

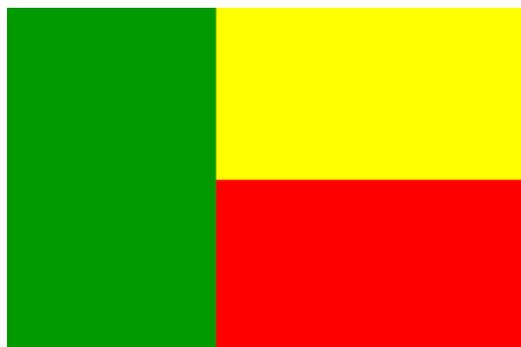
APRM

AFRICAN PEER REVIEW MECHANISM



COUNTRY REVIEW REPORT NO. 6

REPUBLIC OF BENIN



JANUARY 2008



EXECUTIVE SUMMARY

1. HISTORICAL CONTEXT

- 1.1 From being a protectorate in 1894 and thereafter the French colony of Dahomey, Benin gained independence under the name Republic of Dahomey on 1 August 1960.
- 1.2 Benin signed the Memorandum of Understanding (MOU) on 31 March 2004, indicating to citizens and the international community the commitment of Benin's political leaders to observe the principles of democracy, socioeconomic development and good political, economic and corporate governance through periodic reviews by the country's African peers.
- 1.3 Benin was peer reviewed at the Forum Summit of Heads of State and Government held in Addis Ababa, Ethiopia on 30 January 2008.

2. MAIN FINDINGS ON THE FOUR THEMATIC AREAS

Democracy and political governance

- 2.1 **On the issue of codes and standards**, the CRM noted that efforts were made to ratify international legal instruments, but the same is not true for the legal standards of the African Union (AU). In fact, Benin has to date still not *promulgated the African Union Convention on Preventing and Combating Corruption, adopted in July 2003 in Maputo*. The CRM congratulates the new Beninese authorities for their determination to accelerate the process of adopting and ratifying international instruments, and invites them to adopt all the legislative and regulatory measures necessary to ensure that internal laws comply with the international standards and codes ratified by Benin.
- 2.2 **From the point of view of internal and external conflict management**, the CRM congratulates the authorities and the people of Benin for maintaining the climate of peace and political stability that has characterised Benin over the past two decades. Although internal conflicts do exist, they are not serious enough to jeopardise the political and social stability of the country. There are, nonetheless, several aspects that warrant special attention and that require the development and implementation of a national strategy for the prevention, management and resolution of conflicts. In terms of relations with neighbouring countries, the CRM noted the peaceful settlement of the dispute between Benin and Niger on the subject of Lété Island, and the government's declared willingness to find suitable solutions through dialogue and negotiation for the border dispute between Benin and some of its neighbours (notably Burkina Faso)
- 2.3 **In the area of constitutional democracy**, the CRM noted that, since the National Sovereign Conference of 1990, Benin has shown proof of an effective and vital democracy characterised by a return to democratic pluralism. The constitution recognised the right of all Beninese citizens to participate in the management of public affairs, in compliance with relevant international conventions. Moreover, political parties enjoy constitutional recognition. The framework for the organisation and action of the opposition is governed by the Act of 2001. A particularly flexible regulatory mechanism favours the creation of numerous political parties: today there are more than 150 officially registered parties. However, the CRM noted that the proliferation of political parties as a feature of the multiparty system has often been the cause of a certain dysfunctionality in Benin's democracy. This situation calls for the effective application of the Charter of Political Parties.
- 2.4 **The electoral system in Benin is not exempt from suspicion. It has been the subject of some** controversies around its inability to guarantee just and fair competition in free and transparent elections. The CRM nonetheless noted, with great satisfaction, the holding of regular elections according to a fixed electoral calendar. This state of affairs indicates good practice, which helps to entrench a culture of democracy within the political system. Presidential



elections were held in 1991, 1996, 2001 and 2006, and the democratic transition of the head of state (1991, 1996 and 2006) is to be welcomed as an example for others to follow.

- 2.5 Decentralisation and local governance** appear to be a major challenge to democracy and political governance in Benin, given the expectations of the grass-roots population. The CRM noted the marked gap between the need for greater decentralisation that was articulated strongly by the parties, and limited human and material resources, as well as the communes' legally recognised competencies to effect improved standards of living for the population. This matter is particularly important in light of the mandate given to decentralised authorities to encourage local development.
- 2.6 In the area of economic, social, cultural, civil and political rights**, the CRM could observe the effectiveness of constitutional guarantees in respect of human rights and fundamental liberties. **Civil and political rights** enshrined in the most important international instruments are included in the constitution. The CRM was also gratified to note the effective freedom of worship and religious tolerance. In Benin, many different Christian denominations, Islam and traditional religions coexist peacefully with one another. **Economic, social and cultural rights** are also enshrined in the constitution: the right to education, health, work and the right to strike. The same is true of solidarity rights (so-called third-generation rights), i.e. the right to development, and to a healthy, satisfying and sustainable environment. The CRM, nonetheless, noted that this declaration remained one of form rather than substance and that it was incomplete.
- 2.7 Access to justice** was also perceived by the CRM to be a major challenge to establishing democracy and social equality. Although Benin is a country that upholds the rule of law and in which every effort is made to promote and popularise fundamental rights, it is also true that these rights must be effectively protected by the institutions responsible for them. This is not always the case. Reforming the justice system and providing greater access to it remain critical tasks in consolidating the rule of law, legal security of citizens and investment.
- 2.8 In so far as the constitutional provisions enshrining the separation of powers are concerned**, the CRM noted the wealth of constitutional and legislative provisions on the separation and balance of powers of the republic. From a formal perspective, it was noted that each of these powers is dealt with under a separate chapter in the constitution, and that complementary provisions governing these powers are enshrined in organic laws. These laws are adopted by a different majority to that which is required for the adoption of ordinary laws. Also, the Constitutional Court automatically monitors these laws to ensure that they conform to the constitution. In other words, the principle of the separation of powers is well ensured by elaborate judicial mechanisms. Nevertheless, effective separation of powers and control mechanisms are not obvious given the institutional environment, and given that other structures have limited powers in relation to the Executive.
- 2.9 In the case of public office**, many problem areas were identified in relation to the administration and to public office in general, thus confirming what was highlighted in the CSAR. These problem areas include a waste of resources and politicisation of the administration. The CRM also noted the shortcomings of the system with regard to assessing, promoting and disciplining civil servants, which are largely the result of the politicisation of the Beninese administration and its lack of transparency. This accentuates the gap between the administration and the administered, and so reduces the legitimacy of the public service. Finally, low salaries and disparities in remuneration represent another important problem area.
- 2.10 The CRM noted that corruption** had a serious impact on the proper functioning of the Beninese state. The White Paper on corruption in Benin underlines that "the opportunities that lend themselves the most to corruption are in large part administrative procedures or the demand for goods and services: one citizen out of every two (51%) falls foul of corruption; the most corrupt sectors are health, education, tax services, the Treasury, public procurements, customs, the justice system, mayoral offices, etc. Customs is at the top of the list, having the highest incidence of corruption with 98% of people stating that this sector was corrupt".
- 2.11** The CRM noted with satisfaction the new authorities' stated intention to fight the scourge of corruption. The 'green march' against corruption, in which the head of state himself participated, is proof of the severity of the phenomenon, which is considered a social cancer. To give an indication of the extent of the problem, the Observatory on the Fight against Corruption (OLC) – quoting the minister of finance, Irénée Koupaki – notes that "the Treasury's losses in taxation revenue owing to fraudulent practices, combined with the actions of taxpayers and tax and customs officials, are



