

# BENIN

Benin

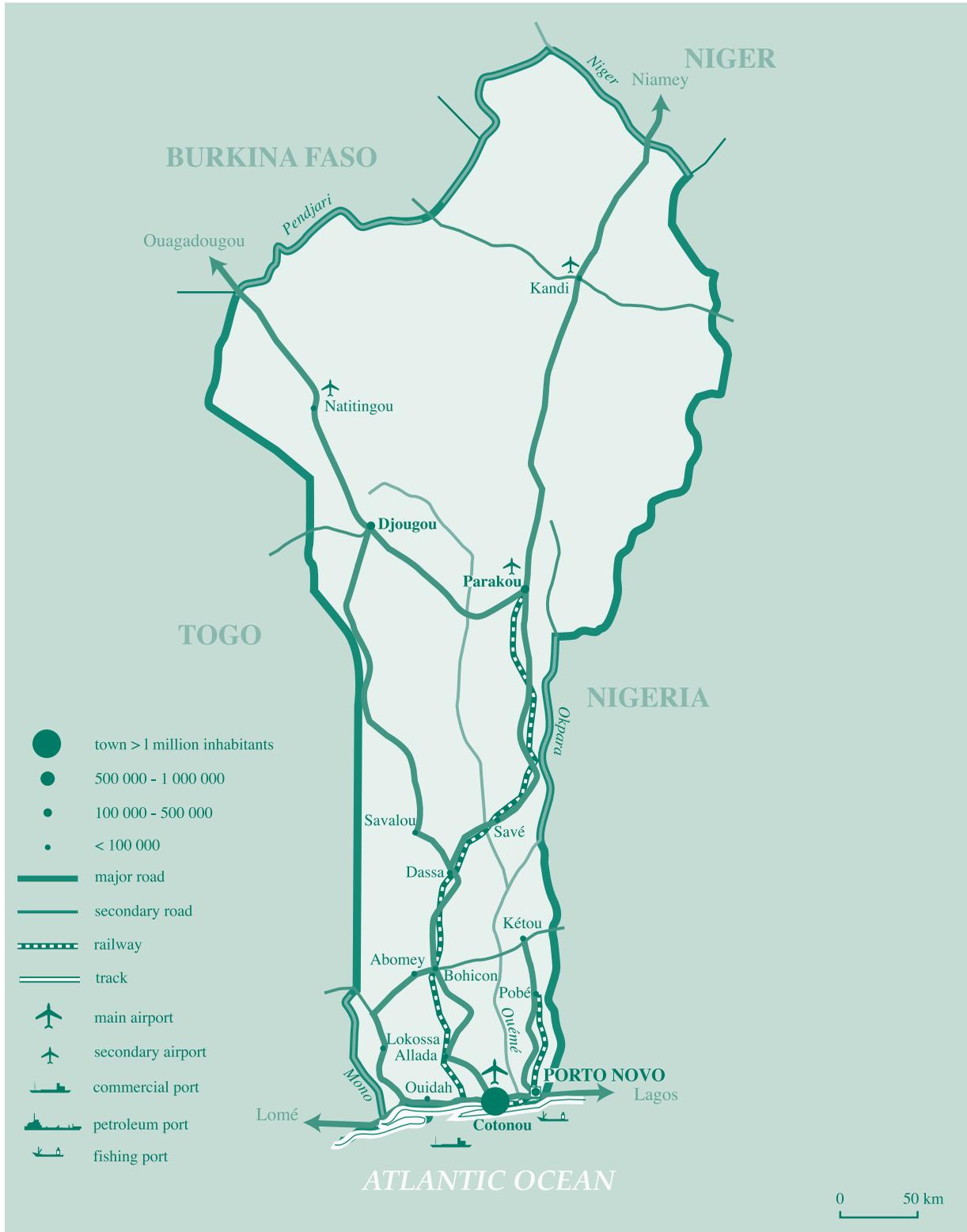


Porto-Novo

## key figures

• Land area, thousands of km <sup>2</sup>	113
• Population, thousands (2006)	8 703
• GDP per capita, \$ PPP valuation (2006)	1 159
• Life expectancy (2006)	55.5
• Illiteracy rate (2006)	65.3

