COUNTRY PRIVATE SECTOR DIAGNOSTIC

CREATING MARKETS IN BENIN

Leveraging Private Investment for Inclusive Growth

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ABBREVIATIONS AND ACRONYMS

ABSSA	Beninese Food Safety Agency (Agence Béninoise de Sécurité Sanitaire des Aliments)
ACE	Africa Coast to Europe
ADSC	Seme City Development Agency (Agence de Development Sèmè City)
AfCFTA	African Continental Free Trade Area
AfDB	African Development Bank
ANDF	National Land Management Agency (Agence Nationale du Domaine et du Foncier)
ANM	National Agency for Standardization of Metrology and Quality Control (Agence nationale de Normalisation de Métrologie et du Contrôle Qualité)
ANPT	National Agency for Heritage Promotion and Tourism Development (Agence Nationale pour la Promotion du patrimoine et le développement du Tourisme)
ANSSI	National Agency for Information Systems Security (Agence Nationale de la Sécurité des Systèmes d'Information)
APIEx	Investment Promotion Agency (Agence de Promotion des Investissements et Exportations)
ATDAs	Territorial Agricultural Development Agencies (Agences Territoriales de Développement Agricole)
B2B	Business-to-business
BCEAO	Central Bank of West African States
BRVM	Regional stock exchange (Bourse Régionale des Valeurs Mobilières)
BTI	Benin Telecom Infrastructure
CAGR	Compound annual growth rate
CAMeC	Mediation and Arbitration Center (Centre d'Arbitrage de Mediation et de Conciliation)
CDC	Deposits and Consignments Fund (Caisse des Dépôts et Consignations)
CEB	Electricity Community of Benin (Communauté Électrique du Benin)
CFAF	CFA franc (Communauté financière d'Afrique)
CNFI	Integrated National Financing Framework (Cadre National de Financement Intégré)
CPSD	Country Private Sector Diagnostic

COVID-19	Coronavirus disease
CREPMF	Regional Council for Public Savings and Financial Markets (Conseil Régional de l'Epargne Publique et des Marchés Financiers)
CwA	G20 Compact with Africa
DDAEP	Departmental Directorate of Agriculture, Livestock, and Fisheries (Direction Départementale de l'Agriculture)
DE4A	Digital Economy for Africa
DFS	Digital financial services
DGI	Tax Administration of Benin (Direction Générale des Impôts)
ECOWAS	Economic Community of West African States
EU	European Union
FAO	Food and Agriculture Organization
FBO	Farm-based organization
FDI	Foreign direct investment
FNDA	National Fund for Agricultural Development (Fonds National de Développement Agricole)
FONAGA	National Guarantee and Small and Medium Enterprise Assistance Fund (Fonds National de Garantie et d'Assistance aux Petites et Moyennes Entreprises)
FOPAHT	Benin Tourism Federation (Fédération des Organisations Patronales de l'Hôtellerie et du Tourisme)
FOREX	Foreign exchange
G2B	Government-to-business
GDIZ	Glo-Djigbé Industrial Zone
GDP	Gross domestic product
GFCF	Gross fixed capital formation
GNI	Gross national income
ha	Hectare
ICT	Information and communication technology
IDA	International Development Association
ILO	International Labour Organization
IMF	International Monetary Fund
INRAB	National Institute of Agricultural Research of Benin
INStaD	National Institute of Statistics and Demography (Institut National de la Statistique et de la Démographie)

ITC	International Trade Centre of the United Nations Department of Economic and Social Affairs
ITU	International Telecommunication Union
km	Kilometer
kWh	Kilowatt-hour
LCSSA	Central Laboratory for Food Safety
LMIC	Lower-middle-income country
LPI	Logistics Performance Index
MAEP	Ministry of Agriculture, Livestock, and Fisheries
MCC	Millennium Challenge Corporation
MFI	Microfinance institution
MICE	Meetings, incentives, conferences, and exhibitions
MoTCA	Ministry of Tourism, Culture, and Arts
MSME	Micro, small, and medium enterprise
MW	Megawatts
NPL	Nonperforming loan
NQI	National Quality Infrastructure
OECD	Organization for Economic Co-operation and Development
OHADA	Harmonization of Business Law in Africa (2015 OHADA Insolvency Act)
PAC	Port of Cotonou
PAG	Government Action Program
PPP	Public-private partnership
R&D	Research and development
RCA	Revealed comparative advantage
SBEE	Beninese Electric Power Company (Société Béninoise d'Énergie Électrique)
SBIN	Beninese Digital Infrastructure Company (Société Béninoise d'Infrastructures Numérique)
SEZ	Special economic zone
SIPI	Company for Investments and Promotion of Industry (Société d'Investissement et de Promotion de l'Industrie)
SME	Small and medium enterprise
SODECO	Cotton Development Company (Société pour le Développement du Coton)

TFP	Total factor productivity
TVET	Technical and vocational education and training
UNCTAD	United Nations Conference on Trade and Development
UNWTO	United Nations World Tourism Organization
USAID	U.S. Agency for International Development
USF	Universal Service Fund
WAEMU	West African Economic and Monetary Union
WBL	Women, Business, and the Law
WEF TTCI	World Economic Forum Travel and Tourism Competitiveness Index
WEF	World Economic Forum
WTTC	World Travel and Tourism Council
2G	Second generation
3G	Third generation
4G	Fourth generation
5G	Fifth generation

EXECUTIVE SUMMARY

Benin enjoyed high growth in the 2010s, which did not translate into major poverty reduction. When the COVID-19 outbreak began in March 2020, the economy was growing but was weakly productive. Strong reliance on commodity exports (cotton and cashews) and transit trade with Nigeria make Benin's economy vulnerable to external shocks and changes in trade policy. The widespread informality of the country's private sector and its limited use of recent technologies further restrict gains in productivity and reinforce overreliance on external growth drivers. Low levels of foreign direct investment spillover from existing ones also hamper productivity.

Geographical and cultural assets, as well as a strong reform momentum, offer huge opportunities for more inclusive and sustainable growth in the country. Benin is a small, open economy with fertile agricultural land that offers potential for further private sector–driven expansion of agribusiness in fruits and vegetables for export to the regional and European markets. Access to markets and improved productivity can have a large effect on development because nearly 40 percent of employment is in the agribusiness sector. Benin's geographical proximity to Nigeria represents an opportunity—now only partially used—to develop a more solid tourism sector following the COVID-19 shock, with potential to further expand toward international heritage tourism in the longer run. Benin's location at the crossing of two important regional corridors, Abidjan-Lagos and Cotonou-Niamey, calls for the private sector to reap the full benefits of business relationships at the regional level. The partial reopening of the border with Nigeria in December 2020 and the ongoing negotiations on the African Continental Free Trade Area (AfCFTA) provide a significant opportunity for regional integration.

For these opportunities to materialize, Benin needs further structural reforms to overcome five major constraints. To develop a more productive and competitive private sector able to generate quality jobs, Benin needs to address (a) limitations in access to finance that constrain firms' investment and (b) the largely unreliable and expensive energy supply, which greatly exceeds global benchmarks. Infrastructure is a critical enabler for development, typically with telecommunications and electricity having the largest impact. It is thus critical for Benin to improve its (c) digital and physical connectivity. Improving the former will help the country take advantage, when possible, of the latest technological advances to improve competitiveness and resilience. The latter will help Benin maximize the benefits of its geographical position as a trade corridor, providing access to the Port of Cotonou for landlocked neighboring countries and access to markets for its own produce. For the alleviation of these constraints to be truly effective, Benin will finally need to properly tackle its (d) difficult business environment and strengthen the (e) skill level of its workforce.

A key for Benin is to turn its current strong reform efforts into effective implementation and results. The swift socioeconomic response plan to the pandemic and the continuation of large public infrastructure projects are powerful tools to support the recovery. The government has devoted considerable effort to improving its business environment and trying to attract foreign and domestic private investments at all levels. There is, however, a gap between the reforms introduced to improve the business environment and their impact on businesses. Representatives of the domestic private sector point to a lack of support for entrepreneurs as they embark on the path of formalization, beyond the initial steps of business registration. More needs to be done on sustained communication and implementation, to help and support firms with gaining access to finance, markets, and skills. Although the government should continue to update and implement its reform action plans, it should also address the root causes of the inconsistencies including uncertainty, transparency, and the limited institutional capacity of support institutions. Two measures have the potential to provide support: in 2022, the government created an agency for the development of small and medium enterprises (SMEs) and is expected to enact a law for SMEs Promotion and Development that seeks to provide incentives. In addition, special economic zones (SEZs) are considered by the government as an affordable instrument to generate agglomeration effects, provide a suitable business environment to firms, and pilot business climate reforms when countrywide reforms are difficult.

Effective deployment of existing tools, combined with reforms to support innovative products, can respond to firms' number one constraint, which is access to finance. Benin's financial sector has relatively limited depth and has difficulties serving the private sector. Beninese authorities have established financing mechanisms and a national framework of action to mitigate these challenges, but limited financing has effectively been channeled to firms. Efficient deployment of public financial instruments, combined with a more comprehensive credit information system, will help de-risk commercial financing. As mobile money takes off, digital financial services represent an untapped potential, for which the regulatory framework is not adapted (for example, poor interoperability, weak supervision, and lack of public-private dialogue). Leasing and warehouse receipt financing could offer additional options for financing of agricultural firms if local banks' business models were adapted for the former, and if the regulatory framework were deployed for the latter.

Bringing private sector expertise and funding, especially in infrastructure, can also be a solution to counter weakly performing public investments. The authorities promoted public-private partnerships (PPPs) as a mean of financing for 61 percent of planned investment in the first Government Action Program (2016–21) and have set the target at 52 percent for the second Government Action Program (2021–26). For example, to boost the profitability of the Port of Cotonou, the government opted for a PPP, delegating management to the Port of Antwerp International. However, in its current form, the legal framework still has shortcomings when compared with international best practices, including the lack of specific budgetary control during execution and of rules regulating unsolicited proposals. Because funding is limited, a strong institutional/regulatory framework and a careful investment-pipeline evaluation based on economic returns are paramount.

If ongoing reforms in the energy sector are implemented, access to electricity, the second most important obstacle to firms' operations, would significantly improve. The costs required to get an electricity connection are prohibitive. In the future, the average cost of electricity supply should decline, thanks to the implementation of the least-cost production plan and the recent shift toward the domestic generation of clean energy. The ongoing implementation of a financial recovery plan for the electricity sector over the period 2019–22 also offers a credible path to improving the viability of the sector. However, there is still cause for concern. The dissolving of the binational power transmission utility Communauté Électrique du Benin (CEB), currently in discussion between Benin and Togo, will pose significant risk to the security of assets and threatens the integrity of the transmission network's operations.

Digitization is a must for opportunities in tourism and trade to materialize, but Benin has not yet leveraged its potential. The government of Benin has launched an ambitious digital strategy and taken action to boost digital connectivity, which was further highlighted in importance by the COVID-19 pandemic. For these efforts to be fully effective, an adequate competition dynamic is essential. The extension of the scope of Société Béninoise d'Infrastructures Numérique created risks in three segments of the market (mobile, fiber, and international) that threaten the affordability of digital services and innovation. In addition, the entry of telecom towers companies (towercos) could be a tangible solution to the lack of financing that has been slowing the reduction of the digital divide. Further clarifications on the new legal framework and regulatory decree for sharing broadband infrastructure could increase investments in fiber and fourth generation (4G) towers by mutualizing operators' costs. For the digital economy to translate into jobs and productivity increases, the government should implement priority policy actions for digital skills development recommended by both the World Bank Digital Economy for Africa (DE4A) for Benin and the Benin Strategy on Technical and Vocational Training (2019–25).