estimated to be over some one hundred billion CFA francs each year". According to the same source, exceptional expenditure of approximately 201 billion CFA franc between 2001 and April 2006 still had to be properly audited – in other words, justified on the basis of proper documentation. This sum is approximately one-third of the national budget. The fight against corruption has not progressed beyond the realm of formal documents. There is indeed unanimous agreement that very little political will exists to fight corruption, and that there are few reliable and significant results in this area. However, since the appointment of President Boni Yayi, the political will to combat corruption has improved and the country has witnessed the indictment of one minister and another political figure. Moreover, some 30 judges have also been indicted in cases related to criminal justice costs, entailing a loss for the Beninese state of several hundred million CFA franc. Nonetheless, people remain skeptical about the government's chances of winning this important and beneficial battle. Although the vision and strategy to eradicate corruption exist and are being managed by the institutional tools for combating corruption, the problem lies in the determination to, and efficiency of, implementing them.

- 2.12** On the issue of the promotion of women, the CRM observed that significant progress had been made. At the institutional level, the CRM noted that Benin introduced equality of the sexes in the constitution. In effect, this fundamental law adopted the provisions of the African Charter on Human and People's Rights, which provides for the equality of the sexes, as well as total and equal protection for all before the law. Furthermore, Section 26 of the constitution lays down the principle of the equality of men and women. Benin also ratified, without reservations, the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) on 12 March 1992, in accordance with Section 144 of the constitution. Laws have been adopted on sexual and reproductive health, on the elimination of the practice of female genital mutilation and on the Individual and Family Code. In terms of policies, a National Policy on the Promotion of Women (PNPF) was adopted on 31 January 2001, aiming to improve the social and legal position of women, to ensure their education and training, and to improve their economic capacity. A multi-sectoral programme of action was adopted to implement this policy.
- 2.13** Despite these laudable efforts, there is much that remains to be done. Notable are the legal status of women, their access to justice and to resources, their presence in decision-making positions, and the assumption of responsibility for the situation of women and their integration into developmental policies and programmes. The CRM also noted that the contents of the Individual and Family Code were not widely known among the population, which seems to continue to adhere to customary practices that are unfavourable to women.
- 2.14 On the question of the youth**, the CRM noted with satisfaction that Benin adhered to many of the international and regional instruments protecting the rights of children, like the Convention on the Rights of the Child, published on 5 September 2006. Appropriate national laws complying with the principles and the provisions of the convention had been adopted. However, the CRM noted that Beninese children still face a number of major issues, such as the non-declaration of births, malnutrition, poor schooling, having to work from a young age, child trafficking, limited access to health services, and sexual exploitation. The CRM also noted certain gaps in Benin's legislative and institutional mechanisms. The Code of the Child has not materialised, nor has the amendment of the Criminal Code and of the Criminal Code of Procedure been finalised. Moreover, since births are not automatically registered, not all children have recognised civil status.
- 2.15 Ten years after the National Sovereign Conference**, Benin is seen as a haven of peace and stability in the sub region of West Africa. The CRM was pleased to note Benin's strengths in the areas of political governance and democratic development. These strengths include a climate of peace and stability; the effectiveness of fundamental liberties and, in particular, civil and political rights; supremacy of the constitution and concern for strict respect of this fundamental law (which ensured the democratic transition of the head of state on many occasions – events that occurred smoothly and without conflict, making Benin one of the few African countries in which democratic principles have been fully realised and have found real and effective expression); respect for the electoral calendar; respect for the principle that the defence and security forces are subject to a legitimate government (which has also contributed to the entrenchment of a culture of citizenship – a crucial factor for the promotion of democracy and survival of the republic); and a climate of tolerance, characterised by the harmonious and peaceful coexistence of all religions and forms of worship, making Benin an example to be emulated by the rest of Africa.
- 2.16** The critical question is whether Benin's political system has the capacity to guarantee political and civil liberties while ensuring the economic and social development of the people. The second part of this challenge is analysed in the report in the sections on economic governance and socioeconomic development. Concerning the first aspect, the CRM observed that Benin – notwithstanding the strengths that have been mentioned and the progress seen – is faced with a number of challenges. To this effect, the implementation of the Charter of Political Parties is strongly recommended in order to contribute to the implementation of a governance system based on republican principles and the public interest. Moreover, the role, place and status of traditional governance within the republic are also important elements



of the challenges facing Benin. Challenges that will have to be given serious attention include institutional efficiency; promoting and consolidating the rule of law; providing access to the justice system and ensuring its efficiency; promoting full enjoyment of economic and social rights; and consolidating the role and place of women in the economy, society and in particular in decision-making bodies and their representation therein. Finally, corruption at all government and society levels represents a major challenge that affects all political, economic and social players, and this calls for measures that are at the same time rigorous, appropriate and beneficial.