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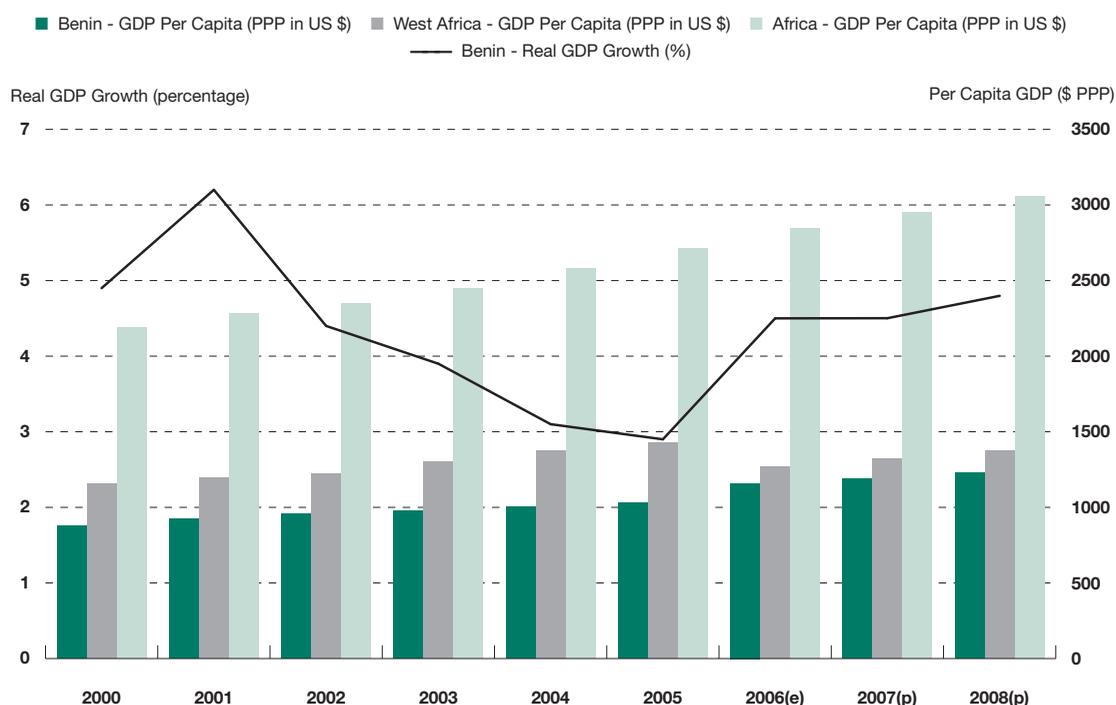
**B**ENIN HAS EXPERIENCED A GRADUAL slowdown in growth since 2001, from 6.2 per cent in 2001 to 2.9 per cent in 2005. This has been caused by low cotton prices, high oil prices, appreciation of the CFA franc in real terms and the need to restructure the principal sectors of the economy (cotton, oil, electricity and telecommunications). Nevertheless, indicators for 2006 improved in comparison with 2005 and the overall outlook is quite positive. For example, inflation has slowed down, public and private investment ratios have increased and the trade deficit has been reduced. In spite of electoral expenditures, the budget deficit in 2006 fell by 0.2 per cent. GDP growth increased from 2.9 per cent to 4.5 per cent between 2005 and 2006, with predictions for increases of 4.5 per cent and 4.8 per

cent in 2007 and 2008 respectively. However, improving performance in coming years will be highly dependent on the ability of the Beninese economy to diversify its production. At present, the economy relies too heavily on the cotton sector in a relatively unfavourable international context, as well as on the activity of the Port of Cotonou, although relations with neighbouring Nigeria have not entirely returned to normal.

Benin faces a number of challenges, the greatest of which is the fight against corruption and poverty. The newly-elected President confirmed that improvements

**Donors released important resources to finance infrastructures and social programmes but the economy is still too dependent on cotton and the Port of Cotonou.**

**Figure 1 - Real GDP Growth and Per Capita GDP**  
(\$ PPP at current prices)



**Source:** IMF and INSAE (National Institute of Statistics and Economic Analysis) data; estimates (e) and projections (p) based on authors' calculations. <http://dx.doi.org/10.1787/801167070428>

in governance and transparency were key elements in his political programme and these were mentioned as priorities in the Poverty Reduction Strategy Paper (PRSP). Corruption is a perpetual problem affecting the business climate and Benin's Corruption Perception Index ranking in 2006 was even worse than it was in 2005. Furthermore, the country has fallen behind in the implementation of structural reforms. The privatisation programme is making little progress and the cotton, electricity and telecommunications sectors require profound restructuring.

As regards social performance, Benin remains one of the poorest countries in Africa, with a per capita GDP at purchasing power parity of \$1 159 in 2006, as against an average of \$2 844 in Africa. Despite some recent improvements, health and education conditions are often deplorable. Expenditure on infrastructures has increased significantly and donors have allocated large amounts of funding in this respect. The Millennium Challenge Account (MCA) recently made a grant of \$307 million to Benin to help it achieve the Millennium Development Goals (MDGs). In the areas of water and sanitation, the goals of access to both by 68 per cent and 51 per cent respectively of the total population stand a relative chance of being achieved by 2015, due to the fact that financial flows and amounts invested by donors are substantial. In 2004, the coverage rates were 48 per cent for drinking water and 40 per cent for sanitation.

From the political point of view, 2006 was notable not only for the smooth running of the presidential elections, but also for the victory of independent candidate Boni Yayi bringing into question the influence of traditional political parties. The legislative elections of 2007 and the district elections of 2008 should enable Benin to take stock of these new internal political trends.

## **Recent Economic Developments**

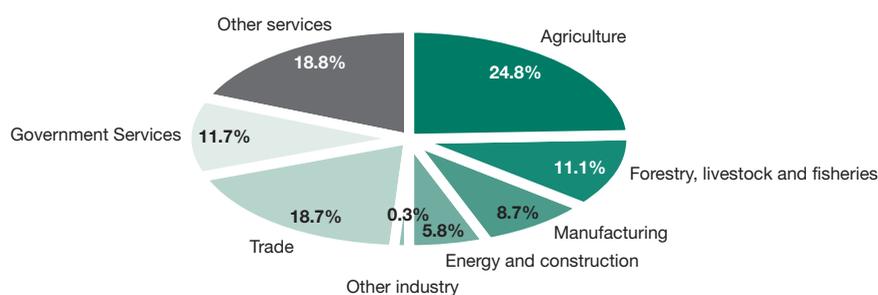
The two main sectors that generally determine Benin's growth rate are agriculture (the cotton sector) and services (the activity of the Port of Cotonou). The principal weak points of the Beninese economy are

poor production diversification and the dependence of trade on the status of relations with the Nigerian authorities.

GDP grew from 2.9 per cent in 2005 to 4.5 per cent in 2006. The poor result in 2005 was mainly linked to the significant fall in cotton production. However, a revival in cotton production and the gradual recovery of re-exporting activities enabled the country to register 1.6 percentage-points of additional growth in 2006. Growth is expected at 4.5 per cent and 4.8 per cent in 2007 and 2008 respectively, subject to rapid resumption of trade with Nigeria and satisfactory continuation of the present restructuring of the cotton sector.

