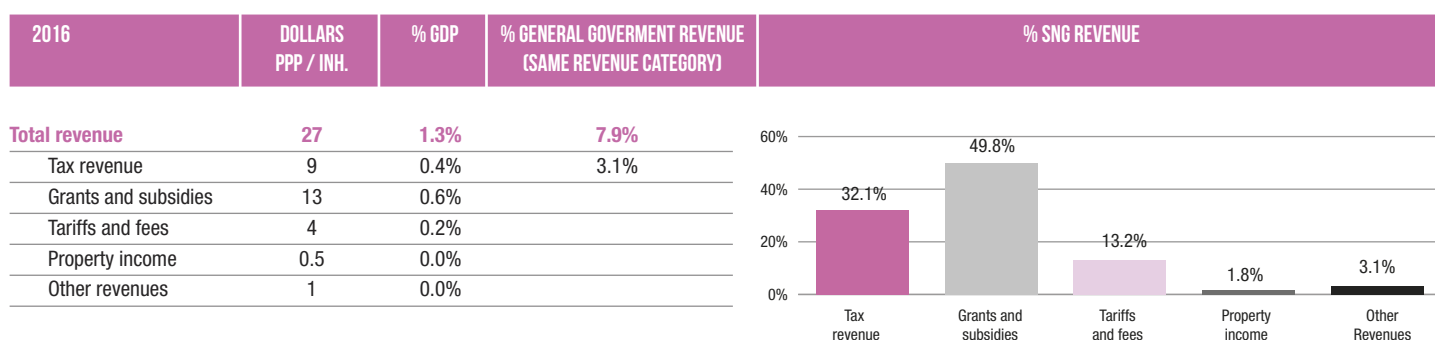
UNITARY COUNTRY

SUBNATIONAL GOVERNMENT EXPENDITURE BY FUNCTIONAL CLASSIFICATION – COFOG

The classification of capital investment expenditure made with FADEC resources shows that municipalities' expenditure is dedicated mainly to pre-primary and primary education, local administration, market facilities, rural roads, health, drinking water supply and urban development sectors. These capital investments are almost entirely financed by transfers from the central government through the FADEC mechanism or from technical and financial partners through development projects.



SUBNATIONAL GOVERNMENT REVENUE BY CATEGORY



OVERALL DESCRIPTION. Benin's municipalities collect two types of own resources: tax revenues and non-tax revenues. Overall, municipal revenues fell in 2016 (XOF 63.60 billion, i.e. \$27 PPP per capita) and 2017 compared to 2014 and 2015. This decrease is reflected both in the municipalities' own resources and in the transfers received from technical and financial partners. In 2016, subnational government revenues accounted for 1.3% of the GDP.

However, the share of municipal tax revenues in total public tax revenues increased from 1.4% in 2015 to 3.1% in 2016. These tax revenues represent 60% of the municipalities' own revenues and nearly 80% in the municipalities of the Coastal region (including Cotonou). Own capital investment income was non-existent in both 2016 and 2015, as was borrowing.

Municipal revenues remain mainly dominated by central government grants and subsidies, which accounted for nearly 50% of total municipal revenues in 2016.

TAX REVENUE. Fiscal decentralization is a pending issue in Benin. Tax revenues are both own and shared. The local government's own tax revenues mainly include a business tax, a property tax and a local development tax. Other own tax revenues include a tax on advertising and posters, a pasture tax and a tax on taxis and motorcycles in urban areas. The business tax The property tax represents 23.3% of municipalities' tax revenue, however it accounts for only 0.1% of GDP. In addition, the business tax represent 33.8% of SNG tax revenue.

Shared taxes are mainly made up of taxes related to road maintenance, which are distributed as follows: 49% of revenues go to municipalities, 49% to road funds and the remaining amount goes to the Directorate General of Customs and Indirect Taxes. Municipalities also collect VAT in the form of shared revenues, the majority (93%) of which goes to the central government and only 0.5% is reverted to municipalities, which distribute this amount in proportion to their population. Finally, the tax on the exploitation of quarries and mines is another important source of revenue for municipalities, distributed as follows: 40% goes to the central budget, 20% to the mining administration and 40% to the municipalities.

