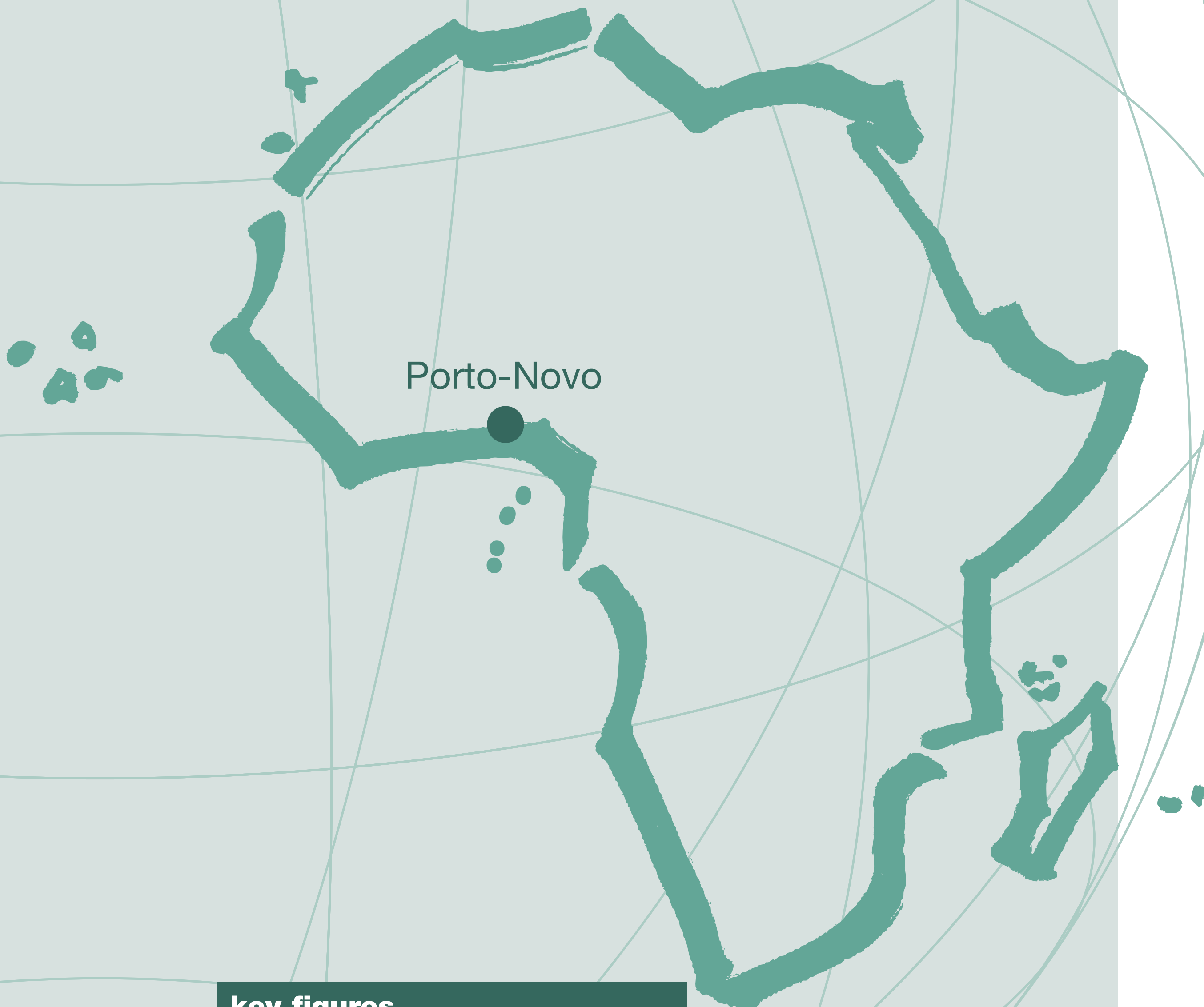
# Benin




**key figures**

| | |
|---|---|
| • Land area, thousands of km² | 113 |
| • Population, thousands (2007) | 9 033 |
| • GDP per capita, USD at constant 2000 prices (2007) | 345 |
| • Life expectancy (2007) | 57.6 |
| • Illiteracy rate (2007) | 54.7 |

# Benin


NIGER
Niamey
Niger
BURKINA FASO
Pendjari
Ouagadougou
Kandi
Natitingou
Djougou
Parakou
TOGO
NIGERIA
Okpara
Savalou
Savé
Dassa
Kétou
Abomey
Bohicon
Pobé
Ouémé
Lokossa
Allada
PORTO NOVO
Lagos
Mono
Ouidah
Cotonou
Lomé
ATLANTIC OCEAN
town > 1 million inhabitants
500 000 - 1 000 000
100 000 - 500 000
< 100 000
major road
secondary road
railway
track
main airport
secondary airport
commercial port
petroleum port
fishing port
0
50 km