The primary sector, which accounted for 35.9 per cent of GDP in 2005 and employed almost 54 per cent of the population, is dominated by cotton production. The cotton sector represents around 10 per cent of GDP and approximately 350 000 cotton producers support almost 40 per cent of the population of Benin. However, recent developments have not been very favourable. Cotton production only reached 190 700 tonnes for the 2005/06 harvest, compared with 427 000 tonnes for 2004/05. This fall is related to delays in payments to farmers and insecticide distributors and to the uncertainties linked with the privatisation programme and the sector's future. Production has been damaged by recent insect infestations, together with the poor quality or unavailability of pesticides and insecticides. Production was originally expected by the Cotton Inter-Professional Association (AIC) to reach 300 000 tonnes, but is now not expected to exceed 250 000 tonnes in 2006/07. Moreover, producer prices have fallen along with world market prices. After long negotiations between the various actors in the sector, prices for 2006/07 were set at 170 CFA francs per kilogramme for first-grade quality cotton, compared with 185 CFA francs the year before and at 120 CFA francs for second-grade quality cotton, compared with 135 CFA francs in 2005/06. These prices are nevertheless higher than those of neighbouring producer countries and spinning enterprises in Benin have been worried about potential losses.

Figure 2 - GDP by Sector in 2005 (percentage)



Source: Authors' estimates based on INSAE data.

<http://dx.doi.org/10.1787/577244142618>

The cotton sector is in need of restructuring. Primarily, the government should continue to withdraw from the sector, particularly from the public ginning company Sonapra (National Company for Agricultural Promotion). The government is generally responsible for ensuring respect for property rights and for competition in the sector. It has therefore to establish transparency and a genuine market system for all aspects of supply, credit and sales. The government has finally promised to reimburse the payment arrears due to cotton producers and demonstrated its goodwill by paying out 2.9 billion CFA francs in October 2006 (equivalent to one-fifth of the total amount).

In 2005, the secondary sector, representing 14.8 per cent of GDP and 10 per cent of the active population, made a negative contribution to GDP growth. Apart from cement and import-substitution products for basic imports (such as staple food products), industrial production mainly consists of cotton transformation industries. In 2005, there was a fall in the value-added of manufacturing industries due to the reduction in cotton production, but also due to increased competition from Asian textile products. Creation of a new spinning enterprise is planned however, which should begin production in June 2007. Only the construction sector and the cement industry showed positive results, having benefited from the principal donors' projects for infrastructures, especially for road-construction.

The tertiary sector, consisting mainly of trade with neighbouring countries and transport, contributed

almost 49.2 per cent of GDP and employed 36 per cent of the active population in 2005. Nigeria's partial cancellation in November 2004 of the ban on imports of products from Benin permitted an upturn in re-export activities, but administrative difficulties remain. Furthermore, in spite of an increase in goods traffic at the Autonomous Port of Cotonou (PAC) due to problems with insecurity, rates of return have remained fairly low (3 per cent in 2005, compared with 5 per cent in 2004). Moreover, the Port of Cotonou is facing increased competition from the Port of Lomé (Togo). Nevertheless, the volume of goods traffic increased in 2005 by 29.8 per cent and the total value of goods traded was 12.9 billion CFA francs. During the first eight months of 2006, trade was equal to the first eight months of 2005, but the destinations for traded goods changed. The volume of goods traffic with Togo fell by 67.7 per cent, while it increased with the landlocked countries of Mali, Burkina Faso and Niger by 133.4 per cent, 52.6 per cent and 25.5 per cent respectively. The volume of official goods traffic with Nigeria increased at a slower rate by 10.5 per cent. Beninese enterprises still face difficulties in exporting to Nigeria, even after fulfilling all of the required conditions. They are required to certify the origin of their products and to register with ECOWAS (Economic Community of West African States). Re-export activities represented 40.5 per cent of total exports in 2005, compared with 41.2 per cent in 2004 and 52.8 per cent in 2002.

Besides these sectoral developments, private consumer and investment demand both remained fairly weak in 2005. The total investment rate stood at 18.2 per

Table 1 - Demand Composition (percentage of GDP)

	1998	2005	2006(e)	2007(p)	2008(p)
	Percentage of GDP (current prices)		Percentage changes, volume		
<b>Gross capital formation</b>	<b>18.2</b>	<b>18.2</b>	<b>13.5</b>	<b>7.6</b>	<b>8.4</b>
Public	4.7	8.0	25.0	10.0	11.0
Private	13.4	10.2	4.5	5.4	5.9
<b>Consumption</b>	<b>87.3</b>	<b>88.8</b>	<b>3.2</b>	<b>4.6</b>	<b>4.9</b>
Public	13.1	12.0	-1.0	4.6	4.3
Private	74.1	76.8	3.7	4.6	4.9
<b>External sector</b>	<b>-5.4</b>	<b>-7.0</b>			
Exports	27.1	21.6	5.0	6.0	6.8
Imports	-32.5	-28.5	5.2	7.0	8.1

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

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cent, as against 20.7 per cent in 2004, due to a reduction in private investment. The growth rate of private investment by volume is nevertheless expected to accelerate slightly in 2007 (5.4 per cent) and 2008 (5.9 per cent), in reflection of long-awaited improvements in the business climate and economic governance. The upturn in total investment in 2006 to 20 per cent of GDP was chiefly due to public investment, with a growth rate by volume of 25 per cent. In the external sector, exports are expected to stabilise at approximately 21.6 per cent of GDP as trade relations between Benin and Nigeria return to normal.