The distribution of taxes between the national and municipal levels was not designed on the basis of an analysis of the charges and revenues from the various levies. The collection of local tax revenues is carried out by the sole central government tax administration, which often tends to focus more on central-level taxes. The rebate mechanism, preferred to shared tax arrangements, also creates delays in resource mobilization. Municipalities have little room for action: although municipal councils can set tax rates within the limits set by law, the creation of taxes and fees is determined by the national level. Similarly, several tax exemption decisions without compensation have occasionally deprived municipalities of a significant share of revenue.

GRANTS AND SUBSIDIES. Despite its constitutional recognition, the transfer of resources corresponding to the transfer of competences remains limited, particularly from sectoral ministries. The majority of grants are capital grants (73% of total grants) while current grants are 27% of total grants.

Municipalities receive earmarked (from different sectoral ministries) and non-earmarked (from the Ministry in charge of Decentralization) transfers. Allocations to municipalities are set up by the National Commission on Local Finance (CONAFIL), through the FADEC. This mechanism operates through a decision-making body with equal representation of the central government and municipalities. Funds received from this mechanism are allocated to the municipalities as an annual endowment, according to specific criteria set by CONAFIL, including poverty level, surface area, demography and governance performance. The FADEC therefore includes equalization objectives to reduce inequalities between municipalities. The management that distinguishes the administration of the fund from its cash flow is carried out by the Public Treasury through its network of accounting officers. Although progress has been made, predictability and transfer timelines remain major challenges. The 2017 Finance and Management Act provides for the gradual strengthening of earmarked transfers over non-earmarked transfers.

OTHER REVENUES. Tariff and fee revenues come from a number of services provided to users; this is particularly the case for the issuance of civil status documents, land certificates and/or the legalization of administrative documents, the collection of household waste, etc. The municipalities also receive property income, which mainly comes from the occupation of public property and the leasing of part of the municipality's property assets. An important land-use security and urban planning initiative is under way in the pilot municipalities of Cotonou, Porto-Novo and Sèmè-Kpodji, where land titles are gradually replacing residential permits.

■ SUBNATIONAL GOVERNMENT FISCAL RULES AND DEBT

	DOLLARS PPP/INH.	% GDP	% GENERAL GOVERNMENT DEBT	% SNG DEBT
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Total outstanding debt

Financial debt*

* Currency and deposits, loans and bonds

FISCAL RULES. Municipalities are governed by the same budgetary and accounting rules as the State. Municipal budgets must be voted in actual balance. Each section of the budget (current and capital) must be balanced. The municipalities are subject to the controls of the General Inspectorate of Finance and the General Inspectorate of Administrative Affairs. In addition, annual audits are conducted by the FADEC under the supervision of CONAFIL.

DEBT. Municipalities may borrow from national and international banks and on the financial market, but only to finance their capital investments, upon deliberation by the municipal council and with the approval of the regulatory authority. Terms and conditions are specified by the decree 2005-374 of 23 June 2005. The State may contract a loan and on-lend it to the local government. Municipalities borrow very little and their debt level is almost zero. As a result, there are very few specific offerings for municipalities on the financial market. So far, only the municipality of Porto Novo has been able to contract a loan with support from the central government in 2015 (BOAD loan).



Lead responsible: UNCDF
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Socio-economic indicators: World Bank // UNDP // UN Desa // ILO.

Fiscal data: Local Finance Department of the Ministry of Economy and Finance // National Commission on Local Finance (2018) Les finances locales du Bénin 2016 // Ministry of Economy and Finance (2019) Projet de loi de finances 2019 – document de programmation budgétaire et économique pluriannuelle 2019-2021.

Other sources of information: Annual reports of the sectoral reviews "Decentralization, devolution and spatial planning" // OECD (2017) African Economic Outlook 2017 // UCLGA and Cities Alliance (2018) Assessing the Institutional Environment of Local Governments in Africa.