# Benin

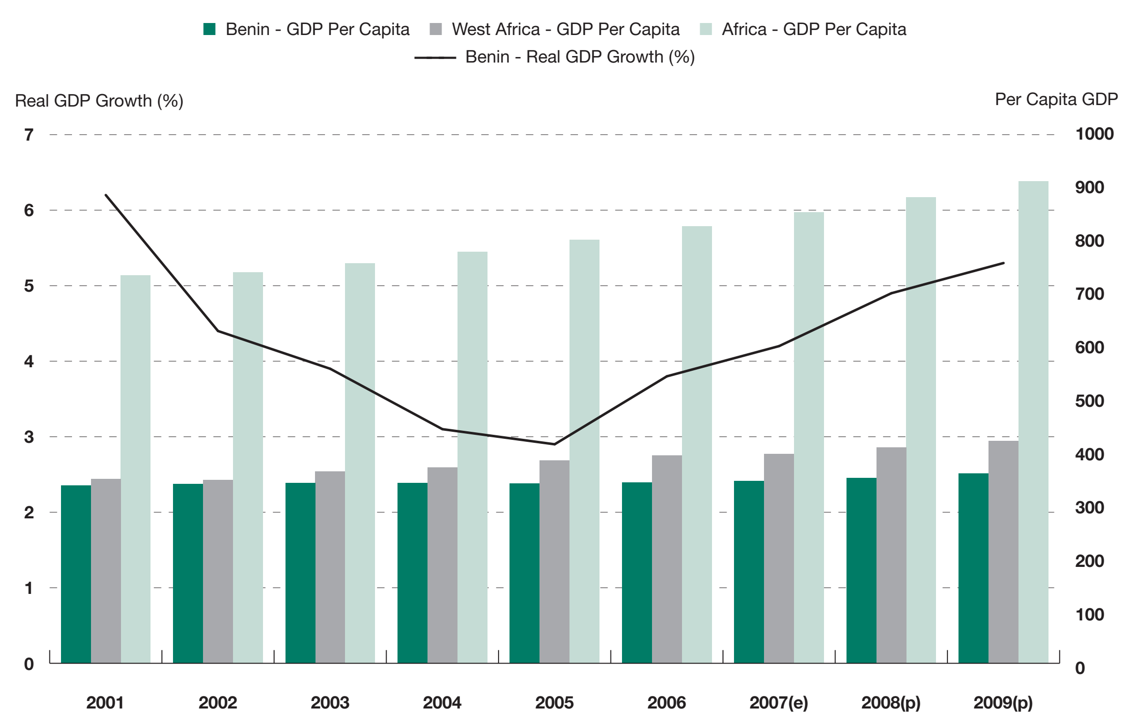
BENIN'S SOCIAL AND POLITICAL SITUATION has been peaceful for over a decade. The wide-ranging national consultation held between 19 and 28 February 1990 brought an end to the profound socio-political and economic crisis that the country suffered during the late 1980s. This consultation, known as the "Conférence nationale des forces vives" (National Conference of Dynamic Forces) was the first of its kind in Africa, and brought different strands of opinion, development organisations from various parts of the country, business and trade organisations, and religious communities together around the same table. It resulted in a number of important resolutions, notably *i)* to establish a liberal democracy based on respect for fundamental human liberties, *ii)* to promote the rule of law and *iii)* to adopt free-market principles.

The first legislative and presidential elections under this revival of democracy were held in February and March 1991 respectively, and brought President Nicéphore Soglo to power. Democracy has since continued to gain strength in Benin. The election of Dr Thomas Yayi Boni in April 2006 under conditions of transparency was simply the conclusion of the process begun in 1990, which paved the way for the orderly changeover of political power, as President Soglo was followed by President Mathieu Kérékou, who held office from March 1996 to March 2006. The legislative elections of April 2007 also went smoothly and allowed the new president, Thomas Yayi Boni, to establish a

**A return to growth was held back by late implementation of structural reforms in the cotton, energy and telecommunications sectors.**



Figure 1 - **Real GDP Growth and Per Capita GDP**
(USD at constant 2000 prices)




**Source:** IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.

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majority in the parliament, thus facilitating the implementation of his programme of government.

## Recent Economic Developments

After a four-year slowdown, Benin's economy began to pick up in 2006 and the recovery continued in 2007 as a result of the improvement in cotton production, the re-establishment of trade relations with Nigeria and the upturn in port-related activities.

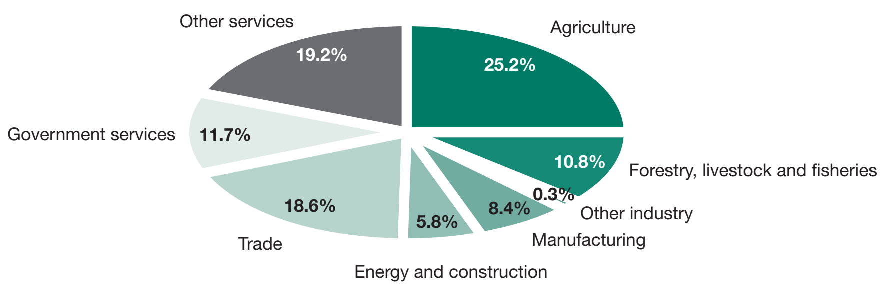
Real growth increased from 2.9 per cent in 2005 to 3.8 per cent in 2006 and 4.2 per cent in 2007. However, growth was lower than projected as a result of the energy crisis, which had a significant impact on productive activities in early 2007, and delays in implementing structural reforms, particularly in the cotton industry. The energy crisis began in March 2006 when the Volta River Authority (VRA), a Ghanaian company that is the main energy supplier to Communauté électrique du Bénin (CEB), significantly reduced its energy exports. The crisis deepened in 2007, when production stopped at the hydroelectric power plant on the Nangbéto dam and energy exports by the two companies that operate it, Compagnie ivoirienne d'électricité and VRA, were drastically reduced. The government has embarked on reforms in the electricity sector that should in time bring more efficient management and satisfactory power distribution in both qualitative and quantitative terms. It has also granted tax breaks to private operators to encourage them to invest in independent power plants until the generation capacity of the Société béninoise d'eau et d'électricité (SBEE) has increased.