- 2.17** In order to consolidate what has been achieved and to deal with the major challenges of political governance, the APR Panel would like to recommend the following: (i) ratify relevant international instruments, including the African Union Convention on Preventing and Combating Corruption; (ii) develop and implement a national strategy for the prevention, management and resolution of conflicts without delay; (iii) reinforce the capacity and effectiveness of institutions, accelerate the process of decentralisation, and proceed with the effective transfer of competencies and resources to communes by implementing the decentralisation laws; (iv) strengthen the functional guarantees on the separation and balance of powers by building capacity in the National Assembly; (v) ensure strict adherence to the Charter of Political Parties; (vi) consolidate the independence of the judiciary and the autonomy of judicial authority, and accelerate the implementation of the Integrated Programme to Support the Judicial and Judiciary System (PIRSJ) in all its aspects; (vii) implement the relevant provisions on administrative reform, while ensuring the development of a new administrative culture based on appreciation of the value of work, merit, respect for the public service and correct remuneration, along with regular monitoring of all levels of administrative management, reporting, results and sanctioning (positive or negative); (viii) implement a national strategic plan for the fight against corruption with a policy of 'zero tolerance' for the corruptors and the corrupted; (ix) develop and adopt a national gender policy to provide a frame of reference and guideline for all sectors of development; and (x) develop and implement a code on the protection of the child and a national strategy with appropriate measures to effectively combat any kind of exploitation, especially economic and sexual exploitation and child trafficking.

Economic governance and management

- 2.18** The country has defined its long-term vision in the Alafia Bénin 2025 project, and this is a praiseworthy step. The Alafia Bénin 2025 vision seeks to build an emerging Benin by that year. Furthermore, the government recently translated the vision into 'strategic development orientations'. However, the coordination needed to implement these orientations, and particularly translating them into sectoral policies, suffers from certain weaknesses that breed other challenges for economic governance. These weaknesses are widespread corruption (which has become a culture and a more or less internalised method/instrument of governance) and lack of accountability in the implementation of macroeconomic and sectoral development policies, as well as poor coordination.
- 2.19** Economic growth seems to be picking up again, but poverty remains at an alarming level. Economic governance should deal with the fundamental structural problems of Benin's economy and spare the country the long-term risk of being rooted in satellisation and being a transit economy without a solid productive base. It should also, in a realistic manner, deal with the problem of the informal sector, which plays an important economic, social and even political role. Since the informal sector will continue to play this role for a long time in Benin's economy and society, it is necessary to 'use it well' in solving the country's problems. This sector should be made a recognised component of the economy by keeping only a watchful fiscal eye on it without trying to formalise it. Chapter Four of the report discusses these issues and proposes ways of addressing the challenges observed.
- 2.20 Ratification and implementation of standards and codes.** Benin has adopted most of the standards, codes and principles relating to economic governance and management, with a few exceptions – which are noted in the report – particularly in the areas of corruption, money laundering and regional integration. In this regard, the APR Panel makes recommendations, particularly for the adoption of standards and codes that have not yet been adopted; the strengthening of transparency and the dissemination of economic, budgetary and financial information in general; modernisation of the statistics system; dissemination of prudent data on the financial sector; and capacity building for the organs concerned.
- 2.21 Promotion of macroeconomic policies that support sustainable development.** The government's efforts towards improving the macroeconomic framework are indisputable and, consequently, Benin has a good image among its development partners. However, the expected results have not increased production in a sustainable manner, nor significantly reduced the level of poverty. Production remains undiversified with cotton accounting for more than 50% of exports. For several reasons, progress in economic activity has remained below the projected performance indicators.
- 2.22 In its GPRS (2007-2009), the government defined a baseline scenario with a costed reflection of the** various sectoral strategies to be implemented to accelerate growth and reduce poverty, while simultaneously maintaining



macroeconomic stability. In the strategy, the acceleration of growth will be based on diversification of production, economic liberalisation, support to the private sector, reinforcement of economic and social infrastructures, and strengthening of good governance.

2.23 Public finance management has certainly made some progress, particularly in results-based management and the preparation of Medium-Term Expenditure Frameworks (MTEFs). However, there are still major constraints on the auditing of public expenditures. The government is implementing a vast programme on revenue collection, broadening the tax base, and taking measures to address the constraints noted – particularly with regard to the external sector, financial system, debt relief and privatisations.

2.24 Sectoral and microeconomic policies. It was noted that the implementation of programme budgets in the *agricultural sector* encountered difficulties of resource mobilisation and mastery of budgetary procedures by the players. In the *industrial sector*, administrative delays and barriers to investment and privatisation contribute significantly to increasing operating costs, thus affecting the pace of growth and competitiveness of enterprises.

2.25 The major obstacles to economic growth and poverty reduction are structural. They concern the rigidity of the production machinery and structure, the low level of investment, limited diversity of exports (dominated by cotton), the non-inclusiveness of growth, and the low level of job creation. This situation makes the economy very vulnerable to external shocks and weakens the country's balances.

2.26 With this in mind, the **APR Panel recommends** measures and actions that would meet the challenges and address the constraints, particularly in: (i) macroeconomic and sectoral governance; (ii) forecasts and statistics; and (iii) the reduction of vulnerability to exogenous shocks.