## Macroeconomic Policy

As regards macroeconomic policy, Benin has continued to pursue the reform programme begun with the IMF under the Poverty Reduction and Growth Facility programme (PRGF) for the 2005-08 period. At the time of the first review, Benin had not complied with the condition forbidding the accumulation of new payments' arrears<sup>1</sup>. Nor did it comply with the condition forbidding new non-concessional borrowing; a loan totalling \$31 million<sup>2</sup> over six years was taken out with a Chinese bank by the public telecommunications company, *Bénin Telecoms*.

In 2006, Benin complied with four out of five of the first-level convergence criteria of the West African Economic and Monetary Union (WAEMU), as against three in 2005. The country's inflation rate was less than 3 per cent in 2006 (at 2.4 per cent), whereas it was 5.4 per cent the previous year. On the other hand, Benin did not succeed in improving sufficiently the basic budgetary balance as a percentage of GDP. This ratio should normally be positive or zero, but it was -1.1 per cent in 2006, as against -1.7 per cent in 2005. Benin achieved compliance with only one second-level criterion out of four. The investments-to-internal-resources ratio as a percentage of GDP was higher than 20 per cent (22.8 per cent in 2005 and 23.8 per cent in 2006). The wage bill as a percentage of fiscal revenue ratio was 37.7 per cent in 2006 (compared with an objective of 35 per cent). The current account deficit (excluding official transfer payments) amounted to 7 per cent of GDP, whereas the threshold is 5 per cent and the tax burden, which was 15 per cent in 2006, would have needed to be above 17 per cent to achieve compliance.

## Fiscal Policy

The main objective of budgetary policy is to generate additional tax revenue and restrict current expenditure,

1. Payment arrears amounted to \$62.6 million in 2005.

2. The rate applied for converting CFA francs to dollars is 100 CFA francs = \$0.20.

Table 2 - Public Finances (percentage of GDP)

	1998	2003	2004	2005	2006(e)	2007(p)	2008(p)
<b>Total revenue and grants<sup>a</sup></b>	<b>17.5</b>	<b>18.6</b>	<b>18.3</b>	<b>18.4</b>	<b>19.0</b>	<b>19.3</b>	<b>19.5</b>
Tax revenue	12.6	15.1	14.6	14.5	14.6	14.4	14.5
Grants	3.0	1.7	1.9	1.7	2.3	2.7	2.9
<b>Total expenditure and net lending<sup>a</sup></b>	<b>15.5</b>	<b>20.5</b>	<b>20.1</b>	<b>21.3</b>	<b>21.8</b>	<b>22.0</b>	<b>22.4</b>
Current expenditure	9.9	13.9	13.9	15.0	14.1	14.1	14.0
<i>Excluding interest</i>	8.9	13.3	13.6	14.7	13.9	13.8	13.8
Wages and salaries	4.5	5.2	6.8	6.8	6.3	6.2	6.1
Interest	1.0	0.6	0.3	0.3	0.2	0.3	0.3
Capital expenditure	5.5	6.7	6.1	6.3	7.6	7.9	8.3
<b>Primary balance</b>	<b>3.0</b>	<b>-1.3</b>	<b>-1.4</b>	<b>-2.6</b>	<b>-2.5</b>	<b>-2.4</b>	<b>-2.6</b>
<b>Overall balance</b>	<b>2.0</b>	<b>-1.9</b>	<b>-1.7</b>	<b>-2.9</b>	<b>-2.7</b>	<b>-2.7</b>	<b>-2.8</b>

a. Only major items are reported.

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

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in order to release capital for investment in priority sectors. Until recently the budget deficit, mainly financed by foreign borrowing, amounted to less than 2 per cent of GDP. The budget situation deteriorated in 2005 and 2006 following the agreement to subsidise the cotton sector, expenditure on poverty reduction and the organisation of the presidential elections. The total budget deficit went up from 1.7 per cent in 2004 to 2.9 per cent in 2005. It then fell to 2.7 per cent in 2006. It is expected to remain at around 2.7 per cent of GDP in 2007 and 2008.

Revenue increased due to reforms in fiscal administration and tax collection as well as an increase in grants, which went up from 1.7 per cent of GDP in 2005 to 2.3 per cent in 2006. These are expected to account for an even greater proportion of GDP in 2007 (2.7 per cent) and in 2008 (2.9 per cent). However, in order to limit the impact of the rise in oil prices on consumer prices, the authorities have eliminated the specific tax on oil and gas. Revenue increased from 18.4 per cent of GDP in 2005 to 19 per cent in 2006 and this is expected to continue to rise in 2007 (19.3 per cent) and in 2008 (19.5 per cent). These estimates depend on the current implementation of financial administration reinforcement, on the introduction of "one-stop" customs clearance procedures and on the strict monitoring of tax exemptions.

Expenditure is expected to increase in 2007 and 2008, after rising from 21.3 per cent to 21.8 per cent

of GDP between 2005 and 2006. However, while current expenditure represented a smaller proportion of GDP (14.1 per cent in 2006, as against 15 per cent in 2005), capital expenditure increased. It rose from 6.3 per cent in 2005 to 7.6 per cent in 2006 and is expected to represent an increasing proportion of GDP in 2007 (7.9 per cent) and 2008 (8.3 per cent) due to funds released by debt relief. The government is planning major investment in social sectors and infrastructures. However, the organisation of new elections in 2007 and 2008 is expected to put a strain on current expenditure, predicted to be approximately 14 per cent of GDP. Donors are calling for the restructuring of salaries in public services so that salary increases are merit-related rather than standard practice. Public-sector salaries are therefore expected to represent a reduced proportion of GDP, at 6.2 per cent in 2007 and 6.1 per cent in 2008, as against 6.3 per cent in 2006.

