Statement by Richard Kajika
Date of Meeting: January 23, 2001

**Benin: Interim Country Assistance Strategy**

In the last decade, the people of Benin have enjoyed a dramatic economic resurgence, after a prolonged period of stagnation. The more liberal political environment of the 1990s has provided a conducive context for these favorable economic developments. Most importantly, though, it is the commitment of Benin's leadership and its people to sustained economic development that has been the dominant driving force in this transition. Growth performance has responded favorably to the combined stimuli of fiscal discipline, trade liberalization, privatization, concessional aid and debt relief. That poverty remains pervasive after such an impressive record of economic performance points to the protracted nature of the economic reform process and the intractable nature of the longer-term development challenges that Benin continues to confront. The Bank needs to be able to demonstrate to the people of Benin that the difficult sacrifices made in the last ten years of belt-tightening amid growing poverty have been well worthwhile, and that they can continue to count on Bank and donor support for the foreseeable future.

The findings of recent CAS consultations with Benin's civil society highlighted in Box 1 on page 4 of the document are extremely revealing and inject a welcome dose of realism into the CAS process. For example, while it is recognized that access to social services has improved in recent years, many of these services remain unaffordable to the poor, governance remains a foremost development challenge, institutional capacity remains weak, and decision-making continues to be over-centralized. The focus of the Bank's interventions henceforth should, therefore, continue to be in the area of poverty reduction, and this CAS has appropriately identified this as a key priority for the years ahead. In this regard, special emphasis must be placed on ensuring that reliable data about the incidence and dynamics of poverty can be generated, so as to ensure that a more complete picture of the situation can be obtained. Gender disparities, particularly with regard to primary school enrolment, appear to be alarmingly large, and should be redressed with some urgency.

The people of Benin have, unfortunately, not been spared the ravages of the HIV/AIDS epidemic, and 4% of the adult population live with the virus today. This represent a substantial growth over a three-year period, calling for urgent attention from the Beninese authorities. Fortunately, prevalence levels are still low enough for early interventions to make a meaningful
difference if implemented immediately. The most important prerequisite for success in this effort is political commitment at the highest levels, and a recognition of the multisectoral significance of the epidemic. We note with satisfaction that Benin is expected to benefit from an HIV/AIDS project under the Multi-Country HIV/AIDS program. We also note that the donor community is eager to help Benin address this important development challenge. However, much more needs to be done to ensure that a more strategic and comprehensive approach is devised to deal with the problem in a coordinated fashion if this support is to be most meaningful.

Consultations with government and civil society point to weak institutional capacity as the biggest constraint on development and poverty reduction in Benin, with broad implications for the availability and quality of public services, the judicial system, governance, and implementation capacity. The devolution of decision-making to local governments and communities would appear to be one way in which local autonomy and accountability could be fostered, but the experience has not been very compelling in the Benin context thus far. In particular, anti-corruption measures appear to have been implemented half-heartedly and could benefit from a more coordinated approach rather than discrete interventions by different branches of government. Clearly, capacity building has to be at the forefront of the country's development agenda and the Bank's assistance strategy.

Benin's over-reliance on cotton cultivation as a source of employment, foreign exchange earnings, government revenue and banking activity is a serious cause for concern, as is its dependence on Nigeria, its richer neighbor on the East, for trade and financial services. While cotton will continue to play a dominant role in Benin's poverty reduction strategy for many years to come, a more concerted effort must be made to seek options that reduce the country's vulnerabilities to the vagaries of the external environment. To this end, regional integration could offer Benin a much larger market for its exports, provided it can respond to a more competitive environment. Recent actions in the liberalization of the cotton sector are a welcome start in the direction of enhancing the country's competitiveness. However, these actions must be sustained, and the privatization process must be transparent and fair if it is to be credible.

We are concerned that, despite being formally launched a year ago, the PRSP process is not yet fully in place, and that the April 2001 deadline appears to be rather ambitious. For the PRSP to be meaningful, it must benefit from the enrichment which a fully participatory consultation process would provide, and this should be the aim, even if it results in some delay. Care must be taken not to unduly tax the already stretched implementation capacity of the government through excessive demands from the Bank and its development partners.

We can broadly endorse the Bank's interim assistance strategy for Benin, and its focus on strengthening budget management, supporting further liberalization of the cotton sector, and supporting the government's efforts in preparing a comprehensive PRSP that benefits from broad ownership. We can also endorse a gradual move toward consolidated programmatic lending. The interim CAS should be a useful basis for a longer-term Bank assistance strategy for Benin, where programmatic lending will be complemented by analytical and advisory services. The triggers for moving to consolidated program support are reasonable, but the pace of reform and institutional change will, to a large extent, be determined by progress with capacity building. Adequate
flexibility must, therefore, be built into the assistance program to ensure that the pace of implementation is consistent with government capacity.

We would like to conclude by commending staff for a well-prepared and forthright CAS. We wish the Beninese authorities well in the implementation of their reform program.