The government has also made a commitment to speed up the implementation of structural reforms in the cotton industry, telecommunications and port-related activities. Together, these measures should raise the growth rate to 4.9 per cent in 2008. Inflation, which rose sharply in 2005 (5.4 per cent) as a result of the pressure on the price of food and oil products, fell back to 3.1 per cent in 2006 as plentiful rainfall allowed an increase in the production of food crops in the sub-region. The inflation rate in 2007 is estimated at 1.5 per cent, in line with the convergence criteria of the West African Economic and Monetary Union (WAEMU), and should rise very slightly to 2 per cent in 2008.

Benin's economy shows a marked lack of diversity and is largely focused on agriculture. This sector generates around 22 per cent of GDP and employs almost 60 per cent of the working population. Apart from food crops (manioc, beans, yams, sorghum, maize, millet and rice), farmers primarily grow cotton, the main export crop. The country is one of Africa's leading producers of cotton, which provides livelihoods for 2 million of Benin's inhabitants and accounts for about 80 per cent of its exports. Other export crops – palm oil, cashews and pineapples – make up only around 10 per cent of exports. Cotton production for the 2006/07 growing season did not match up to initial expectations (350 000 tonnes), but is nonetheless estimated to have reached 240 618 tonnes, up 21.5 per cent compared with the previous year (198 000 tonnes).



Figure 2 - **GDP by Sector in 2006** (percentage)




**Source:** Authors' estimates based on National Institute for Statistics and Economic Analysis data.

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Agriculture is the main driver of growth in Benin, but this sector is highly dependent on the level of rainfall and is not competitive due to the high cost of agricultural inputs and the low level of mechanisation. Benin has huge potential in terms of farmland that is well suited to the needs of diversified agriculture. Efforts to diversify into other export sectors are under way and should in time mitigate the fragility of the agricultural sector.

Benin also has considerable potential underground, with gold, offshore oil, marble, limestone, phosphate and iron deposits, but these resources are not extensively exploited. The primary sector's contribution to growth fell from 2.1 percentage points in 2006 to 1.3 in 2007 while that of the secondary sector increased, mainly as a result of the upturn in cotton.

Nonetheless, the secondary sector in Benin is still in its infancy, contributing only 13 per cent to GDP. Industrial production is dominated by the food, textile and cement industries. Construction and energy, which are essential to industrial development, contribute very little to GDP, at 4.4 per cent and 1.1 per cent respectively. The shortage of entrepreneurial and managerial skills, the lack of investors in the sector, the limited exploitation and development of local resources, and the unsuitability of the institutional and regulatory environment are the main problems holding back the country's industrial development. Over 80 per cent of the 400 formal-sector companies covered by an investment climate survey felt that corruption, flaws in the justice system, and customs and tax procedures constituted a major obstacle to their development. In addition, investors have difficulty in obtaining secure, improved land at reasonable prices. Land prices in Benin are the highest in the entire sub-region, and the ownership of many plots is in dispute (a high proportion of litigation is concerned with land). The industrial sector's contribution to GDP growth fell in 2006 as a result of the drop in manufacturing output. The upturn in cotton production in the 2006/07 growing season enabled ginning factories to recover somewhat in 2007, bringing the secondary sector's growth contribution to 0.7 percentage point. This upward trend is expected to strengthen in 2008.

The tertiary sector accounts for almost half of GDP. Benin's geographical location in relation to countries in the hinterland such as Niger, Burkina Faso and Mali offers extensive opportunities in transport, transit and tourism. Where tourism is concerned, the country has a rich cultural heritage, reflected in numerous historical and ethnographic museums. Benin is home to a "slave route" site and the country was also the place of origin of voodoo worship, practised by over 50 million followers throughout the world, particularly in Africa, Haiti, Brazil and various countries in the Americas. Benin celebrates its national religious festival on 10



Table 1 - **Demand Composition**

| | Percentage of GDP (current prices) | | Percentage changes, volume | | | Contribution to real GDP growth | | |
|---|---|---|---|---|---|---|---|---|
| | 1999 | 2006 | 2007(e) | 2008(p) | 2009(p) | 2007(e) | 2008(p) | 2009(p) |
| **Gross capital formation** | **18.3** | **20.6** | **13.5** | **8.8** | **5.0** | **2.5** | **1.8** | **1.0** |
| Public | 5.2 | 4.6 | 44.5 | 20.0 | 3.8 | 1.8 | 1.1 | 0.2 |
| Private | 13.1 | 15.9 | 4.5 | 4.3 | 5.5 | 0.6 | 0.6 | 0.8 |
| **Consumption** | **87.7** | **88.8** | **2.9** | **3.9** | **4.8** | **2.5** | **3.3** | **4.1** |
| Public | 13.0 | 9.3 | 3.4 | 3.5 | 3.6 | 0.3 | 0.3 | 0.3 |
| Private | 74.7 | 79.5 | 2.8 | 3.9 | 4.9 | 2.2 | 3.0 | 3.8 |
| **External demand** | **-6.1** | **-9.3** | | | | **-0.8** | **-0.2** | **0.2** |
| Exports | 29.1 | 16.7 | 7.2 | 8.1 | 7.0 | 1.5 | 1.7 | 1.5 |
| Imports | -35.1 | -26.0 | 9.0 | 7.2 | 4.9 | -2.3 | -1.9 | -1.3 |
| **Real GDP growth** | | | | | | **4.2** | **4.9** | **5.3** |

**Source:** Local authorities' data; estimates (e) and projections (p) based on authors' calculations.

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January each year, bringing together thousands of people from around the world.