The government recognizes the importance of improving transport infrastructure to make Benin a prime transit hub connecting coastal and landlocked countries to its north. Benin provides the shortest transport route to Niamey in Niger and is a competitive option for goods destined for northern Nigeria and other countries in the Sahel region. The Port of Cotonou (PAC) acts as a critical point of entry for ocean freight and, though its performance has improved in the past decade, more needs to be done for it to catch up with regional competitors. In this context, Benin is positioning itself as a transit hub (as opposed to a transshipment hub such as Togo) and a gate between West and Central Africa. The successful implementation of the 2021–26 Master Plan for the PAC is critical to maintaining regional competitiveness toward that goal. Still, the poor condition of roads, together with inefficient trucking services, increases the cost of commerce and limits market access for agricultural exports. Benin needs to improve the market structure to enable multimodal transportation, starting with solving legal disputes related to the operation and extension of the rail freight system.

Boosting the competitiveness of corridors from Benin to the hinterland is an opportunity to transform transport corridors into economic corridors. Although illicitly collected fees and the average waiting time at border crossings are among the lowest for the Cotonou-Niamey corridor compared with other routes in the region, they remain important. Recent efforts to reduce barriers to trade, such as the two operational one-stop border posts, which aim to streamline border crossing procedures, have shown promising results for trade facilitation. The market structure of trucking services, characterized by fragmentation, inefficiencies, and asymmetry of information, also reduces competitiveness. This state of the market structure calls for an update of regulatory and legislative frameworks for transport companies, professionalization of the sector, and well-designed incentives to spur consolidation, innovation, and performance. The development of complementary services, such as digitized logistics solutions and cold chain logistics, provides another avenue for strengthening Benin's position. Modernizing the professional transport industry would enable higher levels of competition.

Win-win cooperation with neighboring Nigeria could support business activities to serve that market of 206 million people. Important volumes of informal trade, as well as the resilience of traders to Nigeria's sudden policy changes, are suggestive of strong trade ties across the border that may be able to adapt to changing circumstances. Offering better business conditions on the Benin side of the border could pave the way for future commercial relations that do not rest on evasion of regulations. For Benin, better cooperation with Nigerian customs may enable better enforcement, thus compensating for the loss of the taxes on reexport trade. This cooperation could be a win-win: Benin gradually would escape the stronghold of reexport trade by helping Nigeria apply its own regulation, while, through cooperation with Nigeria, it would open the possibility of obtaining better treatment of Benin traders. The political economy of entrepôt trade also needs to be considered to facilitate more legitimate businesses serving the Nigerian market and thus creating new business opportunities.

Benin's tourism sector could benefit from transborder tourism from its neighbor and from demand for cultural heritage and nature-based tourism if the government transitions to a private sector–led development model. Benin's tourism is currently primarily based on regional visitors, with business spending representing its largest share of receipts. However, demand has stagnated for years because of a poor product-market fit, weak packaging and distribution linkages, and a lacking strategic approach to market development. These challenges are being overcome as the government invests heavily in structuring its tourism sector and improving its offering. As the focus shifts from structuring to growing the tourism sector, the government should take the role of facilitator by focusing on demand creation and market-driven product development, building local private sector capacity, and reducing barriers to foreign direct investment. Although the government acknowledges the need to focus on these priorities, actual engagement has lagged. Evidence from similar countries shows that long-term, consistent, and concerted efforts in positioning and promoting a destination are required before it becomes established. This market development, combined with technology adoption and increased investment in skills, would help Benin set the stage to focus on high-value international niches of culture, beach, and nature-based tourism in the medium term.

To overcome vulnerabilities to external shocks, Benin needs to diversify agricultural exports. The government's strategic programs have contributed to increasing yields and the sector's growth over the past five years but may have led to market distortions. The interventions that lead to the concentration of production in crops subject to volatility in global markets, and where farmers are price takers from large international buyers, need to be phased out. In the short term, products with high yields and export prospects (pineapples, soybeans, shea nuts, and oil palm fruits) offer the best opportunity for rapid value generation. For the full potential of exported and emerging commodities to materialize, better availability and affordability of crop-specific inputs (seeds, seedlings, and fertilizers) are needed, including by further liberalizing sourcing of fertilizers. Government support is high but has not been targeted appropriately while research and development capacity is insufficient.

Better market access would unlock the potential of competitive nontraded products in the medium term. This access would require better promotion and market intelligence, which can be improved by strengthening the Agency for the Promotion of Investment and Exports. High-value perishable products require efficient cold chain logistics, quality infrastructure, and trade processes that are largely missing. If those reforms are adequately implemented, the AfCFTA could facilitate intra-Africa trade for Benin to serve the large Nigerian and regional markets. Opportunities also exist in segments of horticulture that are less permeable to international pressures, such as fresh food crops. The demand for vegetables is growing, and Benin's low engagement in this segment points to challenges in cold chain logistics. It calls for strategic investment in roads and cold chain infrastructure, stronger national quality infrastructure, and the adoption of post-harvesting operating procedures. The role of the logistics platform is important for exporting because aggregating products across processors could facilitate access to containers, which have become significantly less available because of COVID-19.

With adequate support at the farm level, low-yield products can better serve domestic demand. Despite unmet domestic needs in the animal sector, low-yield products would require significant efforts to compete with imports. The productivity of agriculture more broadly would benefit from better enforcement of land regulations and expansion of irrigation infrastructure, as well as better access to finance, organization of value chains, and provision of extension services. Processing is also limited because of difficulties in access to equipment, crops, and packaging.

The Country Private Sector Diagnostic seeks to identify short- to medium-term solutions to removing bottlenecks to private sector development and investment mobilizing by thorough economic and strategic analysis. Detailed recommendations are made in the report. Table ES.1 provides a synthesis of these recommendations from a strategic perspective.

TABLE ES.1 MATRIX OF PRIORITY RECOMMENDATIONS TO FOSTER PRIVATE INVESTMENT

ENABLING	Strengthen the PPP framework, create a knowledge-sharing mechanism to improve capacity to mobilize the private sector, and establish a pipeline of potential PPPs.	Short
	Foster interoperability in digital payment services across financial service providers and the underlying financial infrastructure.	Quick win
	Design and implement an action plan for the enforcement of the 2015 OHADA Insolvency Act to address weaknesses in the insolvency regime, such as delays and low recovery rates.	Short to medium
	Strengthen the regulatory power of the microfinance supervisor to improve trust in financial service providers and leverage these financial intermediaries for effective deployment of public programs.	Short to medium
	Improve the availability and quality of credit history information and extend the pool of available collateral by better implementing the land administration system and cadastre as well as establishing an efficient, secured lending regime for using movable property collateral.	Short
	Design a clear roadmap and financing strategy regarding the binational transmission utility CEB, whose dissolution would pose significant risk to the security of assets and transmission.	Short
	Facilitate the successful implementation of the Port of Cotonou's 2021–26 Master Plan, including competitive transfer of activities to the private sector, to maintain competitiveness.	Short to medium
	Design a strategic master plan for air connectivity to ensure complementarities between the new Glo-Djigbé airport and the existing Cotonou airport with ongoing renovation work.	Short to medium
	Resolve the ongoing issues regarding the outstanding concession for the Benin-Niger railways.	Short
	Implement the recommendations of the 2021 World Bank Digital Economy Assessment related to digital infrastructure and skills.	Medium
AGRIBUSINESS	Strengthen the operational efficiency of FONAGA and FNDA so programs are in place to better target farmers and SMEs, and effectively channel financing to a larger pool of agricultural actors.	Short
	Identify the bottlenecks that limit the offering of leasing services by domestic financial institutions and design the regulatory framework for warehouse receipt financing.	Medium
	Conduct an in-depth assessment of the system of distribution and financing of fertilizers to identify bottlenecks to the access of suitable, safe, and organic products.	Short
	Scale up strategic investments in rural roads and cold chain infrastructure, following the cascade principle to leverage private sector expertise and funding, to improve market access.	Medium to long
	Strengthen capacity of the APIEX through the training of staff on strategic market analysis and monitoring, and design partnerships with the ATDAs for the effective delivery of off-farm public services.	Short

Note: APIEX = Agence de Promotion des Investissements et Exportations; ATDAs = Agence Territoriales de Développement Agricole; CEB = Communauté Électrique du Benin; FNDA = National Fund for Agricultural Development; FONAGA = National Guarantee and Small and Medium Enterprise Assistance Fund; OHADA = Harmonization of Business Law in Africa; PPP = public-private partnership; SMEs = small and medium enterprises.
Indication of short, medium and long term refers to the estimated timeline for implementation of the recommendation.

TOURISM	Structure, finance, and implement the Benin Tourism Marketing Agency to lead national-level promotions and campaigns toward the Nigerian and niche international markets, informed by the development of a market intelligence platform.	Short
	Create a public-private commission to study and better communicate ways to integrate the local private sector in flagship tourism projects, while ensuring they have a clear product-market fit and demand rationale.	Short
	Increase transparency in access to land and investment opportunities in tourism zones, particularly the highly regulated coastal areas, while ensuring the respect of environmental and social safeguards for all new investments.	Short
	Improve the land border crossing experience and better communicate border openness and protocols.	Short
	Foster the adoption of new technologies by firms in the tourism sector and their integration into digital platforms to capture the growing share of digital booking channels for tourism.	Medium
TRADE AND NIGERIA	Implement trade facilitation reforms, such as automating and digitizing trade processes, reinforcing custom teams with English-speaking staff, enforcing trucking regulations, developing data exchange between customs and immigration authorities, and enhancing cooperation with Nigerian customs.	Medium
	Modernize the transport industry by enabling higher levels of competition through revisions of regulatory and legislative frameworks for transport companies and reinforced oversight.	Short
	Establish a transparent framework for freight allocation by revising the allocation mechanism to correct the information asymmetry between shippers and carriers.	Short

INTRODUCTION

Benin needs further structural reforms to address inherent weaknesses—made more evident by the recent pandemic and the closure of the border with Nigeria—to put its economy back on a more sustained, stable, and equitable growth path. In recent years, the country enjoyed high gross domestic product (GDP) growth (averaging 6.4 percent for 2017–19) fueled inter alia by growth in the agricultural sector and trade services as well as increased domestic private investment and some foreign direct investment (FDI), among other factors. The predominance of reexport trade and commerce with Nigeria, however, makes Benin's economy vulnerable if Nigeria were to change its trade policy. In addition, growth came more from factor accumulation (capital and labor) than from productivity increases—total factor productivity growth has declined since the early 2000s and Benin's "economic fitness" has stagnated since 2012. The widespread informality of the country's private sector and its limited use of recent technologies have further restricted gains in productivity and reinforced a reliance on external growth drivers.