2.27 Implementation of sound, transparent and predictable economic policies.

Benin has defined a long-term vision – Alafia Bénin 2025 – which has been translated into Benin's strategic development orientations and which will be implemented under the GPRS (2007-2011). The vision seeks to build a “leading nation, a well-governed, united and peaceful country, with a prosperous and competitive economy, cultural influence and social well-being”. The country has made significant efforts in cleaning up the macroeconomic framework, defining sectoral strategies and allocating budgetary resources. However, the projection of an emerging Benin requires a number of economic policies that are not yet clear. These include the nature and model of economic growth, its sustainability, inclusiveness and the diversification of its productive base; the reconfiguration of the national space and its adaptation to the strategy of growth poles; the country's capacity to address the focus and challenges of the current and emerging Benin; and finally, translation of the vision and its six strategic development orientations into appropriate sectoral policies and programmes

2.28 The transparency and predictability of economic policies require that the control of economic governance and public resource management should be effective and firm. This function suffers from serious weaknesses, thereby fostering a general climate of financial misappropriation, illegal enrichment, corruption and impunity. It was noted that there were no detailed reports on budget implementation – in terms of concrete results in the implementation of development programmes – that would facilitate assessment of the effectiveness and quality of public expenditures in development programmes. The CRM also noted that the cleaning up of the macroeconomic framework is not development-oriented, since it does not contribute to poverty reduction. Given the importance of the informal sector and the transit economy, if the country's economy is left open to the external forces of globalisation, the configuration in WAEMU and the future of the Nigerian economy, there would (in the long term) be a risky process of satellisation and informalisation of Benin's economy.

2.29 The CRM was pleased to note that the country had defined policies in economic sectors, such as agriculture, industry, transport and energy. However, these policies need to be coherent and coordinated so as to realise the Alafia Bénin 2025 vision. They need to address the challenges and focus, and ensure that the development poles are accompanied by a spatial distribution of economic functions. In this manner, complementary linkages could be created which would construct an integrated and reconfigured economic environment that would contribute to poverty reduction. Efficient economic governance requires a state machinery with institutional capacity adapted for building the emerging Benin and the effective coordination of economic policies – all of which are difficulties still encountered on the ground.

2.30 At the end of its analysis, the CRM makes recommendations on pursuing the cleaning up of the macroeconomic framework to meet the objectives of poverty reduction, on translating the vision into appropriate sectoral strategies consistent with the policy of growth poles and constructive integration of the informal sector, and on the emerging focus and challenges in the construction of the Alafia Bénin 2025 vision.



- 2.31** Promotion of sound public finance management. The CRM noted the efforts made by the government in key areas, like reforms towards results- based management. These include budgetary and accounting management, internal and external auditing, and the public procurement system. However, the management of public expenditure still encounters constraints in these three areas. An action plan for the results-based budget management strategic framework was adopted in December 2005, and its implementation should be reinforced. In order for budgetary reform to achieve sustainable success and to have a positive impact on the efficiency of public expenditure and the ensuing results, it needs to form part of an administrative reform and an appropriate reform of the public service. In this respect, the reforms carried out by the government still suffer from a number of weaknesses relating to the pace and time frame of effective transfer of areas of competence, the modalities for assigning competent human resources, and the overall council budget financing policy.
- 2.32** *Concerning the improvement of budget implementation*, the extension of the Public Finance Information Management System (SIGFIP) to all the ministries helped to reduce the payment period to less than 25 days in 2004 and to improve project implementation. However, the system suffers from poor auditing of public expenditure. Audit institutions encounter many constraints in the performance of their duties, particularly in the internal and external audit, as well as in the public procurement system. Lastly, the scourge of corruption also affects the sound management of public finance.
- 2.33** In light of these findings, the APR Panel makes relevant recommendations on results-based budget monitoring, the public procurement system, as well as the internal and external auditing of public expenditure.
- 2.34** **Fight against corruption and money laundering.** Corruption has become a dreadful scourge that affects the entire political, economic and social fabric of the country. The areas most affected are the public administration in general, and the financial administration of the state in particular (taxation, customs and public procurement), as well as politics and justice. The causes of corruption in Benin are many, ranging from the struggle for survival to make ends meet at the end of the month due to meagre salaries, to a culture where political parties and the state machinery are turned into vehicles for individual success through illegal enrichment, corruption and mismanagement. The practice is entrenched in the behaviour of managers, leading to a weakness in the audit function and governing organs, in turn breeding a sense of impunity for economic crimes.
- 2.35** Efforts have been made by the authorities and civil society organisations to put into place instruments to lift the moral fibre in public life and to combat corruption. However, the effectiveness of these instruments remains doubtful or even nonexistent. The consequences of the scourge are evident in politics and in public resource management. There is a worsening of poverty and increased social inequalities; a loss of competitiveness of the public administration and the private sector; deterioration of the quality of human capital; and a lack of progress in the area of socioeconomic development. Furthermore, the CRM noted that Benin had not yet ratified all the international conventions on combating corruption and money laundering. The CRM noted that the bill on preventing and combating corruption and money laundering, initiated by the government in November 2006 and brought before the National Assembly, has not yet been discussed in order for the law to be adopted. WAEMU directives on combating money laundering in member countries have not yet been implemented in Benin
- 2.36** The recommendations of the APR Panel call for strengthening the audit function and organs responsible for the adoption and effective application of relevant standards and codes. These are zero-tolerance measures, which the highest echelons of leadership could employ in the fight against corruption; improvement in the working conditions of civil servants; studies on the phenomenon of corruption; and improving the regulations on the declaration of assets of senior political officials.
- 2.37** **Accelerating regional integration through harmonising monetary, trade and investment policies.** Benin is a member of major regional integration groupings in West Africa, and also signed the treaty establishing the Organisation for the Harmonisation of Business Law in Africa (OHADA). It also signed and ratified most of the standards and conventions listed in the APRM questionnaire. The CRM noted that, since 1999, Benin's performance in terms of compliance with the WAEMU primary convergence criteria was noteworthy. However, the situation is not always the same with regard to the secondary criteria, where efforts still need to be made.
- 2.38** At the same time, it is useful to consider the WAEMU Common External Tariff (CET), which Benin implemented in 2000 over its entire territory. As regards the tax system, the CRM noted that tax pressure on the corporate sector in Benin is around the average in WAEMU, but is high in comparison to the country's level of development. In particular, the value-added tax (VAT) and corporate tax penalise the private sector excessively. On the other hand, community legislation on anti-competition practices adopted by WAEMU in 2002 is not yet in force in Benin. These provisions, which bind all WAEMU member states, seem not to be effectively implemented by some countries in the sub region, including Benin.



