

Benin: Country Results Profile



Benin: Stepping Up Growth and Economic Diversification

Overview

Important economic and structural reforms, supported by the World Bank and the International Monetary Fund (IMF) helped Benin sustain growth rates averaging 4.7 percent annually during the last decade, resulting in modest increases in its per capita income (US\$680) as well as improvements in human development, ranging from the construction of new classrooms to tackling malaria. Nevertheless, poverty remains widespread and the economy remains little diversified and vulnerable to external shocks.

Challenge

Benin's economy remains heavily dependent on cotton and transit/re-export trade, both of which suffer from serious vulnerabilities. Cotton is the primary export commodity with 25-40 percent of annual exports. Regional re-export and transit trade is the other mainstay of the economy (much of it informal), accounting for 20 percent of gross domestic product (GDP) and 25 percent of government revenues. The recent global economic crisis highlighted the vulnerability of the economy to trade policy changes in Nigeria, its neighboring and main trading partner.

The global economic and financial crisis has contributed to a significant economic slowdown in Benin, and a widening of the fiscal and current account deficits. The recent deceleration of growth, from 5 percent in 2008 to 2.6 percent in 2010 and 3.1 percent in 2011, is largely the result of: weaker global demand for exports, particularly in 2009; a decrease in re-export trade, primarily to Nigeria; lower foreign direct investment; lower public investment; a domestic financial scandal; and lower cotton prices. The 2010 floods have resulted in additional strains on an already difficult fiscal position. In 2011, a slowdown in activity at the port over the second half of the year following resistance to the implementation of a new generation Import Verification Program (PVI) reduced growth from the 3.8 percent projected to 3.1 percent.

Despite progress in improving access to basic services, achieving the Millennium Development Goals (MDGs) remains a significant challenge. Benin is on track to meet the MDGs for access to potable water in rural areas, eradicating hunger, and reduced HIV/AIDS prevalence. Attaining the rest

More Results



2507

Number of classrooms built or rehabilitated as of December 2011

120

Number of beekeepers living in 12 villages receiving support from the project

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of the MDGs would be difficult, however, without sharp acceleration of current trends. In particular, in the health sector, child and maternal mortality remain very high despite a sharp reduction over the last years. In education, the universal primary education goal and the completion rate goal for boys are likely to be reached, but the 2005 goal of parity in primary and secondary education has not been met and would not be reached by 2015 without reinforced effort. Furthermore, improving the quality of education and the management of the sector remain key challenges. Finally, while Benin is in a position to meet the MDG for rural water supply, reaching the sanitation goal would be very challenging, even with sustained actions.

» United Nations
» European Commission

Benin's location provides special opportunities and challenges for regional integration with West African Economic and Monetary Union (WAEMU) and non-WAEMU countries. Since the bulk of its intra-regional trade is with Nigeria, Benin is well placed to benefit from renewed growth in that country. Benin must compete with neighboring Togo and other countries in the West Africa region, such as Côte d'Ivoire and Ghana, to be a key port of entry for trade. While the Port of Cotonou could play a crucial role in strengthening Benin's competitiveness as a regional transport hub, the port suffers from considerable congestion and delays due to corruption and weak administration.

Approach

The International Development Association (IDA) Country Assistance Strategies have supported Benin's efforts to implement core priorities established in its poverty reduction strategies (Growth Strategy for Poverty Reduction (SCRPs)). The first SCRPs was adopted in September 2002. The second strategy (2007-2009) provided the strategic framework for the Bank's current 2009-2012 Country Assistance Strategy (CAS). The over-riding objective of Benin's third SCRPs for the period 2011-15 is to improve the quality of life in Benin and to place Benin on the road to emerging market status. The pillars identified are the same as in the previous SCRPs: (i) accelerate economic growth; (ii) infrastructure development; (iii) strengthen human capital; (iv) promote good governance; and (v) balanced and sustainable regional development.

In June 2010, the IMF approved a three-year Extended Credit Facility (ECF) arrangement for Benin, and called for urgent action to reduce the fiscal deficit, restore macroeconomic stability, and make progress on economic reforms. The first two reviews of the ECF-supported program were concluded successfully in January and July 2011. The IMF conducted its third review mission in January 2012, which will be submitted to the IMF Board for approval in March 2012 upon satisfactory mobilization of internal resources in January and February 2012, consistent with the program targets.

Benin is one of the heavily indebted countries that have graduated from the Heavily Indebted Poor Countries Initiative, receiving 100 percent cancellation of eligible debt under the Multilateral Debt Relief Initiative. Debt relief helped to improve debt management and reduce the country's external debt stock from 47 percent of GDP at end-2002 to 19.4 percent of GDP at end-2010. Although the impact of the financial crisis is not expected to jeopardize debt sustainability, the DSA (Debt Sustainability Analysis) stressed that it is important to pursue prudent fiscal and borrowing policies, notably by sticking with highly concessional funding.