When the effects of the COVID-19 outbreak began in March 2020, the economy was growing quickly but was still weakly productive. Unsurprisingly, the outbreak had a noticeable impact, slowing down GDP growth to 3.8 percent in 2020—or 1 percent growth in per capita terms. Besides the direct effect from containment measures, manufacturing disruptions, and decline in cotton prices, the slowdown reflected reduced reexport activity with Nigeria, which faced a subsequent economic downturn and closed the border starting in 2019. Agriculture, commerce and trade, transport, and the hospitality industry were among the most affected sectors. Growth for 2021 was 7.2 percent (4.2 percent in per capita terms), on par with pre-COVID-19 trends, thanks to a rebound of the tertiary sector (port, hospitality) and a dynamic construction sector. The government's swift socioeconomic response plan to the pandemic, combined with the continuation of large public infrastructure projects, supported growth.

To support the post-COVID-19 recovery, build back better, and further decrease poverty, Benin will need to tackle several structural issues. To develop a more productive and competitive private sector able to generate quality jobs, Benin needs to address five major constraints: (a) limited access to finance, (b) an unreliable and expensive energy supply, (c) weak connectivity, (d) a difficult business environment, and (e) the low skill level of the workforce. Limitations in access to finance constrain investments by firms. Benin's still largely unreliable and expensive energy supply whose cost greatly exceeds global benchmarks hampers firm performance. Infrastructure is a critical enabler for development, typically with telecommunications and electricity having the largest impact. It is thus critical for Benin to improve its connectivity—both digital and physical. Improving the former will help the country take advantage, when possible, of the latest technological advances to improve competitiveness and resilience.

The latter will help Benin maximize the benefits of its geographical position as a trade corridor, providing access to the Port of Cotonou for landlocked neighboring countries and access to markets for its own produce. For the alleviation of these constraints to be truly effective, Benin will need to properly tackle its difficult business environment and the low skill level of its workforce. Addressing these transversal issues, as well as sector-specific ones, would help the sectors proposed for detailed assessments—agriculture and agro-processing of fruits and vegetables and tourism—to thrive and generate jobs. These sectors were selected because of their potential for development, investment, reforms, and value addition. As regional integration deepens, Benin also needs to better define its position in the region based on its advantages, such as its proximity to the markets of Nigeria and Niger, as reviewed by the report.

The Benin Country Private Sector Diagnostic (CPSD) explores in more detail the preceding topics. The CPSD will inform the Systematic Country Diagnostic that will serve as a basis to prioritize World Bank Group (WBG) areas of engagement to support the Government Action Program (PAG), which has been extended to 2021–26. Over the report, Benin is benchmarked—when meaningful and if data allow—to the region (Sub-Saharan Africa), a group of peer countries that have similar economic features (Côte d'Ivoire, Rwanda, Senegal, and Togo), and a group of more aspirational countries (Ghana, Morocco, Sri Lanka, and Tunisia). Chapter 1 describes the recent economic performance of Benin and its sources of growth. It also details the impact of the COVID-19 shock on the economy. Chapter 2 examines the state of the private sector, entrepreneurship, and technology adoption by providing an overview of the sector's main features. Chapter 3 analyzes key cross-cutting policy and regulatory constraints to private sector development. Chapter 4 provides in-depth analysis of the agribusiness sectors, potential from tourism, and risks and opportunities stemming from the large Nigerian neighboring market.

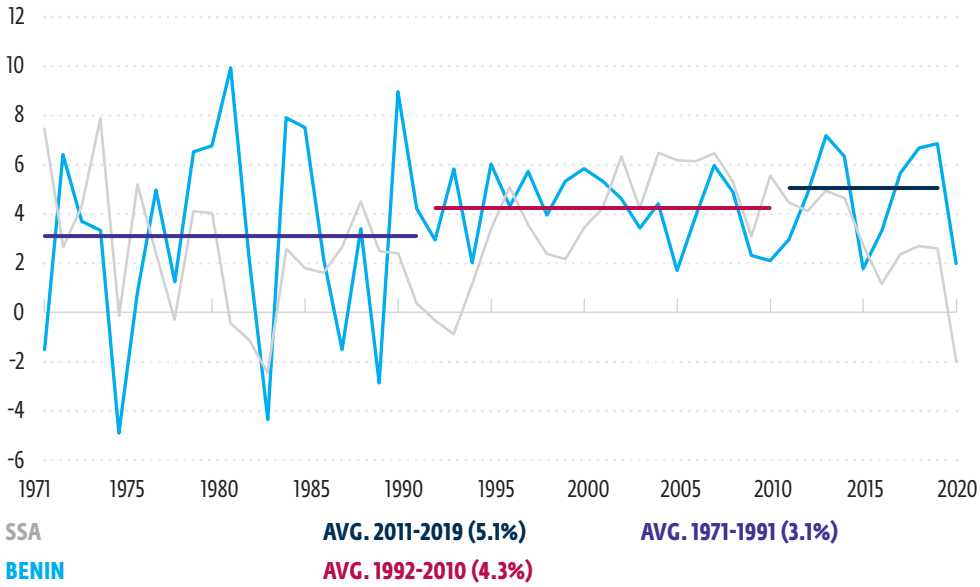
1. COUNTRY CONTEXT

Benin is a small, open economy with a population of roughly 12.1 million people in 2020. It has relatively fertile agricultural land and a long common border with Nigeria and Togo, and it is a key node in two important regional corridors: Abidjan-Lagos and Cotonou-Niamey. Services and agriculture are the main sectors of the economy. The importance of services in Benin's economy is primarily driven by the country's role as a trade and transit hub for surrounding landlocked countries. Because of geography and Nigeria's economic policies, the country also has a close informal reexport trade and commerce relationship with its neighbor.

1.1. STRONG GROWTH PERFORMANCE HAD LIMITED IMPACT ON POVERTY

Growth showed a highly volatile cyclical pattern during the 1970s and 1980s (figure 1.1), reflecting a high dependence on the exports of a few key agricultural raw materials.[1] Such high instability complicated economic policy, negatively influenced revenue mobilization, and therefore limited state capabilities, made investment decisions more complex, and ultimately affected individual incomes and poverty levels. The 1994 CFA franc (CFAF) devaluation, combined with more market-based economic policies from 1990 onward, enabled Benin to benefit from a higher and (relatively) less variable growth than it had previously. Growth remained somewhat volatile but less correlated with agricultural commodities and more connected to growth variations in neighboring countries and movement in oil prices.[2]

FIGURE 1.1 REAL GDP GROWTH, 1971–20



Source: World Bank, World Development Indicators.
Note: GDP = gross domestic product; SSA = Sub-Saharan Africa.

In the 2010s, Benin's GDP growth averaged 5.1 percent per year, higher than the Sub-Saharan African average of 3.3 percent. The COVID-19 outbreak reduced growth to 3.8 percent in 2020—still, one of the best performances in Sub-Saharan Africa, where the average growth rate went down to –2.0 percent the same year. The government's swift socioeconomic response to the pandemic, combined with the continuation of large public infrastructure projects, supported growth in 2020 and recovery in 2021. Real GDP growth reached 7.2 percent in 2021 and is estimated at 5.7 percent in 2022 (IMF).

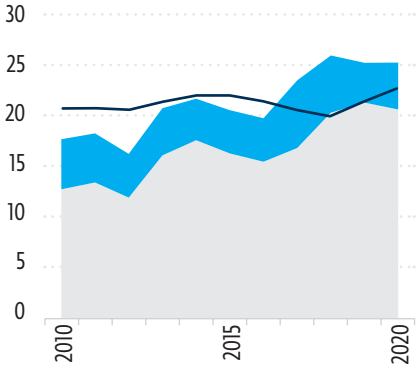
Higher growth in the 2010s has not yet led to significant reduction in poverty. Growth was higher in the 2010s, but poverty reduction was modest because of high population growth—at 2.8 percent on average for 2011–19.[3] The official poverty rate slightly improved at an estimated 38.5 percent in 2019, against 40.1 percent in 2015. Much of the poor (65 percent) live in rural areas, where they are engaged in smallholder agriculture.[4] Conditions are particularly difficult for women and youths,[5] who are overrepresented in the informal sectors. Only 1.7 percent of women occupy formal nonagricultural jobs compared with close to 10 percent of men. Further, the 2020–22 COVID-19 outbreak has highlighted the lack of adequate social safety and efficient social protection systems as well as the need for more inclusive and resilient growth.

1.2. GROWTH WAS DRIVEN BY AGRICULTURE, SERVICES, AND INCREASED INVESTMENT

On the supply side of the economy, agriculture has been one of the key drivers of recent growth. Agriculture is essential for Benin, accounting for 21.8 percent of GDP in 2020 and 38.3 percent of total employment in 2019 (International Labour Organization estimates). In recent years, government policy has emphasized increasing productivity through investments in agricultural value chains, improved safety standards, and research and development.[6] As a result, some crops saw a massive increase in output in 2011–20, such as cotton (Benin is now the leading producer in Sub-Saharan Africa), vegetables, onions, fonio, soybeans, chili peppers and other peppers, pineapples, rice, and tomatoes (see table A.1, appendix A).

On the demand side, private investment has been a key driver of growth since 2011 but remains relatively low on a comparative basis and does not compensate for smaller and weakly performing public investments. Gross fixed capital formation (GFCF) is dominated by private investment (figure 1.2) and remained stable in the 23–25 percent of GDP range between 2017 and 2020. The rise in private investment observed in the 2010s is positive for the country's economy. It comes from improvements in the overall business environment (see chapter 3), an increase in credit to the private sector (it slowly went from 9.2 percent of GDP during 1992–2010 to 16.7 percent during 2011–19—but was down to 15.5 percent in 2020 because of uncertainty related to COVID-19) and some foreign direct investment (FDI).[7] During 2011–20, average GFCF for Benin (21.7 percent) was on par with Sub-Saharan Africa (21.2 percent) but still below countries like Morocco (29.4 percent) or Togo (27.1 percent). Despite a large increase in the 2010s, credit to the private sector in Benin also remained low when compared with the Sub-Saharan Africa average (46.5 percent for 2011–19) or Morocco (89.2 percent) (figure 1.3). Public Gross Fixed Capital Formation was smaller, in a 4–5 percent of GDP range during 2011–19, and has returns below the region's average, partly caused by weaknesses in the assessment and selection of projects.[8]

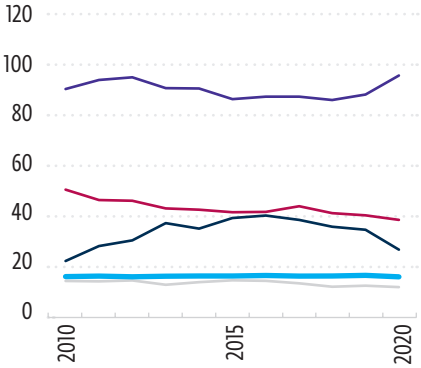
FIGURE 1.2 GROSS FIXED CAPITAL FORMATION, 2010–20 (% OF GDP)



Source: World Bank, World Development Indicators.

Note: GDP = gross domestic product; GFCF = gross fixed capital formation; SSA = Sub-Saharan Africa.

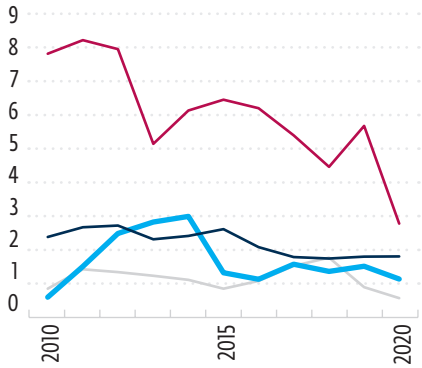
FIGURE 1.3 DOMESTIC CREDIT TO THE PRIVATE SECTOR, 2010–20 (% OF GDP)



Source: World Bank, World Development Indicators.