- 2.39** It was noted that Benin is still taxing its exports, be they intra-WAEMU, intra- Economic Community of West African States (ECOWAS) or to the world market, which shows nonconformity of Benin's national trade policies with regional community integration standards. Similarly, the WAEMU directive on transparency in the privatisation process is not yet applied in Benin. This shows a lack of compliance with commitments made at the regional level, meaning that access to the phase of free trade zone has not yet been achieved.
- 2.40** Based on these findings, the APR Panel makes suggestions for compliance with the secondary convergence criteria; ECOWAS and WAEMU provisions and directives not yet applied or implemented; acceleration of progress to the establishment of a free trade zone; improvement of transparency in the privatisation process in accordance with WAEMU directives; and consultation with countries in the region and other less developed countries (LDCs).

Corporate governance

- 2.41 Standards and codes relating to corporate governance in Benin.** Although Benin ratified most of the international conventions and the public authorities are driving efforts to make the conventions and laws known, their implementation does not always follow. This applies mainly to the uniform acts of OHADA, which Benin's legal system is increasingly trying to integrate but which are not yet completely accepted by all the economic players in Benin. The same applies to international accounting and audit standards, which encounter problems of regional coordination, the relatively young age of the Association of Chartered and Certified Accountants of Benin, and practices that deviate from the texts in force (i.e. with the OHADA accounting system, or SYSCOHADA).
- 2.42** Assisted by independent regional structures, Benin's banks are governed by a prudential mechanism defined by the WAEMU Council of Ministers in June 1999, and are about to implement the pillars of the Basel II agreement. As for enterprises, they hardly adapt their activities and products to international standards in terms of quality or respect for the environment, and there is no code or charter for corporate governance in Benin.
- 2.43 Evolution of enterprises in Benin.** Although the creation of enterprises was facilitated by the Enterprise Formalities Centre (Single Window), managed by the Chamber of Commerce and Industry of Benin (CCIB), much still remains to be done to simplify procedures and help youths to assess and cope with corporate risks within a formal framework. One of the key stumbling blocks seems to be tax pressure, which causes many economic and social distortions, including hypertrophy of the informal sector. The multifaceted and multidimensional informal sector is the greatest generator of wealth and employment in Benin. Accused of being a source of corruption, tax evasion and money laundering, this sector is a safety valve for social unrest and one of the pillars of family solidarity, especially as no formal support is given to citizens in general and to businesspeople in particular.
- 2.44** In other respects, the results of privatisation in Benin are mixed. While contributing a total of 33.6 billion CFA franc (United Nations Conference on Trade and Development – UNCTAD, 2005) to the state, public utility services were not part of these privatisation operations, which were sometimes discriminatory or nontransparent. Furthermore, the privatisation programme was behind schedule, and efforts still have to be made to stabilise the enterprises for privatisation and evaluate their assets. However, the government has prepared a regulation that defines the terms and conditions of privatisation and has announced a programme for the next two years.
- 2.45 The business environment in Benin.** The formal sector in Benin suffers from unfair competition from the informal sector and from the relatively narrow domestic market. Due to the absence of a national legal competition regulation structure with the required skills, independence and material resources, coupled with relatively weak structures to defend consumers, there are often cases of violations and serious breaches of the rules of fair competition.
- 2.46** Penalised by low domestic demand and the illegal ('underground') practices of some well-established enterprises, business people of the formal sector in Benin often depend on public sector demand, which is difficult to obtain. Indeed, public procurement suffers many of the same problems affecting the entire national economy (i.e. both the public and private sectors). Added to the scourge of corruption, there is also the lack of training in public procurement procedures, dysfunction of the relevant authorities, and delays in contract awards and payment of suppliers.
- 2.47** The difficulties of the formal sector enterprises are compounded by the uncooperative attitude of the administration (particularly taxation services) and some lack of support from the banking sector. Indeed, although the banks are in a situation of over-liquidity and do not encounter any serious problems of unpaid loans, they only partially meet the needs of Benin's economy and investors. The banks' relatively low credit extension into the economy, their limited geographic coverage of the country and penetration of markets, as well as the low medium- and long-term credits, demonstrate the progress that still needs to be made. This also accounts for the rapid decline of bank financing in the face of informal finance and micro-finance, which only partially meet the needs of modernising enterprises and the economy in Benin. While the banking sector deplors the lack of entrepreneurial spirit and bankable projects, it



seems that the issue of guarantees – especially with regard to land and complex formalities – underlies a sort of self-rationing on the part of companies in the face of difficulties in dealing with the formal banking sector.

2.48 Other main constraints and weaknesses of the business environment in Benin include:

- Corruption that costs the country about 3% of its GDP and costs enterprises 8.4% of their turnover, according to official estimates.
- Lack of confidence in the efficiency of the administration and judicial system: 54% of Benin's enterprises consider the administration to be inefficient or ineffective and in the event of dispute, 55% of the businesspeople prefer to settle their debts out of court.
- The burden of regulations: Administrative structures seem to have maintained the habits of the socialist management system. Managers of manufacturing firms declare that they devote about 8.3% of their time to fulfilling administrative formalities, while 65% of export and/or import firms consider customs clearance operations to be bad or very bad.
- The lack of well trained, specialised and competent human resources and human resource supervision.
- The state of infrastructure: Electricity, water and roads pose difficulties, as do insecurity and information and communication technologies (ICTs).