Tertiary activities are primarily based on trade, which is highly dependent on the state of Benin's relationship with its bigger neighbour Nigeria. The sector faces difficulties such as inappropriate and/or inadequate legislation and regulations; smuggling, which is growing at a disturbing pace; and a lack of co-ordination among the country's various trade development bodies.

On the demand side, growth continues to be driven by private consumption (estimated to have contributed 2.2 percentage points to growth in 2007) and public investment (1.8 percentage point). The external sector, which is still in deficit despite the revival in cotton exports, makes a negative contribution to GDP growth. Benin's exports are dominated by the re-export of goods to Nigeria. According to an estimate by the Cotonou-based Laboratoire d'analyse régionale et d'expertise sociale (Centre for Regional Analysis and Social Studies), at least 75 per cent of consumer goods unloaded at the port of Cotonou are re-exported to the Nigerian market. The goods concerned are primarily cotton or synthetic fabrics, second-hand clothes, rice and used vehicles. Re-export businesses have faced many difficulties over the last three years due to trade restrictions imposed by Nigeria. The latter, with a population of over 130 million, is determined to develop its local industries, and in pursuing this policy has regularly taken measures to restrict imports from Benin. In August 2003, Nigeria went so far as to close the border, arguing that Benin was not doing enough to combat cross-border crime. Following negotiations, the two heads of state signed a memorandum committing their countries to co-operation in the fight against cross-border smuggling and insecurity. Determined to increase the flow of goods, the two countries established a joint Benin-Nigeria trade committee in June 2004.



One result of the improved trade relations with Nigeria was the creation in February 2007 of a co-prosperity area made up of Benin, Nigeria, Togo and Ghana – an initiative of President Thomas Yayi Boni of Benin and Olusegun Obasanjo, at the time president of Nigeria. The aim of this scheme is to integrate the four countries' markets in sectors such as energy, telecommunications and transport infrastructure; agreements have actually been reached in energy and telecommunications. As a result, trade should contribute more to Benin's GDP growth in 2008 and 2009.

## Macroeconomic Policies

On 5 August 2005, Benin agreed to a second three-year economic and financial programme with the IMF under the Poverty Reduction and Growth Facility (PRGF). (The first was agreed in 2000 and covered the 2000-03 period.) The principal aim of the programme was to help Benin pursue the reforms needed to strengthen its economy and achieve lasting poverty reduction. In September 2007, the third review of the PRGF concluded that Benin had met all the quantitative implementation criteria and indicative goals laid down in the programme for end-June 2007. However, the country was behindhand in implementing important structural reforms, such as privatising the industrial plants of the state-owned cotton company Société nationale pour la promotion agricole (Sonapra). In addition, the continuing rise in oil prices is increasingly hurting the country: according to a study by the Central Bank of West African States (BCEAO), it cost Benin 0.24 of a percentage point of GDP over the 2004-06 period. As in all other WAEMU member states, the increase in oil prices has also affected public finances. The impact on the fiscal deficit has grown steadily worse, from 0.46 of a percentage point of GDP in 2004 to 0.62 in 2006.

### *Fiscal Policy*

The measures adopted by the government in 2006 to secure its revenue and rein in expenditure have taken the basic primary balance from a deficit of 1.4 per cent in 2005 to surpluses of 0.4 per cent in 2006 and 1 per cent in 2007. On the revenue side, the tax and customs authorities have stepped up their measures to control and combat fraud, and customs clearance procedures have been streamlined and computerised. These measures have made it possible to take advantage of the

Table 2 - **Public Finances** (percentage of GDP)

| | 1999 | 2004 | 2005 | 2006 | 2007(e) | 2008(p) | 2009(p) |
|---|---|---|---|---|---|---|---|
| **Total revenue and grants**[a] | **18.7** | **18.3** | **18.4** | **19.2** | **19.4** | **19.8** | **19.7** |
| Tax revenue | 13.1 | 14.6 | 14.5 | 15.4 | 15.4 | 15.6 | 15.5 |
| Grants | 3.3 | 1.9 | 1.7 | 2.3 | 2.5 | 2.6 | 2.6 |
| **Total expenditure and net lending**[a] | **16.8** | **20.1** | **21.3** | **19.6** | **21.4** | **22.6** | **22.3** |
| Current expenditure | 10.5 | 13.9 | 15.0 | 14.9 | 15.0 | 15.2 | 15.1 |
| *Excluding interest* | *9.6* | *13.6* | *14.7* | *14.6* | *14.6* | *14.7* | *14.6* |
| Wages and salaries | 4.3 | 6.8 | 6.8 | 5.5 | 5.4 | 5.4 | 5.3 |
| Interest | 0.9 | 0.3 | 0.3 | 0.3 | 0.4 | 0.5 | 0.5 |
| Capital expenditure | 6.1 | 6.1 | 6.3 | 4.6 | 6.4 | 7.4 | 7.3 |
| **Primary balance** | **2.7** | **-1.4** | **-2.6** | **0.0** | **-1.6** | **-2.3** | **-2.2** |
| **Overall balance** | **1.8** | **-1.7** | **-2.9** | **-0.4** | **-2.0** | **-2.8** | **-2.7** |

a. Only major items are reported.
**Source:** Local authorities' data; estimates (e) and projections (p) based on authors' calculations.