Note: GDP = gross domestic product; SSA = Sub-Saharan Africa.

FIGURE 1.4 NET FDI INFLOWS, 2010–20 (% OF GDP)



Source: World Bank, World Development Indicators.

Note: FDI = foreign direct investment; GDP = gross domestic product; SSA = Sub-Saharan Africa.

The economy is also highly dependent on exports that are concentrated on a few key agricultural raw materials and on entrepôt trade. The country exports primarily raw materials (71 percent of exports) and mostly imports consumer goods and intermediate goods (roughly 79 percent of imports). Cotton, cashew nuts and other oil seeds, and oleaginous fruits are the country's principal export products, amounting to 53.4, 6.6, and 3.9 percent of 2020 exports, respectively. Before the COVID-19 outbreak, key exports markets included, in order of size, Bangladesh (26.9 percent of exports in 2019), India (14.2 percent), Vietnam (10.4 percent), and China (7.4 percent). In view of this context, the country scores relatively high in terms of openness to trade, especially compared with its landlocked neighboring countries. In 2019, the sum of both imports and exports represented about 63.7 percent of Benin's GDP, above the Sub-Saharan Africa average (53 percent) but much below aspirational comparative countries such as Morocco or Tunisia (109.4 and 87 percent, respectively).

Entrepôt trade remains a key feature of the economy. The dependency on the Nigerian market, through reexport activity and smuggling, hampers the development of a higher-productivity manufacturing and services sector.[9] Benin imports large quantities of consumer goods that are subject to high import protection in Nigeria and then transships them to Nigeria through elaborate institutional mechanisms. Reexport to Nigeria refers to imports from outside the region facing steep protection in Nigeria that transit through Benin before being smuggled into Nigeria. In 2018, reexports to Nigeria accounted for almost 45 percent of Beninese exports that generated significant government revenues (half of custom revenues on average) and benefited numerous (both formal and informal) operators. In 2021, reexport activities resumed following the end of a border closure with Nigeria that had started in August 2019. Conversely, Benin illegally imports about 85 percent of its petroleum products from Nigeria, where consumer prices are highly subsidized.[10] Such trade is estimated to be equivalent to approximately 20 percent of GDP.

1.3. LIMITED FDI DOES NOT YET FOSTER SIGNIFICANT PRODUCTIVITY SPILLOVERS

FDI inflows are relatively low. FDI net inflows averaged 1.9 percent of GDP during 2011–19. Although it was a major increase compared with the period 1992–2009 (where average FDI was near zero), this amount remained below the Sub-Saharan Africa average for 2011–19 (2.3 percent) and was similar to Togo (1.8 percent of GDP for 2012–19) but far less than Ghana (6.3 percent) (figure 1.4). At the end of 2020, total inward direct investments in Benin amounted to US$3.429 million (Table 1.1), up from US$2.968 million at the end of 2019. The bulk of these investments originated from France, which accounted for 36 percent of their value, with China, India, and Nigeria each representing about 10 percent. Over the past five years, actual FDI was concentrated in transport and logistics, business services, agribusiness, and renewable energy.[11] The challenge for Benin was to create sufficient economies of scale to attract foreign investors. The limited size of the local markets is indeed a major barrier that might be overcome by facilitating access to new markets. Outward direct investments from Benin are limited, reaching only US$541 million at the end of 2020, of which 27 percent were toward France and 39 percent toward five West African Economic and Monetary Union (WAEMU) countries.

TABLE 1.1 INWARD DIRECT INVESTMENTS POSITIONS, 2020

ORIGIN	INWARD DIRECT INVESTMENT (US$, MILLIONS)	SHARE OF TOTAL (%)
France	1,219	36
India	420	10
Nigeria	381	11
China	342	10
Côte d'Ivoire	215	6
Others	852	27
Total	**3,429**	**100**

Source: International Monetary Fund Coordinated Portfolio Investment Survey, 2021, https://data.imf.org/?sk=4031360 9-F037-48C1-84B1-E1F1CE54D6D5&sId=1482186404325.

FIGURE 1.5 CONTRIBUTION TO GROWTH

Source: World Bank, Accelerating the Growth Momentum and Creating Better Jobs, Country Economic Memorandum 2.0 (Washington, DC: World Bank 2022), 47.

Note: GDP = gross domestic product; TFP = total factor productivity.

Productivity spillovers **are productivity improvements that come about when, at the country level, foreign firms' knowledge is transferred through their interactions with domestic firms.**[12] FDI in Africa is an important source for increasing capabilities in domestic firms that cannot be easily substituted through trade.[13] In Benin, given the limited extent of FDI, spillovers are likely reduced.

This, as well as key structural issues (see chapter 3) hamper productivity. In accounting terms, most of the growth was generated by factor accumulation (labor and capital), while total factor productivity (TFP) growth has a minor contribution for 2011–18 and actually declined when compared with the 1990s (figure 1.5). In addition, Benin's capabilities, as measured by "economic fitness"[14] have been stagnating, signaling the need for capital investment to diversify toward more complex sectors

(figure A.1, appendix A). This trend is further highlighted by the limited sectoral diversification of greenfield FDI in Benin, which has been concentrated in energy, transportation, and financial services in the past five years (figure A.2, appendix A). Rising regional insecurity in the Sahel could pose an additional challenge to attracting FDI and thus facilitating spillovers.

1.4. COVID-19 OUTBREAK HAS SIGNIFICANTLY AFFECTED THE ECONOMY

Growth dropped from 6.9 percent in 2019 to 3.8 percent in 2020 (or 1.1 percent in per capita terms). Supply chain disruptions slowed manufacturing, while services were initially disrupted leading to a sharp contraction in reexport activities, commerce, and lower travel and tourism receipts, but they gradually picked up as mobility restriction eased in June 2020.

Restrictions resulted in higher food prices, which drove inflation to accelerate to a 3 percent average in 2021. The current account deficit temporarily narrowed to 1.7 percent of GDP, owing to an exceptional level of concessional financing and to the sharp decline of imports relative to exports. Private investment was subdued because of high uncertainty affecting investment decisions. On the back of a strong fiscal stimulus, public investment and public consumption supported growth. The severe hit to revenue, coupled with higher spending on health care and social welfare as part of the COVID-19 response plan, has increased the fiscal deficit to about 4.7 percent of GDP in 2020 against 0.5 percent in 2019 on a commitment basis.[15] This difficult situation not only was triggered by a worsening of general economic conditions and the confinement in 2020 but also reflected the adverse impact of the subsequent economic downturn in Nigeria as well as of the border closure that started in 2019.

The authorities have responded to the pandemic with a strong program, supporting the recovery. Following initial cases in late March 2020, the Benin government swiftly implemented strong hygiene, containment, and social distancing measures, including a partial lockdown around 10 cities. In 2020, the government adopted a set of policy measures for 2020–22 equivalent to 3.7 percent of GDP. The set of measures comprises (a) a health preparedness and response plan and (b) a socioeconomic response plan to support formal sector companies (0.9 percent of GDP) and vulnerable households. In addition, a public guarantee plan (1.0 percent of GDP) and credit lines and refinancing measures (0.7 percent of GDP) were established to support access to finance for micro, small, and medium enterprises (MSMEs).[16]

Recovery is under way but strengthening the momentum through better efficiency of public measures and structural reforms is crucial. Indeed, firms faced serious issues from the beginning of the epidemic in 2020, with 78 percent of enterprises declaring they were moderately or severely affected by the outbreak and 75 percent of them recording lower sales.[17] Two out of five service companies reported being strongly affected, compared with a third of manufacturing firms. The impact was more severe for firms in services and businesses headed by women as they operate in many service sectors that were immediately affected by the crisis (accommodations, food services, wholesale, and retail). Exporters also faced issues because many destination markets imposed a containment that hurt Beninese businesses. Almost 60 percent of declared losses resulted from the disruption of the supply chain with China, a key importer of raw commodities from Benin.[18]

Firm-level data in 2021 confirmed the extent of the shock.[19] In June 2021, firms were still facing on average a 7.1 percent decline in monthly sales compared with June 2020, signaling a lasting effect of the shock. Micro and small firms as well as those operating in manufacturing were particularly affected (Figure 1.6). As of June 2021, large firms had disproportionately received support from the government, with 21.3 percent of large firms receiving or expecting to receive public assistance against 3.2 percent of micro firms and 1.5 percent of small firms. The lack of awareness about available public support was the main barrier to access (Figure 1.7). The most common support received by firms was cash transfers and payment deferrals (of taxes and other contributions). The pandemic prompted firms to start using or increase the use of digital platforms to adapt to the market, especially for medium and large firms and those operating in services (figure 1.8).