Results

Projects supported by the International Development Association (IDA) have achieved the following:

- As of December 2011, the US\$50 million **National Community-Driven Development (CDD) Project** (which received an additional US\$12 million in July 2010) had reached about 747,000 direct beneficiaries. To date, 1,556 community sub-projects have been financed by the project, of which 1,230 are completed (with a target of 1,400). The target is expected to be achieved by the closing date of April 30, 2012. These sub-projects have so far included the construction or rehabilitation of over 2,507 classrooms, 121 health centers, and 78 community water points. Around 125,000 students are enrolled in schools constructed or rehabilitated under the project. The micro-finance

component has been successful in extending financial services to 14,087 individuals in 512 previously un-served communities. A new Decentralized Community-Driven Services Project under preparation in fiscal year (FY)12 will help expand activities to more communities and will also support the government's decentralization agenda.

- The US\$52 million **Benin Energy Services Delivery Project** (initial funding of US\$45 million in 2005; and US\$7 million in additional financing in 2008) aims at increasing access to modern energy and improving the quality of life in the un-served and underserved areas (peri-urban and rural) areas of Benin. The project also aims to improve governance and ensure the financial sustainability of the energy sector and to reduce deforestation and increase access and diversify choice of renewable and cleaner fuels to the household and small- and medium-sized enterprise sectors.
- As of February 2012, about 79 percent of the project financing was disbursed and key results were achieved. The northern Togo/northern Benin transmission line (representing 58 percent of the project's financing) is complete and fully operational, allowing for millions of people in northern Benin and northern Togo to be connected to the electricity network at a lower cost than using power generators. The rehabilitation and expansion measures, which were to enhance electricity supply and distribution in the cities of Cotonou, Porto-Novo and Abomey-Calavi, are also complete. Moreover, the biomass component, for which 13 percent of the project's resources were earmarked, is currently making good progress to promote a rational use of the biomass and efficient alternative energies for households. The main activities currently underway in this regard include (i) the institutional capacity building for the biomass sub-sector, (ii) the support to community management of the protected area of Moyen-Mono, and (iii) the support to rural communities. To date, 120 beekeepers living in 12 villages have received support to implant 840 hives and to plant 120 hectares of cashew. Also 12 honey houses have been constructed in the communes of Dassa, Savè and Tchaourou. These actions aim to support the rural communities and to encourage them to adopt measures that promote a sustainable management of forests and to protect the environment. Other activities that the project is promoting in this regard include the acquisition of 20,000 improved stoves and the promotion of improved techniques for using firewood and charcoal.
- Through the **regional Abidjan-Lagos Transport and Transit Facilitation Project (ALTTFP)** approved in March 2010 (total IDA financing for Benin of US\$75 million), IDA is helping address transport and trade facilitation bottlenecks identified along the corridor which accounts for about 65 percent of trade in West and Central Africa. The first phase of the project (including Ghana, Togo and Benin) took off quickly and is promising. In Benin, the first year of implementation under IDA funding has meant getting ready to start rehabilitation and expansion—starting in March 2012—of one of the most congested road sections along the corridor (outside Cotonou between Godomey and Pahou). Furthermore, the project attracted additional funding from the African Development Bank for another section of the Beninese corridor. With support from the United States Government's Millennium Challenge Corporation, IDA and a public-private partnership (PPP) launched by the government, improvement of port operations through the introduction of a "single window" for trade has started. Finally, the ALTTFP framework provides the member countries, including Benin, with an opportunity to participate actively in several regional events, such as workshops on a "regional single window," and it is increasingly used as a platform for discussing and improving the corridor performance indicators aimed at gradually enabling real regional integration in the West Africa region.
- **The Second Multisectoral HIV/AIDS Control Project** (US\$35 million) aims to boost the national response to HIV/AIDS by contributing to increasing and improving the coverage and utilization of prevention services, treatment and care for specific high-risk and vulnerable groups. As of February 2012, the project is nearly completed and the disbursement rate reaches 81 percent. A number of important initiatives have been undertaken. The social mobilization and prevention activities focused on youth aged 15 to 24 years, women, and sex workers are being implemented with strong involvement of organized communities through participatory micro-projects and community action plans.

The project has helped improve the technical capacities and operational effectiveness of partner nongovernmental organizations (NGOs). With this support, the NGOs have developed innovative methods to educate the youth (clubs and groups to promote the fight against HIV/AIDS; listening and counseling centers for the youth) and also to sensitize and train the beneficiary communities (management tools, training in good governance in the community). The partner NGOs have succeeded in generating a very strong commitment from the beneficiary community leaders and municipal authorities for the planning and implementation of HIV/AIDS control activities, such as screening; combating discrimination and stigmatization of the people living with HIV/AIDS (PLWHA); high demand for condoms; and transparency in the management of activities and funds.