2.49 Legality of actions by enterprises and businesspeople in Benin. Wherever the CRM held discussions with stakeholders, the inefficiency of the judicial system was mentioned as an obstacle to the development of enterprises. Consequently, the shortcomings of Benin's legal framework and fear of endless proceedings in court force some players in the economy to settle their disputes through family networks or traditional authorities, who are deemed more reliable, faster and less corrupt than the 'modern' networks.

2.50 With little confidence in their legal environment, Beninese enterprises only partially fulfil their obligations to the various stakeholders in their environment:

- Tax evasion is quite significant as taxes constitute a heavy burden on the formal sector. This sector, though not always convinced of the fairness of the exercise, has to cope with competition from the informal sector and the huge 'parallel tax' of corruption.
- Child labour seems to be a widespread practice: UNICEF estimates that 480,000 children between the ages of 6 and 12 years are working. The International Confederation of Free Trade Unions (ICFTU) indicates that this problem is due to the lack of inspection, particularly in rural areas and in the informal economy.
- Only a small percentage of employees (estimated at less than 10% of the labour market) are covered by the social security system. Indeed, the formal sector does not always declare all its staff members in an attempt to avoid administrative problems and related costs.
- The notion of corporate social responsibility (CSR) is not widely understood in Benin. According to Benin's CSAR, the state has not put in place an attractive framework that encourages enterprises to assume greater social responsibility towards the grass-roots communities.
- Benin has legislation and a number of mechanisms for protecting the natural environment. Although environmental impact assessments are required for developers who want to invest in activities that can have an impact on the environment, there is no respect for the environment and no enterprise in Benin has ISO 14 000 certification.

2.51 Business ethics in Benin. Several cases of bad governance, including embezzlement of public funds, forgery and the use of forgeries, were identified in the CSAR. These cases caused huge losses for the state. Ad hoc committees were set up or claims filed in the courts for these. However, very few of these cases ended up with a sentence from the courts. Furthermore, money laundering is a major problem in Benin. The Intergovernmental Action Group against



Money Laundering in West Africa (GIABA) has a representative in Benin, but at present only files are transmitted to the economic offences unit, as GIABA is not yet operational in the country.

- 2.52** Among the constraints on the prosperity of enterprises, corruption ranks fourth in formal enterprises and sixth in informal enterprises. What is alarming is that most of the stakeholders seem to be fatalistic with respect to this scourge, which they consider to be an integral part of daily life in Benin. In the same vein, the CRM noted that Benin's media, though active and many in number, is not used in objective economic investigation of economic misappropriations, fraud and acts of tax evasion that are rampant among public and private sector players in Benin.
- 2.53** Lastly, although Benin is a member of the African Intellectual Property Organization, the CRM noted that the Beninese Copyright Office (BBDRA) is still unable to address the problem of counterfeiting. It suffers from a lack of resources and a bad image, which have the effect of turning the structure into an auxiliary of the taxation services rather than a body that defends the interests of creative artists and innovation.
- 2.54 Transparency in, and information on, Benin's enterprises.** Generally speaking, there seems to be a lack of information on and in Benin's enterprises. At the macroeconomic level, there are no sectoral studies or information on the various markets. This is depriving enterprises of knowledge of their environment and threatening the survival of a number of enterprises. At the microeconomic level, very few enterprises in Benin have internal audit structures.
- 2.55** The lack of transparency in enterprises in the formal sector, obscurity of enterprises in the informal sector, as well as governance problems of state-owned enterprises, create conditions for the chartered accounting profession that are not yet conducive to providing reliable accounting and financial information.

Socioeconomic development

- 2.56 The socioeconomic development challenges** faced by Benin are numerous. The economy is still dominated by exploitation of agricultural resources, primarily cotton, and the activities of Cotonou Port. Growth driven by these sectors remains inadequate to reverse the negative trends in poverty, which still affects more than 30% of the population. This situation could, if it persists, undermine the attainment of the key Millennium Development Goals (MDGs) by 2015, particularly in education, health, access to drinking water and poverty reduction. The response to this situation requires a development framework conducive to the creation of decent and sustainable employment in urban and rural areas, driven by strong economic growth.
- 2.57** However, given the small size of the domestic market (about 7.6 million inhabitants), the generation of an annual average growth of more than 7% requires greater integration into the world market so as to boost and diversify the exports of goods and services. Improvement of the overall and sectoral competitiveness of the economy remains the lifeblood of this new strategy, and it is an important challenge that has to be accepted. This requires the creation of an economic and institutional environment of international standards.
- 2.58 Concerning international commitments,** the CRM noted with satisfaction that Benin has ratified all the conventions and adhered to the standards and codes recommended by the CSAR. However, much effort still has to be made in publishing these documents in the Official Gazette of the Republic of Benin. They should be included in national legislation and disseminated to the population who would benefit from them
- 2.59 Promotion of, and capacity building for, self-reliant development.**
Ownership of the socioeconomic development process with less dependence on external aid and policies for socioeconomic development constitute major challenges in the democratisation process. Meanwhile, the influence of TFPs in development programmes and policies is strong. Overseas development assistance (ODA) accounts for more than 60% of the financing of development programmes. Benin has, for a long time, benefited from the HIPC Initiative and is one of the Cotton 4 (C4) LDCs in the World Trade Organization's (WTO) cotton initiative, along with all its commitments at the sub regional level (WAEMU, ECOWAS, and so forth). All these factors undermine autonomy in effective socioeconomic development.
Furthermore, **the eradication of poverty** and improvement of the quality of life constitute major challenges that the authorities will need to address. Indeed, the authorities will have to address the concerns of the population, which in March 2006 expressed the need to have a renovated political class that can provide concrete answers to its problems as soon as possible. Economic vigour is one way of achieving this objective. To that end, the new authorities set the target date of 2011 for improvement in the society's quality of life and poverty reduction. It envisaged that the incidence of poverty would be reduced from 27% in 2005 to 19% in 2011 and to 15% in 2015.