FIGURE 1.6 CHANGE IN SALES FROM JUNE 2020 TO JUNE 2021

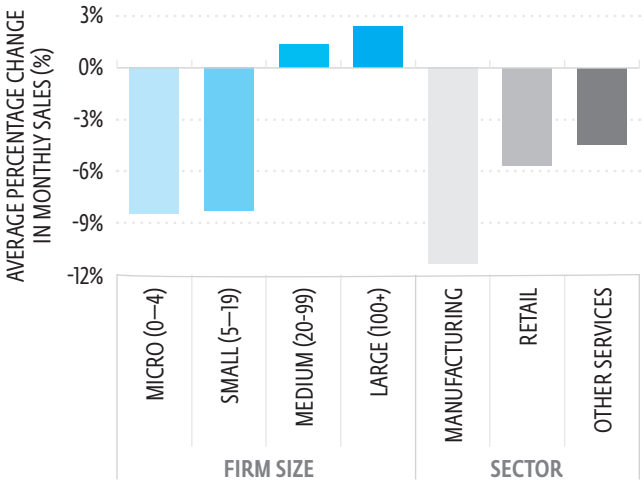


FIGURE 1.7 REASON FOR NO ACCESS TO PUBLIC SUPPORT BY FIRMS

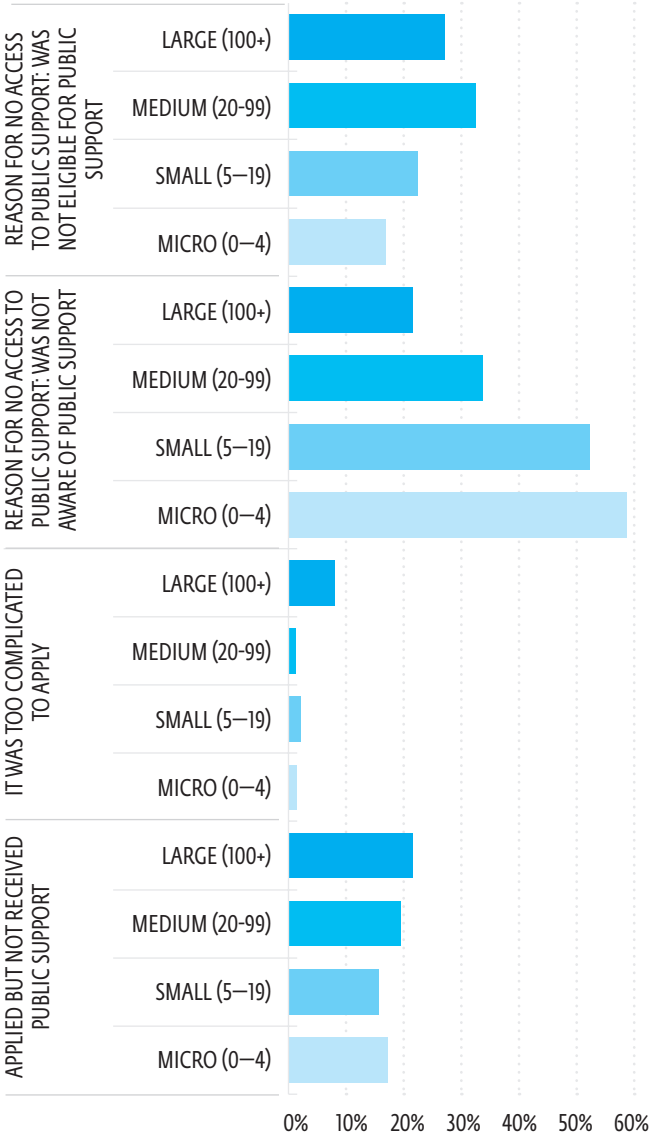
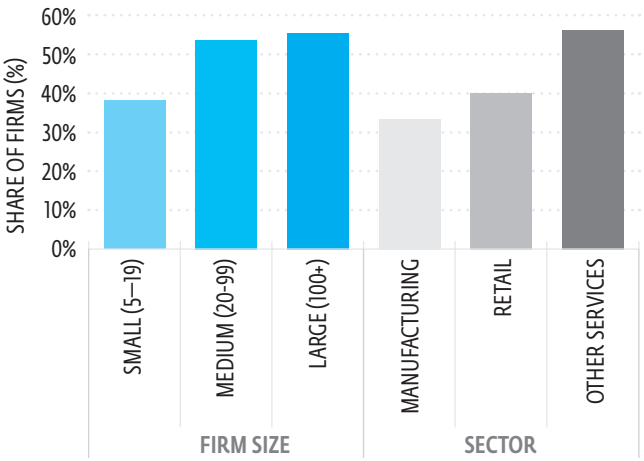


FIGURE 1.8 START OR INCREASE IN THE USE OF DIGITAL PLATFORMS



Source: World Bank Group (WBG), Benin Business Pulse Survey, June 2021.

2. PRIVATE SECTOR, ENTREPRENEURSHIP, AND TECHNOLOGY USE

2.1. THE PRIVATE SECTOR IS MOSTLY INFORMAL WITH LOW PRODUCTIVITY

The informal sector represents about 65 percent of GDP and employs about 85 percent of the labor force.[20] Risks and vulnerabilities associated with the informal economy disproportionately affect women because 95 percent of the female labor force works in vulnerable or informal employment. Overall, the formal private sector—excluding self-employment—is estimated to contribute 15,000 jobs in Benin (figure A.3, appendix A).

The private sector in Benin is predominantly composed of MSMEs. In the formal sector specifically, SMEs of fewer than 100 employees account for about 79 percent of the firms, compared with 21 percent for large firms with more than 100 employees. The majority of firms (72 percent) are in the Littoral area.

Labor productivity—proxied by the GDP per employed person—is low. Labor productivity was about US$8,210 per employee in 2020 (purchasing power parity, constant 2017 US$), well below the numbers observed in Côte d'Ivoire (US$16,560), Ghana (US$13,280), or Senegal (US$13,550)—countries that are themselves mostly competitive only within Sub-Saharan Africa confines because productivity levels are below those of external competitors. Low labor productivity is, among other things, a reflection of major investment climate constraints but also a high level of informality that weighs on the productivity of both formal and informal firms. Informal workers are between 20 and 40 percent less productive than formal workers in Benin.[21] Fourteen percent of formal firms said that competition from informal firms was the third-largest obstacle to conducting business in Benin.[22]

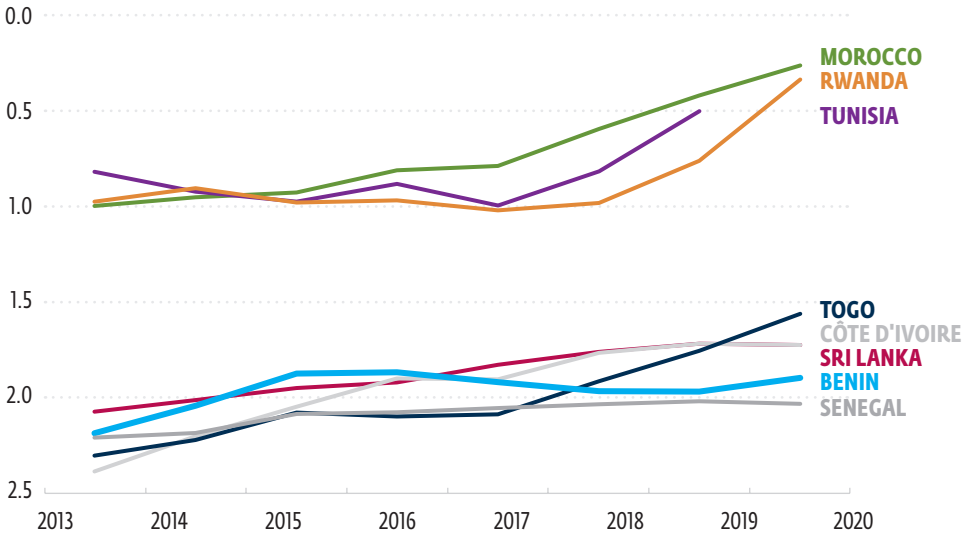
Despite the current importance of the informal sector, Benin should not be considered as locked in a sort of "informality trap." The country can develop new ways to leverage its strong geographic advantage—being at the crossing point of two regional corridors with substantial growth potential and having near-direct access to the large Nigerian market. Combined with appropriate reforms and investments, this locational asset can be a source of sustainable competitive advantage for formal trade-related activities, including logistics and a wide array of transport- and trade-related services.[23]

2.2. FORMAL ENTREPRENEURSHIP IS UNDERDEVELOPED

Although global experience shows that entrepreneurship stimulates job creation and economic dynamism,[24] Benin still has a long way to go to reap benefits from such dynamism.

In Benin, businesses registrations, as well as formal paid employment, are low. In 2021, about 84 percent of registrations were for "Entreprises Individuelle" (that is, self-employment). As a result, formal paid employment is minimal—about 10 percent of employment—well below comparative countries, and the proportion has barely changed since 2000. The high prevalence of self-employment in the economy reflects the reality that many Beninese see informal entrepreneurship as the only alternative to a paid job for providing an income for themselves and their family. Thus, although the new formal business entry density (that is, new registrations per 1,000 people ages 15–64) grew from 0.17 in 2013 to 0.61 in 2020, it is still much below most comparative countries (figure 2.1). The gap with countries like Morocco, Rwanda, or Tunisia is large.

FIGURE 2.1 NEW BUSINESS ENTRY DENSITY, 2013–20



Source: World Bank, World Development Indicators.

Note: The new business density is defined as the number of newly registered corporations per 1,000 working-age people (those ages 15–64). The units of measurement are private, formal sector companies with limited liability.

The current underdevelopment of the entrepreneurship ecosystem largely explains weak firm creation. Benin was ranked 128th out of 137 countries in the 2019 Global Entrepreneurship Index, which measures both the quality of entrepreneurship and the extent and depth of the supporting entrepreneurial ecosystem. It is below comparative countries in almost every key characteristic (opportunity perception, start-up skills,

risk acceptance, networking, cultural support, opportunity start-up, and others) of the global entrepreneurship index with major deficiencies in terms of human capital, product and process innovation, internationalization (economic complexity of exports), and risk capital (depth of capital market). Besides the factors captured by the index, various other factors—a relatively small market, limited access to electricity and finance, low penetration of information and communication technology (ICT), and high urban-rural disparities—all represent additional significant impediments for entrepreneurs to build their markets. Few support mechanisms are currently in place to help firms, either private or public, grow (Sèmè City being the only one of note). Overall, some in the domestic private sector have pointed to a gap between reforms and any effective impact. They point to a lack of support for entrepreneurs, beyond the initial steps of business registration. In particular, one of the main concerns expressed by local investors includes post registration support regarding access to finance, access to markets, dealing with the tax administration, and unfair competition. These cross-cutting issues are mirrored in priority sectors such as tourism (see chapter 4, section 2).

However, Benin has recently taken important steps to strengthen the entrepreneurship ecosystem. With the adoption of a Law Promoting MSMEs in March 2020, Benin has put in place an institutional, financial, and legal framework to promote entrepreneurship and encourage the use of incubators and accelerators.[25] It provides fiscal and nonfiscal incentives for MSMEs as well as measures to promote innovation and access to finance and markets, among other provisions. Benin's 2021 budget also provided several support measures for small and medium enterprises (SMEs). The creation of firms accelerated in 2021, with monthly registration hovering around 3,900 for September–December 2021 compared with about 2,100 in the same period in 2019, before the pandemic.[26]

However, much remains to be done to promote female entrepreneurship and women's economic empowerment. Gender gaps persist, reflecting the difficulties faced by Beninese women in using their full potential to participate in productive activities. Benin ranks 123rd out of 153 surveyed economies on the Gender Gap Index,[27] indicating the persistence of significant gender gaps in the country due to differences in educational attainment, health, and political-economic representation, as well as laws and regulations restricting their economic opportunities. Benin scored 80.6 (out of a maximum of 100) in the WBG's Women, Business, and the Law (WBL) 2022 report, which analyzed laws affecting women's economic inclusion in 190 economies. This score means that women enjoy only three-fourths of the legal rights that men have in the country. The index points to constraints on freedom of movement, laws affecting women's work after having children, constraints on women's starting and running of a business, and gender differences in property and inheritance as legal barriers to equality for women in business.

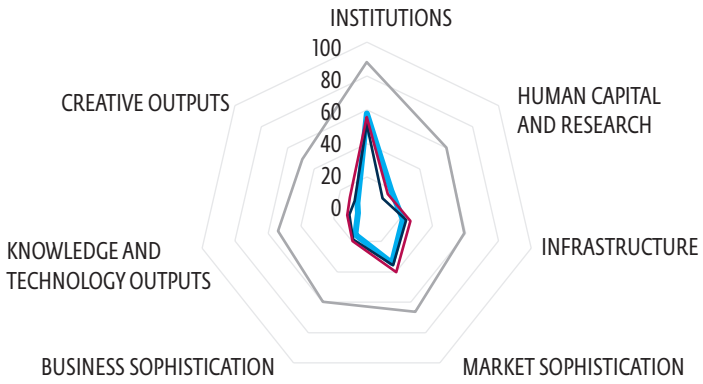
Nonetheless, the country has potential. Despite in-country disparities, the overall WBL score for Benin is higher than the regional average observed across Sub-Saharan Africa (71.5). Further, its female participation rate is 69.3 percent (higher than the Sub-Saharan Africa average of 59.6 percent), and 26 percent of firms have a top female manager, which is much higher than the Sub-Saharan Africa average of 15.2 percent.[28]

2.3. TECHNOLOGY ADOPTION AND INNOVATION ARE MINIMAL

Technology adoption at the firm level is low, thereby limiting private sector competitiveness. In 2020, large firms based in the Littoral region made greater use of the internet; 79 percent of large firms had a website compared with 26 percent of SMEs. Likewise, 98 percent of firms in Cotonou had access to the internet while 45 percent outside the area did. These data are similar to the findings of the last enterprise survey in 2016.[29] Variation across genders also appears, with only 13 percent of female-headed SMEs having a website while 31 percent of male-headed SMEs do.[30] Besides the widespread use of accounting and office productivity suites, reliance on more advanced solutions—such as manufacturing operations management systems, product life-cycle management, enterprise resource planning, and customer relationship management—is mostly restricted to larger and foreign companies. Per the 2021 Business Pulse Survey, the main factors preventing technology adoption by firms were the high costs compared with benefits (42.9 percent of firms), a lack of information on technologies (41.7 percent of firms), and difficulty in access to finance (35.0 percent of firms). Technology adoption was defined as new equipment, machinery, software, or processes.[31]

Innovation is limited for now. Benin ranks 126th out of 131 countries on the 2020 Global Innovation Index, an indicator that scores economies according to their innovation capabilities based on 80 sub indicators.[32] This ranking is much lower than comparative countries—Côte d'Ivoire is ranked 112th, Senegal 102nd, Rwanda 91st, Morocco 75th, and Tunisia 65th. Key weak areas, as seen in figure 2.2, include Infrastructure (ICT and general infrastructure), Market sophistication (trade, credit, and investment and trade regulations), Business sophistication (knowledge workers [limited number], innovation linkages, and absorption), Knowledge and technology outputs (creation, diffusion, and impact of knowledge), and Creative outputs (trademarks, creative goods and services, and online creativity). To adapt to the COVID-19 pandemic, only 7 percent of the firms interviewed in the 2021 Benin Business Pulse Survey repackaged their mix of products or services, while 30 percent reported investments in digital solutions.