### Monetary Policy

Benin's monetary policy follows that of the Central Bank of West African States (CBWAS) whose main objectives are to guarantee price stability and parity between the CFA franc and the euro. Policy has been quite strict for many years. Monetary parity has not changed since 1994. In August 2006, CBWAS raised its refinancing rate (4 per cent since March 2004) to 4.25 per cent in order to reduce inflationary pressures. In Benin, following the rise in petroleum-product prices, the rate of inflation was 5.4 per cent in 2005,

as against 0.9 per cent the preceding year. In 2006, inflation slowed down to 2.4 per cent because of the fall in food-product prices. It is expected to be even more moderate in 2007 and 2008, with estimations of 1.8 per cent and 2.3 per cent respectively. At the end of 2006, Benin's foreign currency reserves at the CBWAS equalled 10 months of imports.

Private-sector credit grew by 20.2 per cent in 2005, compared with 4.5 per cent in 2004. Although the financial system lacks depth, the majority of banks respect prudential standards and bad debts represented only 10 per cent of banking assets in July 2006. At that time, there were 12 commercial banks and 2 leasing companies operating in the market, along with approximately 100 formal micro-finance institutions. Benin possesses the largest number of micro-finance institutions in the West African Economic and Monetary Union (WAEMU). The sector consists of two main networks: first, the mutualistic activity of the Federation of agricultural savings and loan co-operatives (FECECAM), by means of which collected savings are converted into loans and second, direct-credit institutions which obtain funding from the financial markets. At an interest rate of 2 per cent per month, the cost of micro-finance remains far below the market price. Nevertheless, some sectors such as handicrafts have not benefited much from the loans provided; the financing of agriculture and trade has received more priority. No Beninese company is quoted on the West African stock exchange.

### External Position

Due to its geographical position, Benin plays an important role in regional trade. Transport is a key

sector in the economy, providing both internal and international transit services to neighbouring landlocked countries (Burkina Faso, Niger, Mali) and neighbouring coastal countries (mainly Nigeria). Trade with Nigeria has been marked by complaints by Beninese private transport operators about non-observance by the Nigerian authorities of trade regulations signed by both countries. However, efforts presently under way to redefine the common border between Nigeria and Benin and to relax the restrictions on Beninese imports into Nigeria, should allow trade relations between the two countries to return to normal.

In 2005, China was the leading export destination country and the principal provider of Beninese imports. China accounted for 44.2 per cent of Benin's exports and 39.1 per cent of imports. France is the country's second trade partner and its principal bilateral donor.

Benin exports mainly cotton and textile products (which represent 72 per cent of foreign exchange revenue) and re-export products. In return, it imports food products (31.2 per cent of total imports in 2005) and petroleum products (14.7 per cent of total imports in 2005). However, it is difficult to estimate goods flows due to the large amount of illegal traffic with Nigeria. Trade liberalisation is much more advanced in Benin than in Nigeria, which applies high tariffs and protectionist import barriers. This creates a strong incentive to smuggle goods between Nigeria and Benin. For example, the Port of Cotonou is the principal port of transit for second-hand vehicles in West Africa. The majority of vehicles are destined for Nigeria although no declaration to this effect is made when they arrive in Benin. Conversely, Benin illegally imports most of

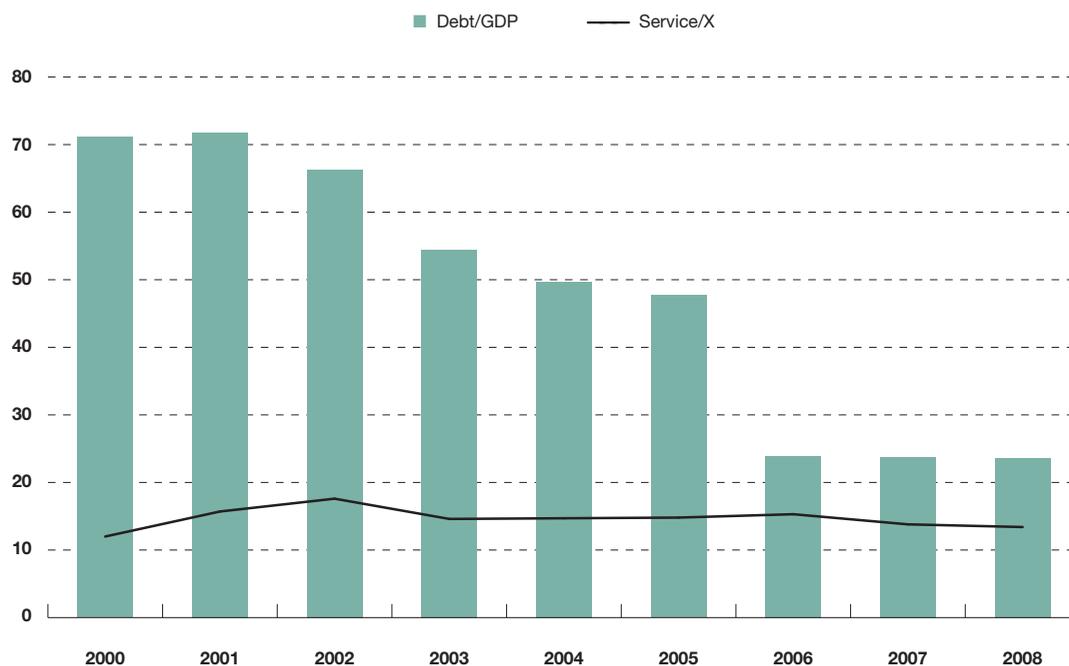
Table 3 - **Current Account** (percentage of GDP)