This goal falls within the vision expressed in *Alafia Bénin 2025*. The achievement of such a vision requires implementation of reforms centred on good governance, which will help to consolidate the institutional bases of



democracy; streamline the management of human, financial and institutional resources; formulate and implement relevant economic and social policies; and ensure accountability of local authorities through effective decentralisation.

- 2.60** Another dimension and challenge in the socioeconomic development ownership process concerns **the participation of all stakeholders**. Generally speaking, the players concerned deem such participation to be inadequate, particularly at the local level, as they do not always feel they are included in the preparation and implementation of projects and programmes that concern them. However, the CRM feels that the conditions for enhancing such participation exist in Benin, since civil society is already relatively active and committed to defending human rights and improving the conditions of the most underprivileged social groups. The government should take appropriate measures to put in place a legal and regulatory framework conducive to more active participation of civil society, political parties, the private sector, all economic players and all the regions of the country. Finalising the decentralisation process is a way towards the promotion of such participation.
- 2.61** All these measures should be accompanied by the effective enhancement of the participation of all stakeholders in the socioeconomic development process through broadening the consultation space, accelerating the finalisation of the decentralisation process to foster participation at the decentralised level, and establishing joint consultation organs between the government and the major development partners of Benin. The broadening and sustainability of participation space could also be fostered by transforming or even institutionalising the self-evaluation exercise as a national practice. This will help foster a spirit of co-ownership and mutual accountability between the state, its private sector partners and civil society. An observer institution or similar entity for monitoring governance in Benin would be appropriate for this mission.
- 2.62** As regards access to basic social services, the CRM is pleased with the efforts made by the government of Benin to provide affordable access for the poor – especially those in rural areas – to essential services like education, health, social security, drinking water, sanitation, electricity, arable land, housing and micro-finance. This encouraging observation should, however, not conceal the difficulties that continue to be encountered in these sectors – difficulties that will continue to slow down progress if some relevant measures are not taken in time.
- 2.63** Concerning education, it should be noted that in primary and secondary education, the gross enrolment rates increased at all levels of the education system over the past two decades. With respect to the girls-boys ratio at primary and secondary levels, the indicators showed a ratio of 0.75% (3:4) in 2004 for an MDG target of 1 (1:1) in 2015. The level remains low and the causes are generally linked to socio-cultural traditions concerning the role of girls in the family unit (house help); problems of sexual delinquency, which often leads to early pregnancies and therefore drop out from school; and problems of poverty, which make parents prefer to send boys to school rather than girls if the family has many children. This demonstrates that poverty remains the backdrop of some problems in the school system.
- 2.64** Another serious problem in education is that of an insufficient number of teachers, whose level of training is at the same time steadily declining. This trend is mainly a result of the freeze on recruitment into the public service, which arose due to structural adjustment measures. The shortage, despite using teachers on contract, was estimated at more than 8,000 teachers for public primary education for the 2004-2005 academic year. Lastly, stakeholders consider the productivity of the education system to be very low.
- 2.65** As far as health is concerned, Benin has a high mortality rate and a steadily deteriorating health environment. Although several programmes exist and some progress has been made, the health sector has weaknesses that seriously undermine its performance. This is evident in a few key indicators, like the gross death rate, which ranged from 12.3/1000 to 10.5/1000 between 2002 and 2005; the infant mortality rate of 90/1000 to 65.6/1000; the child mortality rate of 146.4/1000 to 102.9/1000; and the maternal mortality rate of 474.4 to 485 deaths for 100,000 live births – all estimated over the 2002-2005 period (according to INSAE /DED/ RGPH3 2002 and population projections 2005).
- 2.66** Furthermore, the coverage rate of health infrastructure is 82%, with wide regional disparities, low quality of services in rural centres and a low infrastructure utilisation rate (34% of the population in 2002). This reflects the inadequacy of the services offered, as well as the obstacles to access, particularly economic (occasional expenses). Widespread poverty of large categories of the population is alarming. Consequently, access by women to obstetrical services remains limited, and adequate management of communicable diseases is also difficult. Malnutrition is also a key health problem, and maternal and infant mortality rates are high. If current trends persist and no well-targeted and strong corrective measures are taken, the MDGs in health could be difficult to achieve in terms of the reduction of infant mortality, improvement of maternal health, and control of major diseases such as malaria and HIV/AIDS.
- 2.67** As regards vaccinations, it could be said that public authorities in Benin have paid special attention to this issue with the Extended Programme of Immunisation (EPI) over the past 10 years. At national level, the vaccination coverage throughout the national territory in 2003 was encouraging. Benin recently adopted the introduction of new vaccines,



like hepatitis B (Hep B) and the anti-amaril vaccine (or vaccine against yellow fever) for effective inclusion in routine EPI.