FIGURE 2.2 BENIN SCORE ON THE GLOBAL INNOVATION INDEX PILLARS



Source: Cornell University, INSEAD, and WIPO, Global Innovation Index (dataset) 2020, https://www.globalinnovationindex.org/analysis-economy.

Firms' innovation as well as their adaptation capability is not only essential to improving productivity but also a key element of resilience against climate risks; thus, the current situation is concerning. Benin is the 13th most vulnerable country to climate change in the 2019 ND-GAIN index, and the 57th least-ready country—meaning that it is vulnerable to climate change effects but unready to combat them.[33] The country is exposed to the rising sea level with coastal degradation in the south, where more than half of the population lives, and desertification in the north. Because agriculture is the largest employer, contributes to a quarter of GDP, and is endangered by soil depletion, it will need to adapt to respond to the consequences of climate change. Cotton—Benin's largest export crop—stands to be affected by increasing temperatures, drought, and unpredictable rain patterns.[34] More broadly, intense, and successive periods of drought and flood could reduce the production of food by 6 percent by 2025 if no adaptive measures are taken, threatening both food security[35] and possibly potential income revenues from horticulture exports. Coastal erosion—more than 400 meters over the past 40 years—has also caused severe damage to homes and infrastructure. Rapid urbanization calls for the integration of green considerations in urban and infrastructure development.

Sources of financing to support innovation are scarce. The existing legal and regulatory framework for the venture capital and private equity fund industry has many limitations compared with international practices. The regional legal and regulatory framework consists mainly of the WAEMU Uniform Law on Fixed-Capital Investment Companies of 2003 under the oversight of the regulator, the Regional Council for Public Savings and Financial Markets (Conseil Régional de l'Epargne Publique et des Marchés Financiers; CREPMF). The domiciling of funds and fund managers outside the WAEMU zone presents a number of disadvantages for fund managers and investors. On the one hand, fund managers face significant costs in executing currency transfers out of the zone. On the other hand, domiciling funds outside the WAEMU zone constitutes a major obstacle to the mobilization of resources from institutional investors in the zone.[36]

Recent government efforts lay the foundation for the development of an innovative entrepreneurial ecosystem, including the use of digital platforms and services. In practical terms, little exists yet in terms of formal private or governmental support for start-ups and tech companies to establish viable commercial platforms and support innovation.[37] In this field, a key and promising institution is Sèmè City (Box 2.1), through which the government aims to build a regional entrepreneurial ecosystem between Cotonou and Porto-Novo, Benin's capital, to bring together students, researchers, and entrepreneurs from different countries. The government has ambitions to create 100,000 jobs by 2030—with at least a third through self-employment and 40 percent for women. More tangible results have yet to materialize, however. In addition, in 2020, Benin laid the foundations for the development and use of digital platforms and services by launching a national e-services portal as a single point of entry for all public services, and by passing a unstructured supplementary service data (USSD)[38] regulation that articulates the modalities of attribution and competitive pricing conditions.

BOX 2.1. SÈMÈ CITY

The Agence de Development Sèmè City (ADSC) was created in August 2017 to lead a flagship project in Benin aimed at improving performance in education and youth employment. ADSC is a legal entity with financial autonomy. Through this initiative, the government of Benin aims to become a regional knowledge and innovation hub by facilitating clustering of training and research for digital and technical services focused on high productivity, innovative growth sectors, and entrepreneurs.

Sèmè City, as promoted by ADSC, aims to develop an attractive framework for academic institutions, research centers, and incubators. Sèmè City itself is designed as a sustainable location to act as an open-air lab for start-ups and small and medium enterprises to test, prototype, and incubate solutions. Core support revolves around (a) providing academic and professional training, (b) supporting scientific research, and (c) developing entrepreneurship programs.

The future site of Sèmè City is being developed in phases in a peri-urban area between Benin's main international corridors and close to a coastal area. This 330-hectare (ha) site was made available by the Benin government, which is responsible for the infrastructure development, and will be operational beginning in 2024. In the medium-term, the management and development of Sèmè City is to be entrusted to the private sector, through partnerships with international universities or schools.

The government, which has declared an intention to invest CFAF 207 billion (about US$350 million) in the initiative, will provide material, human, and financial support. ADSC has been sponsoring activities since 2018 even though the main location of the project has not been constructed. These activities include six high-level training programs that have allowed the project to build a community of more than 5,000 participants. In 2018, ADSC also started an incubator, INCUB'IMA, and has since developed and implemented 12 entrepreneurial programs including two Challenge Funds in partnership with the World Bank. It is too early to assess this initiative. However, for this effort to be successful, there is a need to perennially fund the project, pursue investments in infrastructure (especially digital ones), and continue to improve the country's overall business environment.

The following programs have already been launched:

X-TechLab	115 researchers participated in training sessions this first platform in sub-Saharan Africa which is dedicated to the appropriation of X-ray techniques for application in agriculture, materials, health, environment and energy.
EPITECH. LE FUTUR DE L'INFORMATIQUE LE MEILLEUR DE L'INNOVATION	432 students enrolled in the bachelor's and master's program of Epitech Benin, a franchise of Epiteh France, the reference school in innovation and IT expertise.
AFRICA DESIGN SCHOOL – L'ÉCOLE DE DESIGN	100 students enrolled in the bachelor's programs in Digital Design, Graphic Design and Space Design at Africa Design School. The Ecole de Design Nantes Atlantic develop the curricula and mobility programs with international campuses.
incub'IMA	Over 1,000 entrepreneurs participated in capacity building and coaching program offered by Seme City's first incubator IncubIMA.

Source: Seme City, Funding mechanisms for Entrepreneurship and Innovation, internal document, 2021.

3. KEY CROSS-CUTTING POLICY CONSTRAINTS

The government of Benin has placed private sector development at the heart of its growth agenda. The authorities are firmly committed to an ambitious reform agenda through the National Development Plan (2018–25), the first Government Action Program (PAG 2016–21), and the second PAG (2021–26), which aims to generate 1.3 million jobs by 2026. To finance its new PAG, Benin is prioritizing the private sector, which is expected to cover 52 percent of the planned investments, with an estimated total cost of investments of CFAF 12,011 billion (US$20.5 billion). Benin joined the G20 Compact with Africa (CwA) in 2017. The PAG objectives are aligned with those of the CwA and focus on private sector mobilization for development.

Although the government has implemented reforms aimed at enhancing the attractiveness of Benin's business environment, five major cross-cutting constraints to the development of a more productive and competitive sector were identified in discussions with local and internal stakeholders as well as in existing analytical work: (a) *limited access to finance*, (b) *an unreliable and expensive energy supply*, (c) *weak connectivity*, (d) *a difficult business environment*, and (e) *the low skill level of the workforce*. Addressing these cross-cutting constraints should strongly contribute to the PAG objective to continue the structural transformation of the economy. The goal is for competitive agribusiness and services sectors to reach scale through better connectivity, fully reap the benefits of serving the large Nigerian market, and unleash Benin's productivity potential, thanks to increased knowledge through attracting FDI and developing market-relevant skills.

3.1. POOR ACCESS TO FINANCE

Financing is a key constraint with wide differences in access across types of firms.

With fewer than one in four firms having access to bank credit or a line of credit, the Beninese private sector identifies obtaining access to finance as the biggest obstacle to their daily operations.[39] Of all enterprises, only 12 percent use a bank to finance their investments, compared with an average of 19 percent in Sub-Saharan Africa. Before the pandemic, the MSME finance gap was estimated at US$689 million,[40] or 8 percent of GDP. Domestic credit to the private sector declined to 15.5 percent of GDP in 2020, from an average of about 16.7 percent for 2011–19, and well below peers. Agricultural firms remain particularly underfunded. They accounted for 4.2 percent of total outstanding credit in 2020 (table 3.1) while contributing to about 27 percent of GDP. Banks are reluctant to lend to farmers, who remain unable to acquire inputs and equipment to improve their agricultural productivity.

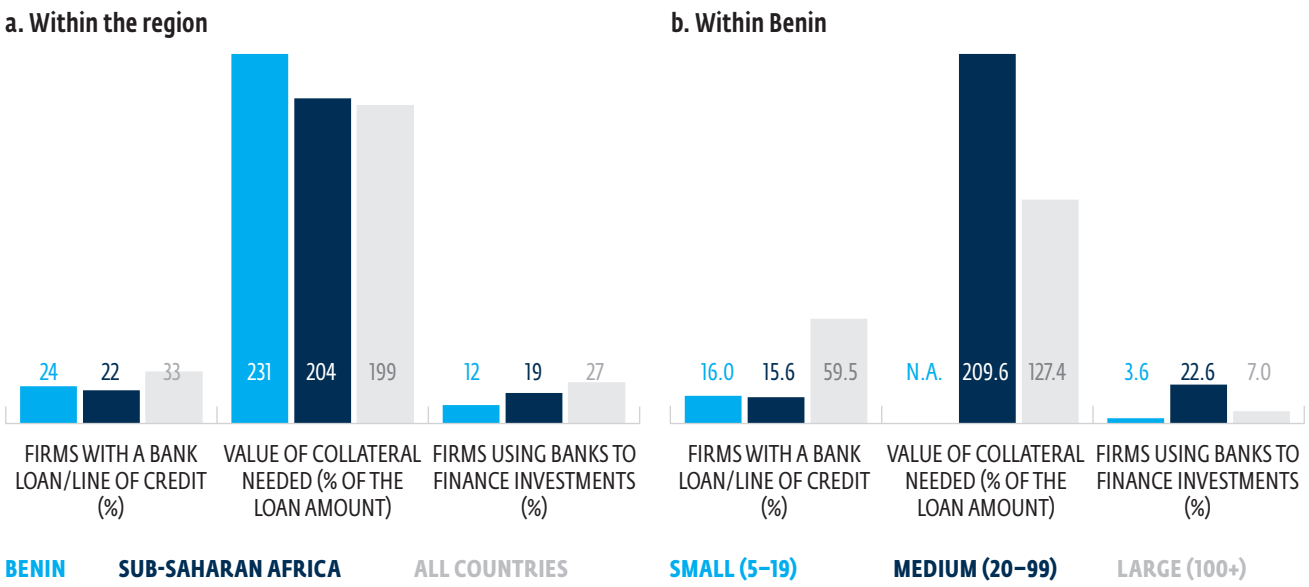
TABLE 3.1 SECTORAL DISTRIBUTION OF BANKING SECTOR CREDIT, DECEMBER 2020

Construction	18.3%
Trade, restaurants, and hotels	14.8%
Manufacturing	9.1%
Energy and water	3.4%
Transport and communications	6.3%
Financial services	7.4%
Agriculture	4.2%
Extractive industries	1.1%
Other services	35.6%