	1998	2003	2004	2005	2006(e)	2007(p)	2008(p)
Trade balance	-6.4	-7.8	-6.8	-6.7	-6.5	-5.9	-6.1
Exports of goods (f.o.b.)	16.9	15.2	14.0	13.1	13.6	13.9	14.0
Imports of goods (f.o.b.)	23.3	23.0	20.8	19.8	20.1	19.8	20.1
Services	-2.0	-2.3	-1.8	-1.3	-1.2	-0.9	-1.1
Factor income	-0.5	-1.1	-0.9	-0.9	-0.9	-0.9	-1.0
Current transfers	3.6	1.9	2.3	4.5	4.2	3.5	3.5
<b>Current account balance</b>	<b>-5.4</b>	<b>-9.3</b>	<b>-7.1</b>	<b>-4.5</b>	<b>-4.4</b>	<b>-4.2</b>	<b>-4.6</b>

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

<http://dx.doi.org/10.1787/447086538244>

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



Source: IMF.

<http://dx.doi.org/10.1787/318051655382>

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its petroleum products from Nigeria, where prices are highly subsidised.

Following the downturn in production in 2006, cotton exports fell by approximately 25 per cent. However this decline was compensated by improved performance in the exports of cashew nuts and re-export products. Total official exports increased slightly, from 13.1 per cent of GDP in 2005 to 13.6 per cent in 2006; they are predicted to rise to 13.9 per cent in 2007 and 14 per cent in 2008, provided that cotton exports recover. Imports made an increased contribution to GDP between 2005 (19.8 per cent) and 2006 (20.1 per cent) due to the oil-bill burden; they are expected to remain at about 20 per cent of GDP in the years to come. The trade deficit diminished during the period 2002-07. It stood at 6.5 per cent in 2006, as against 6.7 per cent in 2005 and is expected to decline further to 5.9 per cent in 2007. Due essentially to a reduction in the trade deficit, the current account balance deficit has continued to diminish during the period 2003-07. It went down from 4.5 per cent in 2005 to 4.4 per cent in 2006 and it is expected to reach

4.2 per cent and 4.6 per cent in 2007 and 2008 respectively. As regards the capital account, foreign direct investments were poor, amounting to only \$21 million in 2005, as against \$64 million in 2004. In spite of the country's political stability, investors are discouraged from placing funds in Benin due to bad governance and the uncertainties that affect the two principal economic activities, primarily a climate of unpredictability in the cotton sector and relations with Nigeria concerning re-exports.

In March 2003, Benin reached the completion point of the Heavily Indebted Poor Countries (HIPC) Initiative and benefited from total debt relief amounting to \$460 million. Benin also recently benefited from an amount totalling over \$1.14 billion from the Multilateral Debt Relief Initiative (MDRI). The IMF cancelled \$62.6 million; the World Bank, \$710 million; and the African Development Bank, \$368 million.

The ratio of external public debt to GDP was only 23.9 per cent in 2006, compared with 47.7 per cent the preceding year. Debt service represented 15.3 per

cent of exports of goods and services in 2006, as against 14.8 per cent in 2005. It is expected that these two ratios will continue to decline in 2007 and 2008.

## Structural Issues

### Recent Developments

Benin offers considerable advantages for private-sector development, namely political stability, a viable commercial banking sector and existing port and airport infrastructures. Benin's geographical position also favours its role as gateway and best through-route to the hinterland countries (Niger, Burkina Faso) and Nigeria. Benin's private sector succeeded very early on in taking advantage of these opportunities and in confirming the country's position as a hub of the region's economy.

The authorities have pledged to tackle the cotton, electricity and telecommunications sectors and the management of the PAC (Autonomous Port of Cotonou) through a programme of structural reforms. Progress with reforms has nevertheless been slow and privatisation has faltered. In March 2006 for example, the privatisation of cotton enterprise Sonapra was postponed until 2007. The privatisation of *Bénin Télécoms* and The Benin Electricity and Water Company (SBEE) has been postponed to 2008/09. Moreover, Sonacop (Benin Petroleum Company) has suffered from operating and governance problems since privatisation in 1999, with the result that the Beninese people have turned to the black market for their petroleum-product requirements. In March 2006, approximately 75 per cent of demand was met by illegal imports from Nigeria, at prices lower than those on the official market. However, the government (which holds 45 per cent of Sonacop) decided to regain control of the enterprise in order to take in hand petroleum-supply difficulties and plan for a more successful privatisation.

In the energy sector, the country suffered in 2006 from the disruption of electricity supplies and the Beninese people had to face frequent power cuts.

Electricity is imported from Ghana and Côte d'Ivoire by the Electrical Company of Benin (CEB), which has experienced cash-flow problems. In addition to these difficulties, suppliers have reduced their deliveries by 43 per cent since May 2006 because of low water-levels in the principal dams, gas-supply problems in Côte d'Ivoire and the negative effects of increased oil prices on electricity production. However the regional integration project for West Africa should improve power distribution with the installation of a high-voltage electrical line running along the coast and linking up enterprises in Togo/Benin, Côte d'Ivoire and Nigeria by 2007. This line has the potential to become a true regional electrical network by 2020. This first phase of integration will end also with the construction of a West African gas pipeline which will enable Ghana, Togo and Benin to receive supplies of gas from Nigeria.