- 2.68 Access to other basic social services.** The CRM noted that despite noteworthy progress in some sectors that provide essential services such as water, energy, micro-finance, markets, ICTs and land, there are still aspects on which efforts should be concentrated in order to promote social wellbeing. Recent statistics show that about two-thirds of the rural population in Benin does not yet have access to *drinking water*. Meanwhile, *sanitation* problems in rural and urban areas are still cause for concern. Electrical *energy* is hardly accessible, given frequent power cuts. *Micro-finance* is widespread and delivers good services in the promotion of income-generating activities, particularly for poor women in rural areas. *Access to markets* for agricultural products is difficult and is seriously affected by a shortage of communication facilities in rural areas, especially due to a lack of good rural roads. Lastly, ICT systems are still poorly organised in the country.
- 2.69 Access to farmland and urban land is a key concern throughout the country, and it appears that land ownership** problems slow down investment in the country. Actions to remove these obstacles have been envisaged. They mainly involve the dissemination and implementation of the Rural Land Plan (PFR); preparation and dissemination of laws regulating land security in urban areas; the establishment of decentralised land conservation centres; adoption by the National Assembly of the law on the Rural Code; and pursuance of operations to introduce the Urban Land Register.
- 2.70 As regards progress made in gender equality in all crucial areas, including girls' education at all levels,** the CSAR noted that women account for 52% of the population of Benin (51.5% according to the last census of 2002). Their contribution to the country's development is significant and is widely recognised. However, socioeconomic, cultural and other stigmas continue to push them into the background – this despite the fact that, in the traditional society of Dahomey (present-day Benin), women were free to do the jobs of men: they could participate in government and serve in the army as the very famous 'amazons' who, with swords, valiantly defended the fatherland against colonisation.
- 2.71** A new Individual and Family Code was adapted in 2004 in line with the constitution, which establishes gender equality, prohibits genital mutilations and does not recognise polygamy. The code also allows for women to possess means of production. Other measures taken in favour of gender equality include the abolition of school fees for girls. However, despite attempts to increase the participation of women in political life since the National Sovereign Conference of 1990, their representation in high state office and elective positions remains insufficient. This marginalisation of women in Benin seems to be due to local ancestral customs, which have always kept women away from certain activities and functions. Restoring gender balance remains a major challenge to the socioeconomic development of Benin.
- 2.72** In light of the weaknesses and challenges noted by the CRM with regard to gender equality in Benin, the APR Panel made a number of recommendations on translating the government's political will into concrete action. This is to be done by considering the issue of gender equality as a national priority and as a prerequisite for sustainable development. The APR Panel also recommended capacity building (organisational, human and financial) for government structures responsible for promoting gender equality and for the private sector and civil society. Finally, it was recommended that a recruitment policy be adopted in the public service, requiring that in cases of equal qualifications for the same employment, priority should be given to women. Likewise, the private sector should be encouraged to follow a similar voluntary positive discrimination policy that favours women, as defined by government.

Crosscutting issues

- Corruption
- Decentralisation and the role of traditional institutions
- The issue of gender and the equality of the sexes
- Training, assessment and involvement of the youth
- Poverty and access to resources
- The informal sector
- Reform and modernisation of the state
- Citizenship and legal insecurity under the rule of law



Good Practices

Good practices
<ul style="list-style-type: none"> • Personal involvement of the president of the republic in implementing the APRM process. • Compliance with the electoral timetable for presidential and legislative elections. • Democratic changeover at the helm of state affairs. • The Constitutional Court of Benin, efficiency in the service of democracy, rule of law and fundamental liberties. • The directory of reference prices. • Women in the Beninese armed forces. • Songhaï, an alternative manner of development. • The presidential programme in micro-finance. • The framework for interfaith consultation. • The association 'Qui dit Mieux': Employment promotion and environmental protection. • The extensive APRM national consultation process.

3. CONCLUSION

- 3.1 Benin has made enormous progress in the four focus areas of the APRM assessment, particularly since the democratic renewal phase. However, it still has to meet *a number of major challenges*, given the shortcomings in its achievements and the requirements of its future by 2025 (see the section on challenges in point 4.3 below).
- 3.2 The authorities are well aware of these challenges and seem determined to meet them, given the lessons of the history of the country and the aim of achieving its goal of becoming an emerging country by 2025. That is why, together with the National Sovereign Conference, the authorities have defined a long-term vision for the country and translated it into strategic development orientations that constitute the framework for the definition of GPRS policies or sector policies.
- 3.3 Benin *does have strengths in political terms, in the economic sphere and at the social level* (see below). All these resources enable the country to develop a strong productive base, prepare its entry into the club of Africa's emergent countries, and allow it to benefit from the opportunities offered by globalisation.

Strengths

1. The resolve to change for the better and the personal involvement of the president in this regard.
2. Benin is today a country enjoying peace and stability after years of military regimes and political instability.
3. The entrenchment of the values and culture of democracy in society.



4. Benin is an untouched country endowed with vast potential with regard to agriculture (4.8 million hectares of arable land, of which less than 1 million hectares is currently being cultivated), fishery resources, forestry, tourism and livestock breeding, which is inadequately exploited but capable of attracting investment.
5. A favourable geographic location (a 125-kilometre coastline equipped with an important port, a common border of about 700 kilometers with Nigeria – which constitutes a market of nearly 140 million potential consumers – and sharing other borders with landlocked countries like Niger and Burkina Faso).
6. The vigour of the country's informal sector, particularly in the trading Arena that is dominated by women.
7. Membership in regional economic and monetary entities.
8. The youthfulness and vitality of the population.
9. The competence of the local labour force.
10. The capacity to adapt cultural values to face current challenges.

Challenges

1. The effectiveness and primacy of the law, guarantor of the legal protection of the citizens and their property.
2. Depoliticisation of the bureaucracy, and the reform and modernisation of the state, along with Benin's public administration.
3. The fight against corruption, which affects the entire nation at a disturbingly high level.
4. A poor level of participation by women in decision making and in political representation.
5. The trafficking and exploitation of children.
6. The transformation from a colonial-based economic structure to an integrated economic structure for growth and sustainable national development.
7. The fight against rising poverty levels through the effective implementation of the vision of Benin as an emerging nation.
8. Transformation of the informal sector to a recognised component of the economy.
9. Promotion of a new partnership and entrepreneurial culture in order to revive the private sector.
10. Improvement of the business climate, particularly the competitiveness of enterprises.
11. The development and modernisation of infrastructure – especially in the education, health, energy and telecommunications sectors – and ensuring quality service delivery.
12. Economic diversification, especially in the agricultural sector so as to minimise dependence on the cotton sector.
13. The conservation of the environment and reduction of regional imbalances.