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upturn in activity and have increased tax revenue from 14.5 per cent of GDP in 2005 to 15.4 per cent in both 2006 and 2007. In addition to the increase in tax revenue, in 2006 and 2007 the government raised considerable funds (XOF 141.6 billion [CFA francs BCEAO]) on the WAEMU financial market to finance productive infrastructure. On the expenditure side, the government has returned to better budget execution procedures. The rather unorthodox practice of executing expenditures via payment orders from the Treasury, which had led to budget overruns, has been replaced by greater use of standardised procedures under the Integrated System for Public Finance Management (SIGFIP). In addition, in 2007 the government enacted a supplementary finance bill that substantially increased spending on health, education, agriculture and infrastructure. Total expenditure reached 21.4 per cent of GDP in 2007, compared with 19.4 per cent in 2006. The wage bill (5.4 per cent of GDP in 2007) was kept quite close to its 2006 level (5.5 per cent of GDP).

The aim of fiscal policy in 2008 is to give more weight to expenditure aimed at reducing poverty and supporting growth, and at the same time to improve the medium-term viability of public finances. The government intends to maintain the basic primary balance at a surplus of 1 per cent of GDP, and the overall budget balance is projected to show a deficit of about 2.8 per cent of GDP.

### Monetary Policy

The money supply expanded strongly in 2006 (16.5 per cent), in line with the improvement in the banking system's net external assets, which was largely due to the increase in private and public transfers. In 2007, monetary expansion was held to 7.6 per cent, as net external assets increased less rapidly. The government's net position in relation to the banking system further improved in 2007 due to the good tax take. Net credit to the state declined in 2007 by an estimated 8.2 per cent of the money supply, while credit to the private sector increased by 9.8 per cent.

Monetary policy will remain in the hands of the BCEAO, with a view to maintaining WAEMU's external position by keeping international reserves at a satisfactory level and inflation below 3 per cent. The money supply in Benin is expected to increase by 8.2 per cent in 2008, with credit to the private sector rising by 7.7 per cent and net credit to the state dropping slightly (-1.8 per cent).

### External Position

Benin's trade balance and current account are structurally in deficit. The country's external position deteriorated during the 2000-05 period owing to the combined effects of falling revenues from cotton exports and the rising cost of imported oil products. The current

Table 3 - **Current Account** (percentage of GDP)

| | 1999 | 2004 | 2005 | 2006 | 2007(e) | 2008(p) | 2009(p) |
|---|---|---|---|---|---|---|---|
| Trade balance | -8.6 | -11.0 | -9.3 | -10.8 | -10.7 | -11.1 | -10.7 |
| Exports of goods (f.o.b.) | 16.9 | 8.5 | 7.5 | 5.3 | 5.5 | 5.6 | 6.0 |
| Imports of goods (f.o.b.) | 25.5 | 19.5 | 16.8 | 16.1 | 16.2 | 16.8 | 16.7 |
| Services | -1.6 | -1.2 | -1.1 | -0.8 | -0.6 | -0.6 | -0.5 |
| Factor income | -0.6 | -1.0 | -0.9 | -0.4 | -0.5 | -0.5 | -0.6 |
| Current transfers | 5.5 | 6.0 | 4.8 | 5.7 | 6.5 | 5.6 | 5.6 |
| **Current account balance** | **-5.3** | **-7.2** | **-6.5** | **-6.3** | **-5.4** | **-6.6** | **-6.2** |