Regarding the business climate, the country's ranking in Transparency International's 2006 Corruption Perception Index went down from 88<sup>th</sup> place (out of 159 countries in 2005) to 121<sup>st</sup> place (out of 163 countries in 2006). Promoting governance is one of the strategic lines of the Poverty Reduction Strategy Paper (PRSP). The new president also announced that one of his priorities would be to fight against corruption and bad governance. Several financial audits have consequently been carried out in various ministries and public services. These showed that corruption was extensive and were followed up by sanctions, sending out a strong signal that the authorities are determined to fight against this affliction. In 2006, two former directors and several members of staff of public companies were arrested for embezzlement.

### Access to Drinking Water and Sanitation

Benin possesses substantial water resources, but these are unequally distributed throughout the country. Resources and potential waterways are mainly located in the south, with lakes and lagoons constituting important reservoirs of water, while the centre and north of the country suffer from a water resource deficit. Average annual rainfall in Benin is 800 mm in the north and 1 500 mm in the south. The coastal

sedimentary basin, covering 10 per cent of the total area of the country, holds about 32 per cent of potential groundwater reserves.

The exploitation of water resources remains limited and utilisation of groundwater from basal zones where borehole flows are low is difficult. Overall, there is a great deal of pressure on existing water resources, in both urban and rural areas.

The water sector is under the control of the Ministry of Mines, Energy and Hydraulics. In urban areas, the National Water Company of Benin (Soneb) is an autonomous public enterprise with responsibility for drinking-water supply. The General Directorate of Hydraulics (DGH) has this responsibility in rural areas, but is essentially involved in infrastructure projects, since management is the responsibility of municipal bodies and consumer associations. Under the supervision of the Ministry of Public Health, the Directorate of Hygiene and Basic Sanitation (DHAB) shares the responsibility for sanitation in both urban and rural areas with Soneb and the communities themselves, as well as with certain departments of the Ministry of Environment, Housing and Town Planning and of the Ministry of Public Works and Transport. The Beninese authorities are unwilling to privatise the water sector since they regard it not just as a commercial sector, but above all as a public utility. In this sector, social imperatives have taken precedence over considerations of mere financial profitability.

Figures for 2004 show a coverage rate of 48 per cent of total population for access to drinking water (37 per cent in 1990) and 40 per cent for access to sanitation (14 per cent in 1990). The MDG could therefore be achieved by 2015 if the present financial flows continue and if the country continues to increase its coverage rates according to present trends. The goal is to achieve access to drinking water for 68 per cent of the population and sanitation for 51 per cent by 2015. Financing requirements to achieve this are estimated at \$26.8 million per annum for the water sector and \$18.7 million per annum for sanitation. Substantial progress has been made in access to sanitation and to a lesser extent in access to drinking water, particularly

in rural areas. While only 2 per cent of the rural population had access to sanitation in 1990, the rate had reached 19 per cent by 2004. For access to drinking water, the rate increased from 35 per cent in 1990 to 41 per cent in 2004. Nevertheless, the inhabitants of many villages still obtain supplies from polluted surface-water sources.

Access to drinking water by the urban population was estimated at 57 per cent in 2004. However, drinking-water consumption is concentrated in the four large towns in the country (Cotonou, Porto-Novo, Parakou and Abomey-Bohicon) which alone consume approximately 80 per cent of the water distributed in urban areas. Other towns have a fairly low access rate, although this varies from one town to another and many town-dwellers resort to using alternative water-supply sources such as wells, rivers, backwaters and storage tanks.

The situation regarding sanitation is more critical. The waste-water evacuation rate is estimated at 0.2 per cent for the country as a whole. This means that independent sanitation is the most common method for dealing with waste water. However, this randomly discharged water pollutes the environment and groundwater tables and creates breeding grounds for mosquito larvae and other vectors of disease. The situation is of particular concern in Cotonou because of high population density, the extremely hydromorphic nature of the ground and the shallowness of the groundwater table (between 0.5 and 3 metres from the surface). The situation regarding excreta management is critical, particularly in the smaller towns. Only the principal towns (Cotonou, Abomey-Calavi, Porto-Novo, Parakou, etc.) possess a sewer network and have a coverage rate of over 60 per cent. The overall access rate to adequate facilities for the evacuation of excreta was estimated at 32.1 per cent in 2001 (61.6 per cent in urban areas and 14 per cent in rural areas).

In the smaller towns and in rural areas, a national strategy was adopted in the 1990s. Most of the measures come within the framework of the Programme for Support to the Development of Drinking Water Supply

and Sanitation in Rural Areas (PADEAR). This programme is backed by several donors, who will most probably be the main source of financing in future years.

At national level, the various institutions in charge of the supervision, exploitation and protection of resources, as well as the distribution of water and prevention of water-related hazards, have not always collaborated sufficiently well with each other; policies and sub-sectoral strategies have not possessed any overall coherence. The country has recently embarked upon an ambitious process of reforms within the framework of Integrated Water Resources Management (GIRE). GIRE encompasses updating water laws and the creation of a co-ordinating unit for the sector, as well as for the Water Board which is responsible for defining a national strategy for the sector, as well as setting up four inter-district agencies throughout the country. Prior to this, Benin possessed a set of legislative texts relating to water sector and sanitation management that no longer adequately reflected reality. For example, water law was inaugurated by an act of September 1987, but there were never any subsequent decrees to apply it. The recent extensive legislative reform concerning water now makes it necessary for related issues be taken into account, notably decentralisation and devolution, integrated resources management, contracting procedures and the reinforcement of the role of women and the private sector.