Source: Central Bank of West African States (BCEAO), 2021

Differences in access to finance across firm size, location, and gender illustrate a broader divide in Benin's economic structure. Duality comes in the shape of a few, formal, dominant enterprise groups with the ability to borrow, in contrast to a multitude of microenterprises (often informal) with difficulties in growing and competing with established interests. A lower share of MSMEs have a bank loan or a line of credit compared with larger firms, and the MSMEs have to pledge a relatively higher value of collateral (Figure 3.1). The wide range of guarantees required, coupled with a dominance of collateral based lending, reflects banks' risk aversion toward smaller clients. As a result, 60 percent of interviewed firms in the Benin Business Pulse Survey in June 2021 cited a lack of collateral as an issue in obtaining financing, while 70 percent referred to high interest rates. Moreover, transaction costs in credit assessment and the processing and monitoring of loans constitute fixed costs that disadvantage smaller borrowers. Gender and spatial differences in access to finance also persist. Indeed, 75 percent of female-managed firms have a checking or savings account compared with 98.6 percent of male-managed firms. Likewise, 25.9 percent of firms in the Littoral region[41] have access to an ongoing loan or credit, compared with 14.8 percent of the firms in the other regions.

FIGURE 3.1 ACCESS TO FINANCE BY REGION AND BY FIRM SIZE, 2016



Source: World Bank, Enterprise Surveys, 2016.
Note: N.A. = Not available

Benin's financial sector is relatively limited in depth and has difficulties serving the private sector

The financial sector is underdeveloped, is concentrated, and suffers from low profitability. The financial services industry consists of 15 banks, more than 95 microfinance institutions (MFIs) of which only 58 are regulated and 37 operate as unregulated, and a limited number of nonbank financial services providers, according to the Ministry of Economy and Finance. The top five banks accounted for more than 75 percent of the banking sector assets and loans, and the three largest MFIs accounted for 57.8 percent of microfinance loans at the end of 2021. The level of nonperforming loans (NPLs) has declined—from 21.5 percent of total loans in September 2018 to 14.8 percent in September 2021)[42]—thanks to an extension of the credit bureau database and the adoption of a regional accounting plan including the write off of NPLs older than five years. Still, the ability of a bank to finance private MSMEs is limited by (a) banks' low profitability, reflected by a mere 0.5 percent after-tax return on average assets in 2019,[43] (b) a high exposure to state-owned enterprises; (c) a high historic stock of bad loans and levels of NPLs above the regional average (11.5 percent); and (d) competition from government securities.[44] On top of those reasons, the small size of the formal economy results in an elevated credit concentration with large exposure to trade with the Nigerian economy.[45]

Long-term financing instruments, equity finance, and capital markets remain shallow and do not yet offer a material alternative to bank financing. Domestic private sector financing is driven by bank credit, which accounted for 82 percent of total private funding.[46] Only 27 percent of the banking sector's credit portfolio consisted of long-term loans[47] and more than 80 percent of the resources collected by the banking system consisted of deposits (mainly short term)—a structure that indeed limits the ability of banks to create long-term assets.[48] Capital markets have been developing only since the creation in 1998 of the regional stock exchange (Bourse Régionale des Valeurs Mobilières; BRVM). BRVM's capitalization amounted to roughly US$6.4 billion by February 2022, and only 55 companies were listed, with just one firm originating from Benin. The contribution of external financing to fund the private sector remains almost negligible (private external financing amounted to US$556 million in 2019 or 3.9 percent of total financial flows).[49] Despite its regional scope, the exchange market remains illiquid because of a low number of listings, a weak institutional investors base, limited product diversification, and a lack of awareness.[50] The non-sovereign bond market is dominated by two issuers, with US$0.5 billion in corporate debt outstanding at the end of 2021. Laudable regional initiatives to integrate and develop capital markets have had only a limited impact in Benin. In response, the BRVM and the regional market regulator adopted reforms in 2021 that (a) allow for the creation of private equity and venture capital funds that will have to be invested in nonlisted SMEs; (b) improve the framework to sanction market abuse; (c) allow banks to sell their SME loans to managed funds; and (d) adopt green and social bonds guidelines.

Although MFIs provide limited financing to MSMEs, they are important for financial inclusion. Outstanding loans by MFIs stand at only 2.1 percent of GDP, against 22 percent of GDP for commercial banks, which predominantly serve clients in urban areas.[51] Nonetheless, microfinance is an important vector of financial inclusion in Benin with 3.1 million depositors—or 27 percent of the population.[52] With adequate regulation and supervision, MFIs have the potential to play a greater role. The operations of unauthorized MFIs undermine trust in the sector despite the regulator's efforts to consolidate the sector with the formalization of 240 institutions and the closing of 17 nonviable ones over the period 2013–18.

Digital financial services (DFS) represent an untapped potential as mobile money takes off. The number of active mobile money account holders increased 10-fold between 2015 and 2019 to reach 4.3 million users, or 38 percent of the population.[53] This growth was in line with the increase in mobile money agents per 1,000 square kilometers (km2), which has put Benin at a similar level with Senegal and well ahead of Togo and Côte d'Ivoire in access to mobile money. Significant growth in demand for DFS was reflected by the surge in the value of mobile money transactions—from 3 percent of GDP in 2015 to 33 percent in 2019—a trend likely to have been further accelerated by the COVID-19 pandemic. The diversification of DFS is an attractive alternative for channeling financing to micro and small firms in the context of increasing digitization of the private sector. Mobile channels can also improve financial inclusion and increase savings to broaden the deposit base of financial institutions.

Momentum is building to relieve constraints on MSME access to finance and improve the financial sector's competitiveness. Reforms should focus on strengthening the financial infrastructure and the capacity of firms.

A lack of adequate collateral is one of the largest obstacles for lending to SMEs. In principle, three types of collateral are eligible for financing firms in Benin: (a) land and real estate, (b) production equipment, and (c) production output.[54] Although important, the collateralization of land remains challenging because modern land tenure and customary regimes coexist in the rural land system, despite the incorporation of the latter in the land code reform in 2013. This creates uncertainty on land titles and complicates the financing process for financial institutions. Significant efforts have been made to facilitate the flow of land information and, consequently, the registration, recording, and preservation of guarantees. This improved flow is notably the case for the national cadastre and the Land Information System. The efficiency of notaries is also a key concern. To address these issues, authorities have (a) undertaken reforms for converting occupancy permits into real estate titles;[55] (b) started the publication of official statistics on land transactions and land disputes to improve the reliability as well as the transparency of the land administration system; (c) started the delivery of legally binding property registration documentation;[56] and (d) launched a digital "e-notary" platform in April 2020 to reduce the cost and length of procedures.[57] These efforts need to be consolidated and completed by measures to increase the collateralization of production output, which is constrained by logistical and administrative challenges and the relatively low mechanization rate of firms.

A more comprehensive credit information system could help reduce risk aversion. Benin is still in the relatively early stages of implementing a credit bureau.[58] Although progress has been made with the addition of utility companies' information to the database in 2019, only a limited number of entities report information.[59] Beyond quality and reliability issues, the legal requirement to obtain consent from customers before collecting credit information constrains the rollout of the credit bureau. Use of the bureau is limited by financial institutions' perception that consultation fees are high. An efficient report system could also help financial institutions, including MFIs, with managing their NPL portfolios efficiently.

The absence of an effective insolvency regime only complicates efforts to manage the historic stock of NPLs, but also reduces the appetite to finance private sector firms. In Benin, completing an insolvency procedure takes approximately four years, 13 months longer than on average in Sub-Saharan Africa. Beninese lenders face acute challenges to recover assets because of low recovery rates (23.9 cents on the dollar) and high procedural costs (21.5 percent of the estate), with high collateral requirements as a result. Reforms have not been as effective as anticipated. Despite the implementation of the OHADA Insolvency Act in 2015 to incorporate best practices in the insolvency regime, the length and the cost of bankruptcy procedures have not improved in Benin since 2009.[60]

On the demand side, firms' capacity and literacy need to be strengthened. Firms have limited capacity to produce reliable financial statements and business plans and lack formalization and documentation. Financial illiteracy contributed to the relatively high percentage of Benin firms that were rejected for a loan—23.9 percent in 2016 compared with an average of 15.4 percent in Sub-Saharan Africa.[61]

The digital and financial technology ecosystem could offer attractive solutions with an adequate enabling environment and improved digital literacy. On the supply side, the lack of interoperability in digital payment services and financial infrastructure, the absence of dialogue and coordination among stakeholders, limited government-led initiatives to digitize small payments, outdated regulatory and legal framework, and relatively weak supervisory bodies constrain the emergence of financial technology solutions.[62] Limited literacy and digital literacy are a major constraint, with large untapped potential for the population to acquire digital skills (see chapter 3, section 5). The literacy rate of adult Beninese was 42 percent in 2018 (31 percent for women; 61 percent for youths), against an average 65 percent in Sub-Saharan Africa.

Beninese authorities have established financing mechanisms and a national framework of action to mitigate these challenges. In September 2018, Beninese authorities adopted a law to establish the Caisse des Depots et Consignations (CDC), with the objective of lowering the cost of term deposits by pooling funds stemming from the execution of primarily legal or judicial operations.[63] A CDC board of directors was appointed at the end of 2020 and endowed the first activities. The establishment of a US$2 million Portfolio Partial Credit Guarantee in 2021 with the public National Guarantee and Small and Medium Enterprise Assistance Fund (Fonds National de Garantie et d'Assistance aux Petites et Moyennes Entreprises; FONAGA) aims to absorb part of the default risk of borrowers so financial institutions can increase credit supply to firms, including in agriculture. Finally, in 2020, the Benin government published a Development Finance Assessment that proposed the launch of a results-oriented National Integrated Financing Framework (Cadre National de Financement Intégré; CNFI) to mobilize financial resources for the economy.[64]

Enhancing supply-side competitiveness and demand-side capacity—and having a strong enabling environment— would create deeper and broader financing options for private sector enterprises, as shown in box 3.1.

BOX 3.1 DETAILED RECOMMENDATIONS TO IMPROVE ACCESS TO FINANCE FOR MICRO, SMALL, AND MEDIUM ENTERPRISES (MSMES)

Strengthening the competitiveness of financial sector actors

[Quick win] Enhance the efficiency of existing public guarantee schemes. Both the guarantee fund and lending banks have long processing times, which could be reduced by issuing guarantees on the basis of predefined eligibility criteria and by strengthening the capacity and size of the schemes.