**Source:** Local authorities' data; estimates (e) and projections (p) based on authors' calculations.

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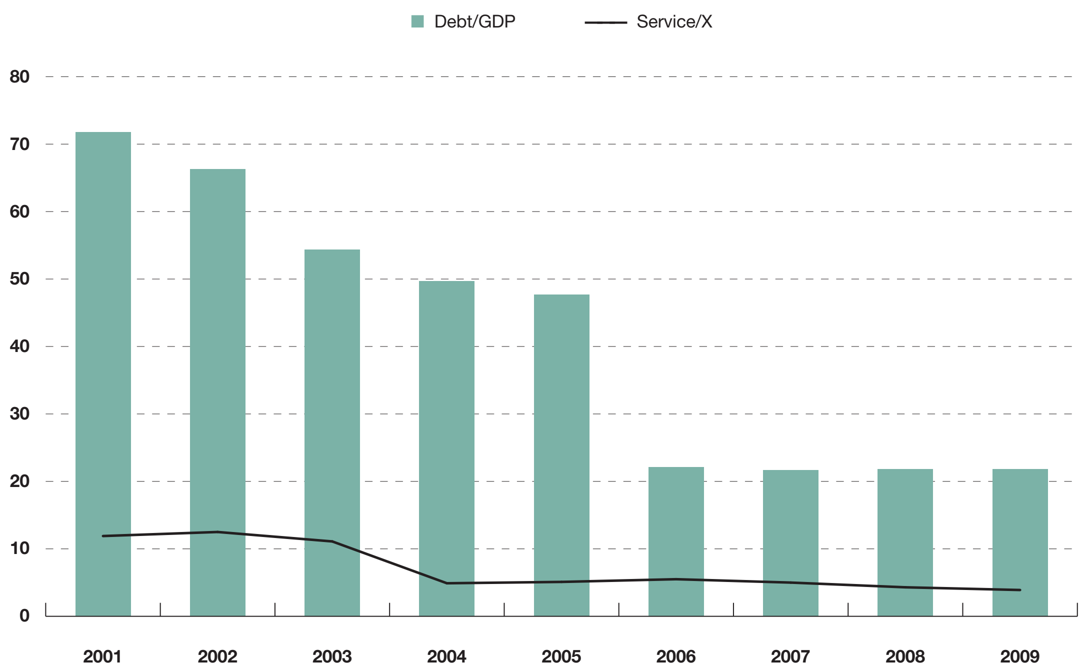
account deficit excluding official transfers levelled off at 6.3 per cent of GDP in 2006, then shrank to 5.4 per cent of GDP in 2007 with the increase in cotton exports and the continued high level of current transfers. Benin reached the completion point of the Heavily Indebted Poor Countries Initiative in 2003 and obtained debt relief of USD 265 million in January 2006, as well as further debt reduction of USD 1.112 billion under the Multilateral Debt Relief Initiative. In 2007, the country also benefited from the cancellation of its debts to China and Russia. Outstanding foreign debt in 2007 is estimated at 12 per cent of GDP, compared with 36.9 per cent in 2005. With international reserves estimated at 13 months of import cover in 2007 and the continuing increase in cotton exports, Benin's external position could strengthen in 2008, but it remains fragile owing to the country's high degree of vulnerability to fluctuations in cotton prices, the uncertainties of its trade relations with Nigeria and the appreciation of the euro (and therefore of the CFA



Figure 3 - **Stock of Total External Debt** (percentage of GDP) **and Debt Service** (percentage of exports of goods and services)




**Source:** IMF.

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franc) with respect to the US dollar. The government will therefore maintain its cautious approach to indebtedness.

## Structural Issues

### *Recent Developments*

The reforms undertaken in Benin in recent years stem from its 2003-05 Poverty Reduction Strategy, which sets out four priorities: *i)* strengthening the macroeconomic framework in the medium term; *ii)* human capital development and environmental management; *iii)* strengthening of governance and institutional capacity; and *iv)* promotion of long-term employment and building the capacity of the poor to contribute to the decision-making and production processes. Structural reforms have concentrated primarily on the privatisation of state-owned enterprises, particularly Sonapra, SBEE, the post and telecommunications office and the Autonomous Port of Cotonou (PAC). Benin has fallen behind schedule in implementing these reforms, particularly as regards the liberalisation and privatisation of state-owned enterprises in the basic infrastructure and cotton sectors. The government had committed to partial privatisation of Sonapra's cotton ginning factories with the aim of permanently restoring the integrated nature of the sector in a context of private management. It initiated the privatisation process in August 2007 through an invitation to tender that resulted in the appointment of Société commune de participation (SCP) to adjudicate the share of Sonapra's capital to be privatised. In October 2007, it created Société de développement du coton (Sodeco), a semi-public company owned primarily by the state and SCP, to take over the Sonapra factories. However, on 2 November the government called a halt to the entire privatisation process, citing irregularities in the adjudication procedure and in the creation of Sodeco. It intends to restart the process once an overall reform strategy for the cotton sector has been developed with the support of external partners. The future strategy will taken into account the problem of agricultural inputs, fairer compensation for farmers and the need to provide support and information to farmers. Preparation of the reforms is scheduled to begin before June 2008, but the solutions may not be implemented for some time as the government plans to review the sector in its entirety.

Where port-related activities are concerned, the government has embarked on reforms to enhance competitiveness with the support of the Millennium Challenge Account (MCA). The aim of this reform is to improve safety conditions at the PAC and to involve the private sector in managing port facilities. After a delay in implementing these reforms, the government has set up a single billing system for all services provided by operators to the users of the PAC. A limited company made up of port community actors, including public bodies, is now in charge of managing this system. Moreover, the government has outsourced management of the information system for the one-stop shop for foreign trade (SIGUCE) to a private company that will act as the interface between port operators and the users of port services. These initiatives significantly improved the performance of the port in 2007. The government is planning to contract out the management of the port to a foreign company with an international reputation.

It has also embarked on other reforms with the support of the MCA, in particular the improvement of the land tenure system and the judicial system in order to facilitate access to credit for small and medium-sized enterprises.