The most significant obstacles to the development of the water and sanitation sectors include the obsolescence of drinking-water supply systems, the increasing quantity of rehabilitation works that are needed and especially, the high costs of water and sanitation equipment. Moreover, complex procurement procedures for goods, works and services create real bottlenecks in project implementation. One of the greatest challenges in urban areas is the question of billing and the financing of Soneb. The pricing system for water consumption is inappropriate, as sale prices do not cover the real costs of production and distribution. The system, which applies two price brackets, is based on a national equalisation scheme to guarantee the continuity of drinking-water supply to small towns and villages. Setting up a pricing system

based on economics is essential, in order to ensure that management of Soneb is economically viable.

## Political Context and Human Resources Development

The country has been politically stable for many years. Benin was one of the first countries in Africa to set up a liberal democratic political regime with the separation of powers and a full multiparty system. Freedom of expression is ensured through participation by a pluralistic press in the debate on all socio-economic development issues. The political scene was changed by the presidential election in March 2006, which was won by independent candidate Boni Yayi; the traditional parties lost power and their principal leaders were excluded from the new government team. The country is presently preparing for the general election of 2007 and the district elections of 2008. These representative elections should provide an opportunity to evaluate the influence of the various parties.

A new Poverty Reduction Strategy Paper (PRSP) is needed for the period 2006-09, since the term of the previous PRSP ended in 2005. However, delays in its preparation will probably lead to similar delays in implementing the strategy for the fight against poverty. It seems very unlikely that the country will achieve any Millennium Development Goals (MDGs) other than those relating to water and sanitation. Considerable progress has nevertheless been made recently and donors have pledged substantial resources. In October 2006, a grant of \$307 million (7 per cent of GDP) was awarded to Benin by the Millennium Challenge Account (MCA) for projects in education, health and infrastructures; this grant is expected to be disbursed over a period of five years.

Almost 28.5 per cent of the population of Benin was living below the national poverty line in 2002 (as against 29.6 per cent in 1999/2000). Although the average has decreased, inequality among the poor nonetheless increased between 1999 and 2002 due to an increase in the severity of poverty in urban areas. Generally, however, monetary poverty was more

prevalent in rural areas (31.6 per cent in 2002) than in urban areas (23.6 per cent in 2002). Approximately 15 per cent of the population of Benin suffered from hunger during the period from 2000-02.

In the social sector, years of under-investment have led to completely ineffective education and health systems. The 2006 Human Development Index ranked the country 163<sup>rd</sup> out of a total of 177 countries. One challenge is the level of demographic pressure, given that the fertility rate was still 5.6 children per woman in 2005 and the population increased by 3.2 per cent during the period 2000-05. Consequently more than 44 per cent of the population is under 15 years old. Life expectancy was 53 years for men and 54.5 years for women, for the period 2000-05.

Years of laxity in the health sector have translated into poor indicators, with the root cause of numerous diseases and epidemics being deplorable socio-environmental and living conditions. According to data provided by the national health information system, the five principal disorders in 2002 were: malaria (37 per cent); acute respiratory infections (16 per cent); gastro-intestinal diseases (8 per cent); diarrhoeal diseases (6 per cent) and injuries (6 per cent). As regards transmissible diseases, the Extended Vaccination Programme gave good results and lowered infant mortality. In 2003, for children aged under 5 years, the vaccination coverage rates were 99 per cent against tuberculosis and 83 per cent against measles. Despite these positive results, the infant mortality rate was 100.6 per thousand in 2005. At the end of 2003, approximately 62 000 adults were infected by HIV, of whom more than 56 per cent were women. The adult prevalence rate was 1.9 per cent, but the growth rate of the epidemic is disturbing. Approximately 34 000 children had lost at least one parent due to the disease.

In 2002, Benin adopted a National Policy for the Promotion of Women and since then, numerous feminist non-governmental associations have been created. In 2003, family law was changed in order to conform to the Constitution. The policy established equality between men and women, prohibited genital mutilations and refused to recognise polygamy. This

law also authorised ownership of means of production for women. The abolition of school fees for girls is also one of the supplementary measures that has been taken to promote gender equality. In reality, however, the female population of Benin remains somewhat marginalised. Almost 97 per cent of working women are part of the informal economy, mostly in rural areas. Moreover, the illiteracy rate for women was 71.6 per cent in 2005, compared with 41.2 per cent for men.

Benin is also known to be a hub for child trafficking. Because of persistent poverty, poor parents entrust their children to “smugglers” who are supposed to take responsibility for their education, in exchange for amounts ranging from 10 000 to 20 000 CFA francs (EUR 15 to 30). According to reports by the United Nations Children’s Fund (UNICEF), these children are then sold on for ten times these amounts to large farms, particularly cocoa and sugar-cane plantations in Cameroon, Gabon, Côte d’Ivoire and Nigeria.

Significant progress has been made in education at all levels of the educational system due to the efforts of the authorities and the financing opportunities opened up by the Education for All - Fast-Track Initiative (EFA). The goal is to achieve universal primary education by 2015. In primary education, the net enrolment rate went up from 45 per cent in 1990/91 to 58 per cent (47 per cent for girls) in 2002/03. Benin is therefore still far from achieving universal education and sustained effort will be required with regard to the education of girls. Moreover, the results within primary education remain poor, with high rates of school year repetition (23.6 per cent in 2003) and dropping-out (13.5 per cent in 2003). Out of 100 children entering the first year of primary school, only 68 reach the fifth year. In secondary education, the net enrolment rate was 20 per cent in 2002/03 (13 per cent for girls). The gender parity index (which approaches one as parity is achieved), went from 0.42 in 1997 to 0.48 in 2002/03, thus indicating a slight reduction in the difference between boys and girls. Due to the low efficiency and inadequate capacity of state schools, the increase in pupil numbers in private education is substantial (from about 12 000 pupils in 2001 to over 50 000 in 2003).