- The project has also encouraged a strong involvement of the associations of the PLWHAs (about forty throughout the national territory). Through their actions, these associations have helped to take many HIV patients out of hiding and anonymity to campaign openly for the fight against the disease. Thanks to the institutional support and income-generating activities financed by the project, these associations have contributed to take the PLWHAs out of their precarious situation. Moreover, the quality of care provided to the PLWHAs has also greatly improved through the capacity building activities for the health personnel conducted by the National HIV/AIDS Control Program. A total of 834 health workers benefitted from the training sessions in various topics of HIV/AIDS, including 238 workers from the field of care for the PLWHAs. Quality treatment protocols have also helped to improve the quality of care significantly. In addition, the project has provided substantial support in the acquisition of inputs needed for HIV prevention, care, treatment and support for the PLWHAs (equipment, materials, reagents, drugs against opportunistic infections, antiretroviral (ARV) drugs, and medical consumables).
- The IDA-financed **Second Decentralized City Management Project** (US\$75 million), launched in 2005, has helped improve access to infrastructure and basic services in Benin's primary cities of Cotonou, Porto Novo, Parakou and three selected secondary cities (Abomey-Calavi, Kandi, and Lokossa). The rehabilitation (drainage and paving) of 32.9 kilometers of dense urban roads (126 percent of initial target) is completed, and provides over 384,000 residents (121 percent of initial target) better access to the country's economic activity centers. In addition, 17.5 kilometers of primary drainage network were constructed, protecting over 100,000 residents from periodic flooding. The project has also provided the beneficiary communes with socio-community infrastructure, such as classrooms, health centers, water points, community centers, markets sheds and boutiques. The 14 operational neighborhood development committees that were established are supporting the entrenchment of community decision making in the project. All participating municipalities have increased their overall internally generated funds and are consistently allocating funds for urban infrastructure maintenance per project agreement and targets.

Bank Contribution

Current commitments for Benin (IDA and the Global Environment Facility) amount to US\$486.8 million, of which about 45 percent is disbursed as of January 31, 2012. Under the ongoing CAS, the Bank has relied on a combination of development policy and investment operations in order to encourage a coherent approach to supporting structural reforms. Thus, the yearly development policy operations have been complemented by investment lending operations aiming to boost competitiveness and growth (agriculture, private sector, energy, telecommunications), and to support basic needs and achievement of the MDGs (education for all, malaria, HIV/AIDS, community-driven development, environment, drainage and water supply). The current FY09-12 Country Assistance Strategy expires in June 2012. A new CAS is under preparation. The total IDA-16 allocation for Benin (FY12-14) is SDR163.4 million (US\$245.3 million equivalent).

Partners

The European Union, African Development Bank, United Nations agencies, bilateral donors, the World Bank, and the IMF are among Benin's key partners. Non-traditional creditors, such as China and the Islamic Development Bank, are also increasingly active.

Since 2004, annual joint missions of the main donors providing budget support have taken place, and together they have begun to develop a policy matrix to monitor the implementation of key structural and sector reforms, including aid harmonization for which a Memorandum of Understanding was signed in December 2007. At the sector level, joint government-donor reviews are regularly carried out in the core sectors of rural water, health, education, agriculture, transport and justice. Since 2004, the African Development Bank (AfDB) has aligned its program loans with the SCRP and the Poverty Reduction Support Credit (PRSC). On public procurement reform, the AfDB and IDA teams have enhanced their coordination, leading to the selection of joint sets of prior actions. The two teams plan to continue to work closely on public expenditure management reforms, public procurement, internal and external controls, and capacity building.

Toward the Future

The global economic crisis continues to affect Benin adversely. The government's Growth Strategy for Poverty Reduction (2011-2015), is to make Benin an emerging economy by 2025. The main challenge ahead is to contain the impact of the crisis in the short run while increasing sustainable growth over the medium term to make progress towards the MDGs. The fiscal situation continues to be difficult. Tax revenue collection remains weak, limiting the fiscal space for priority social and investment spending, but Benin's demonstrated commitment to reform and desire to absorb aid effectively offer it an opportunity to accelerate progress. Increasing economic growth and raising per capita GDP will require that Benin increasingly capitalize on its comparative advantages in agriculture and its position as a regional trading center. Agricultural diversification and improved agricultural productivity will be priorities as will an improved business environment in order to take advantage of Benin's geographic position in serving the Nigerian market and its role as a gateway to land-locked countries to its north.

Beneficiaries

Benin National Community Driven Development (CDD) Project:

The National Community Driven (CDD) Project has been under implementation since 2004 and received additional financing in July 2010 to scale up project activities, as a result of which the project will close in April 2012. It will be followed by a new IDA operation, Decentralized Community-Driven Services, expected to be approved at the end of FY2012. For the ongoing CDD Project, the June 2008 Beneficiary Satisfaction Survey found that 84 percent of beneficiaries expressed satisfaction with the impact of the infrastructure on their community, with only two percent expressing a negative opinion. One community leader felt that the impact of the project went beyond the physical assets that were constructed: "besides the infrastructure that we were able to build with the support of the project, the training that we received was very important and empowering. We feel that the abilities we acquired, and which allowed us to implement our own micro-projects, have empowered us to be true actors in our own development." The project has also provided a strong impetus to the decentralization process and to the empowerment of communities in shaping their future.