Over the last three years, the authorities have also initiated a series of reforms to foster transparency in public finance management. In particular, they have sought to strengthen the role of all institutions involved in improving governance and fighting corruption. The public finance inspectorate and the general government inspectorate (IGE) have been allocated additional resources in order to tighten their control over public expenditure. The IGE has already embarked on audits which, on 12 November 2007, resulted in the dismissal of the managing directors of the PAC and Société de gestion des marchés (Sogema), which maintains market infrastructure. Further IGE audits are planned for the national water company Soneb, the Benin national lottery and Sonapra. In addition, the government has undertaken to reform public procurement contracts and is planning to convert the Chamber of Accounts of the Supreme Court into an Audit Office with greater independence and more resources. Benin is one of the countries that signed up to the African Peer Review Mechanism, a body set up to promote good governance.

Despite all these initiatives, the popular perception is still one of widespread corruption. A survey carried out in 2005 and 2006 with the support of the African Development Bank (AfDB) and the World Bank found that 58 per cent of Benin's population regards corruption as a serious problem. The government bodies receiving the worst ratings in this respect were customs, the justice system, the highway patrol force and the tax authorities. The government is planning to update the national anti-corruption plan on the basis of this survey.

In 2007, the government adopted a new Growth Strategy for Poverty Reduction for the 2007-09 period that continues and reinforces the main priorities of the previous strategy, putting the emphasis on reforms to support the private sector and economic growth.



Benin possesses some real advantages for the development of the private sector, namely political stability, a viable commercial banking sector, and port and airport infrastructure. In the government's strategy for private-sector development, particular emphasis has been placed on the settlement of land tenure issues. To secure land rights in rural areas, a law reforming the rural land tenure system has been enacted. Secure access to land is recognised as one of the main production factors needed to increase investment. In addition to the land question, Benin has initiated various programmes to develop micro-finance, industry and commerce. Oversight of micro-finance institutions has been strengthened and a micro-credit programme has been launched for the poorest segments of the population. In the industrial sector, the government has endeavoured to make economic agents more aware of property rights.

The level of dynamism in Benin's private sector remains low, however, in line with the slow pace of implementation of structural reforms. One of the major constraints remains the high cost of energy, particularly electricity. Frequent power cuts have had a significant impact on business productivity. In 2006, the government adopted an Energy Plan designed to increase energy production capacity in the medium term in order to reduce costs. The completion of CEB's joint project with Nigeria's National Electric Power Authority will contribute to this objective.

The authorities are also concerned with environmental issues. Benin has significant ecological potential, as around 65 per cent of its land area is covered by shrubs or trees. The country boasts one of the most famous parks in sub-Saharan Africa, the Pendjari Biosphere Reserve, offering a wide variety of plant and animal species. At national level, however, forests and wildlife are still in decline. The need for land and firewood has increased rapidly with population growth, exerting greater pressure on forests: over 60 000 hectares are destroyed each year by agriculture, livestock farming, uncontrolled timber felling and bush fires. The efforts made to develop these ecosystems have not been successful in limiting this process of deterioration. With the adoption of a law on rural land ownership, the government is trying to improve the legal framework with a view to sustainable management of natural resources.

### Technical and Vocational Skills Development

Benin's education system comprises preschool education, primary education, general secondary education, technical and vocational education and training, higher education and adult literacy and education. Of these sub-sectors, primary education is given the highest priority. The main objective is to provide equitable schooling for all children between the ages of six and 15. As a result, primary education absorbs over 60 per cent of the education budget.

Technical and vocational education and training (TVET) are delivered in both the formal and informal sectors. Formal training is provided by both public and private sector organisations, in areas such as farming, mechanics, building, plumbing and building electrics.

There is a total of seven courses of study for 29 trade associations. Training in the informal sector, which is primarily based on traditional apprenticeship, is more varied than in the formal sector. It covers 201 trades grouped into 42 trade associations.

The supply of formal TVET is very low in quantitative terms. In 2005, 10 717 students were enrolled in the public sector (this number fell to 9 913 in 2006) and 19 268 in the private sector. In 2005, the informal sector provided training to some 180 000 people through traditional apprenticeship schemes.

Girls make up 33 per cent of the total student population in technical and vocational schools. Children from underprivileged backgrounds are practically excluded from public sector TVET.

The current TVET system does not meet the needs of the national economy. It puts too much emphasis on delivering diplomas that allow people to continue their studies, and not enough on training that gives people the skills they need to enter the labour market with a chance of finding work. The system's poor performance in this respect may be attributed in part to the fact that most establishments (except the most recent) are under-equipped, to the lack of workpieces and to the inadequate qualifications of teachers.

Over the last five years, agricultural sciences and technology have attracted less than 7.5 per cent of students, compared with 63 per cent in administrative and management sciences and skills. The supply of training is also unevenly distributed geographically: 56 per cent of schools and over 65 per cent of all trainees are concentrated in areas on the Atlantic coast. The diplomas awarded are less and less credible due to the poor quality of instruction and persisting biases in the evaluation system.

An analysis of registrations for the competitive entrance examinations for TVET institutions shows that the demand for training is still not being satisfied. Training needs and the supply of jobs are greatest in the 21 largest occupational categories in the market, notably in the food-processing industry, hotels and tourism, the crafts sector, electronics and telecommunications, international transport, health care, trade, and social and family economics. There are as yet few skilled foreign workers in these areas, although in recent years there has been a slight influx as a result of the social and political crises in Togo and Côte d'Ivoire. Benin should therefore not count on importing much labour from elsewhere in the sub-region. Companies in Benin occasionally recruit Ghanaians and Nigerians.

Benin's education system is funded primarily from the national budget. On average, the government spends XOF 378 000 per pupil during the year. Contributions from beneficiaries amount to around XOF 80 000 per pupil. External funding for TVET serves primarily to finance investment in infrastructure and provision of technical assistance. The resources provided for operation of TVET institutions increased by an average of 20 per cent between 2003 and 2006. Over the period, the rate of consumption of these funds remained close to 90 per cent, while the resources allocated to investment fell by over 50 per cent, from XOF 7 245 billion in 2003 to XOF 3 049 billion in 2006.

The current policy for the TVET sector follows the line laid down after the consultation carried out in 1997, which led to the drafting of a policy paper on the sector. This paper, which was finalised during a "reform plan validation workshop", was adopted in October 2001. The objectives it sets out are to: *i)* prepare students for advanced technical education (senior technicians and engineers); *ii)* provide people with the qualifications needed to join the workforce as clerical staff, workers and technicians; *iii)* open up the formal system to its economic and social environment; *iv)* develop and streamline informal education; and *v)* establish linkages between initial training and in-service vocational training and between different types of education and training. In the Growth Strategy for Poverty Reduction approved by the government in 2007, building a stronger vocational training system geared to the needs of the labour market is designated as a priority area for action.

To achieve these objectives, the authorities have consulted with their technical and financial partners, who have helped to prepare the technical, pedagogical, financial and administrative tools needed to ensure vocational training of good quality. The AfDB has contributed to these efforts by financing a number of initiatives, including the development of a TVET master plan.

In 2001, TVET had made significant progress, particularly in *i)* teacher training; *ii)* refurbishing and equipping TVET institutions; and *iii)* establishing a Development Fund for Continuing Education and Apprenticeship (Fodefca). The government has also begun construction of a dozen agricultural and industrial colleges in several administrative districts. Two establishments opened their doors in 2006: the Vocational Training Centre in Djouba and the Coulibaly Technical College's annex in the Kpondéhou district of Cotonou.

TVET in Benin is supported by the AfDB, the World Bank, the Islamic Development Bank, the Organisation of Petroleum Exporting Countries and several bilateral partners (France, Germany, Switzerland, Belgium, Denmark, the Netherlands and Canada).

The success of the current reforms will depend on *i)* the establishment of an efficient decision-making system, *ii)* the development of skills-based programmes, *iii)* cost control and *iv)* support from the private sector for improvements in teaching methods. In the agricultural sector, the major challenge for technical and vocational training is to increase agricultural productivity and output, particularly of food crops.

## Political Context

Following the presidential elections held in April 2006, the transparency of which was applauded by the international community, the results of the April 2007 legislative elections gave the president a majority in parliament. He has nonetheless reshuffled his cabinet several times. Municipal elections are scheduled for April 2008.

The fight against corruption is an important component of the poverty reduction strategy in Benin. The authorities have decided to give priority to stepping up the pace of administrative reform and strengthening the rule of law and individual freedoms. A number of initiatives have been implemented to date, notably the establishment in September 2004 of a corruption monitoring body (Observatoire de lutte contre la corruption), the tabling of an anti-corruption bill and various initiatives to raise awareness and campaign against corruption organised by organisations such as the National Organisations for the Fight against Corruption Front, the "Morality in Public Life Unit" and other civil society organisations. These initiatives have to some extent reduced corruption.

An integrated programme to reinforce the legal and judicial systems has been adopted and is being implemented. To strengthen the justice system, the government has stepped up hiring of magistrates and court clerks. It has also provided training to improve the skills of those working in the sector and increased magistrates' pay.

## Social Context and Human Resources Development

In education, the government's objective is to ensure that all school-age children have access to education, to raise the quality of education available and to increase provision. Primary school enrolment increased by 2.9 per cent between the 2004/05 and 2005/06 school years. According to local sources, the gross enrolment rate (GER) rose from 92.7 to 93 per cent, slightly below the target of 94 per cent. The proportion of girls in school also improved, with a GER increasing from 84 to 86 per cent, slightly below the target of 87 per cent. The pupil/teacher ratio has improved overall due to the increase in the number of teachers hired and paid by local communities. No significant progress has been made in terms of literacy. The literacy policy has been approved but the details of its implementation have yet to be decided.

Improving the population's state of health is officially considered to be a social and economic objective supporting development and poverty reduction. The government has taken steps to upgrade health care facilities, promote maternal health and reduce infant mortality. Health conditions improved somewhat over the 2003-06 period. The population's use of health services has increased considerably, as the average rate of use rose from 37 per cent in 2005 to 44 per cent in 2006, exceeding the target of 38 per cent. Similarly, use of health services by children under five years of age increased from 76 per cent in 2005 to 79 per cent in 2006, exceeding the target of 77 per cent. The morbidity rate remains high, however, and tropical diseases (notably malaria) continue to strike a significant proportion of the population. HIV/AIDS prevention is another official concern, given its social impact. The number of people infected every day in Benin rose from 35 in 2003 to 52 in 2006. To halt this trend, the authorities have focused not only on prevention but also on treatment and on caring for AIDS orphans. Cases of tuberculosis are treated as well, using the Directly Observed Therapy Short Course protocol.

Only three of the Millennium Development Goals have some chance of being met by 2015. These are: reducing by half the proportion of people suffering from malnutrition, achieving universal primary education and reducing by half the proportion of people without sustainable access to safe drinking water.