[Short to Medium term] Support and complement reforms undertaken by the Bourse Régionale des Valeurs Mobilières (BRVM) to enhance access to long-term financing for small and medium enterprises (SMEs) (launch of a dedicated SME financing window or the promotion diaspora bonds). The following can reinforce their impact: (a) build market access for insurance and pension funds; (b) develop new instruments (real estate investment trusts, private equity); (c) build market supervision; and (d) align regulation of instruments with international standards.

[Short to Medium term] Expand the strategic scope of the Caisse des Depots et Consignations (CDC) to develop financing instruments suitable to the MSME market. The Cadre National de Financement Intégré (CNFI) identified the need for a specialized SME bank. Beyond direct financing, the CDC could also explore options to implement risk-sharing arrangements with private financiers and to deploy equity solutions.

[Short to Medium term] "microfinance supervisor to improve trust" - delete a in supervisora by (a) adopting a risk-based supervision approach that will allow identifying early-warning alerts on performance of microfinance institutions (MFIs); (b) enhancing the technical capacities of staff (training and advice); and (c) introducing technologies to increase the efficiency of the supervision. The number of licensed MFIs needs to be further consolidated, with the support of the adoption of a resolution framework.

[Medium term] Promote the provision of digital financial services to offer a more diverse pool of funding sources for MSMEs and broaden the deposit base by (a) increasing the access to valid identification documents for individuals; (b) adopting a national financial inclusion strategy that builds upon the regional framework laid out by the Central Bank of West African States; and (c) enabling new players to enter the market by allowing for the expansion of more versatile e money accounts, conducive e–know-your-customer (KYC) services, agent banking, and specialized nonbank entities.

[Medium to Long term] Modernize banking regulations to address unbalanced provisioning requirements to ensure the sector's viability. Changes in accounting and financial reporting requirements have raised provisioning requirements for banks, which eroded profitability. These changes were similar to those in other West African Economic and Monetary Union countries.

[Long term] Develop a coordinated nonperforming loan (NPL) strategy to further clean up bank balance sheets and lay the foundations for the development of a secondary market. The timely disposal of NPLs can free up a large amount of regulatory capital and generate significant capacity for new lending.

Enhancing the financial infrastructure and enabling environment

[Quick win] Improve the availability and quality of credit history information to address information asymmetries. Experiences in Côte d'Ivoire and Niger have shown that a decree lifting the need for customer consent helps build a larger client credit information base.

[Quick win] Foster interoperability in digital payment services across financial service providers and the underlying financial infrastructure. The creation of a National Payments Council can act as a platform for fostering collaboration across different stakeholders, in particular MFIs and mobile money providers, for the growth of mobile microcredit.

[Short to Medium term] Extend the pool of available collateral by (a) implementing the land administration system and cadastre beyond the Cotonou, Porto-Novo, and Lokosso regions to extend the pool of available collateral and (b) establishing an efficient secured lending movable property collateral regime.

[Short to Medium term] Design and implement an action plan for the enforcement of the 2015 OHADA Insolvency Act to address weaknesses in the insolvency regime, such as delays and low recovery rates. The action plan should focus on five elements: (a) operationalizing conciliation, (b) developing an insolvency regulator, (c) developing and implementing the regulation of insolvency practitioners, (d) conducting judicial trainings, and (e) training practitioners.

Building the capacity of private sector firms

[Quick win] Deploy targeted financial education campaigns and business development services in financial management for MSMEs. Professional federations and producer organizations have an extensive local footprint across different pockets of the Beninese private sector. Their existing channels and structure could potentially be leveraged to improve the professionalization of MSMEs through trainings focused on financial literacy.

[Medium to Long term] Strengthen consumer protection mechanisms to promote trust in financial services, through the three following pillars: (a) introducing regulation for client protection, (b) enforcing codes of conduct for the industry, and (c) promoting financial education.

Notes: a. The supervisory authority is the Agence Nationale de Surveillance des Systèmes Financiers Décentralisés (ANSSFD).
Indication of short, medium and long term refers to the estimated timeline for implementation of the recommendation.

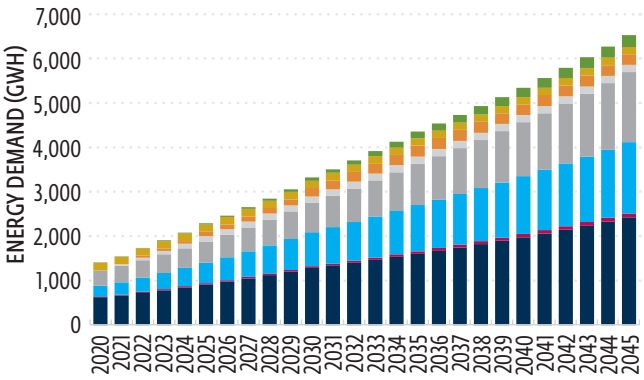
3.2. UNRELIABLE AND EXPENSIVE ENERGY SUPPLY

Connecting to and paying for electricity is a serious constraint to firms' operations

Access to electricity was the second most important obstacle to firms' operations in Benin, according to the 2016 World Bank Enterprise Survey, and it remains a key structural constraint per discussions with the private sector. The costs required to get an electricity connection are prohibitive—more than 11,000 percent of income per capita compared with an average of about 3,000 percent in Sub-Saharan Africa per the raw 2019 Doing Business data set. In addition, electricity retail tariffs in Benin, at US$0.25 per kilowatt-hour (kWh) in 2021, are above the Sub-Saharan African and global averages at US$0.17 and US$0.13 per kWh respectively, even though they are set below cost-recovery levels. This dismal cost situation is compounded by deficiencies in quality of service despite the commission of additional generation capacity and recent progress on rehabilitating networks.

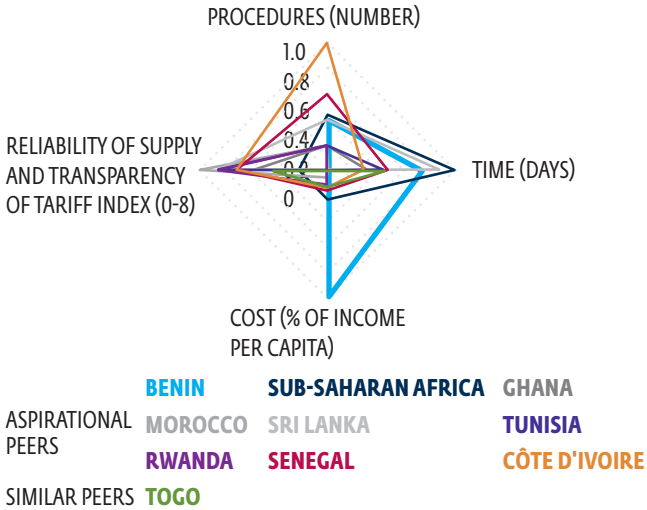
As a result, few formal businesses can reliably use electricity to improve their competitiveness, digitize their operations, and become more sustainable. Further, only two-thirds of informal businesses were connected to the electricity network. Overall, the nationwide electrification rate in Benin, at 42 percent of the population, was lower than Sub-Saharan Africa's average rate (about 48 percent). Rural areas had much greater rates of energy deprivation than urban areas, with only 18 percent of the rural population having access to electricity. The use of wood fuel and charcoal causes adverse environmental impacts. Poor access to electricity also has direct repercussions for Benin's ability to adopt digital technologies and upgrade digital skills. For example, only 508 out of 873 secondary schools had reliable electricity despite the installation of photovoltaics; 238 schools had a lab and 167 had a library.[65]

FIGURE 3.2 BASE CASE DEMAND PROJECTION BY SEGMENT (GWH)



Source: Government of Benin, Updated Master Plan for the development of the power sector, August 2021.
Note: GWh = gigawatt hours; LV = low-voltage; MT = medium-voltage; HT = high-voltage

FIGURE 3.3 EASE OF GETTING ELECTRICITY IN PEER COUNTRIES, NORMALIZED INDICATORS (0 TO 1)



Source: World Bank Group, Doing Business raw data set, 2019.

Issues for firms stem from broader power sector challenges.

The main challenges are (a) securing energy supply price, (b) losses due to a lack of transmission network reinforcement and distribution systems, and (c) institutional reforms on power transmission.

The country is facing rapidly increasing demand for electricity, with a projected annual growth of 6.4 percent a year. (See figure 3.2.) The sector had an installed capacity of 218 megawatts (MW) in 2019 with a peak demand of 258 MW.[66] Inadequate maintenance and insufficient investment have stressed Benin's national electrical grid, leading to poor-quality service that hurts competitiveness (see figure 3.3). Addressing energy efficiency in a context of increasing demand will ensure the sustainable provision of energy to households and firms. Policies adopted in the 1990s to reduce energy waste were limited to certain sectors, notably excluding the transport sector, industry, and residential use—the main consumers of energy.

The government is implementing reforms to tackle these issues, promote renewables, and support private sector participation. First, it is developing generation capabilities to achieve energy independence and avoid recurring energy crises. Benin is one of the largest net importers of electricity in Africa (about 75 percent of the energy mix in 2019).[67] As the country is facing a rapidly increasing demand for electricity, the government is gradually increasing domestic thermal generation to about 390 MW by 2023[68] to account for an estimated peak demand of 431 MW in 2025, which is expected to grow to 773 MW by 2035.[69] Although in the near future the energy mix is expected to be 54 percent imports and 46 percent from the Marie Gleta Power Plant,[70] the government seeks to reduce dependency on imports.

In the future, the average cost of electricity supply should decline, thanks to the implementation of the least-cost production plan and the recent shift toward the domestic generation of clean energy. In January 2020, Benin adopted a new Electricity Code and related regulatory measures, which constituted a major step toward promoting renewable sources of energy. Importantly, the code stipulates different regimes (concession, authorization) for private participation in both on-grid and off-grid areas. In February 2020, the government also adopted a decree to implement the code, specifying how private partners can invest in the energy sector. These measures have been instrumental for the development of renewable energy projects, notably solar independent power producers. Since then, the government has been implementing both public and private solar projects to be connected to the grid, as well as installing mini-grid solar plants and distributing solar home systems.[71] As a result, the share of energy from renewable sources is expected to increase by more than three points to above 13 percent by 2022.[72]

The government's policy to increase energy security is, however, only sustainable if its efforts to preserve the financial equilibrium of the sector bear fruit. Historically, crises have resulted from a lack of effective planning and the financial issues facing sector companies—the public distribution company Société Béninoise d'Énergie Électrique (SBEE) and the Togo-Beninese power transmission company Communauté Électrique du Benin (CEB). The financial viability of SBEE has been stretched by technical losses, underpricing, and bill collection losses. Overall losses remained at a high 22.4 percent in 2018, and the sector faced challenges in 2020 as COVID-19 affected the utility sector. SBEE reported a revenue shortfall of about 20 percent in April and May 2020—during the peak of containment measures—when a temporary suspension of cutoffs due to nonpayment took place while the government temporarily subsidized the electric utility bills of households for three months.

The government's strong commitment to improve the financial viability of the energy sector has been a success. The government started implementing a financial recovery plan for the sector over the period 2019–22. The medium-term measures encompass a sound energy mix and a program for reducing both technical and nontechnical losses. A private administrator, under a performance-based contract, was hired through a competitive bidding process to manage the SBEE with the aim of improving key performance indicators. Additional measures included clearance of arrears, the implementation of a revenue protection program for large consumers with smart consumption monitoring, and prepaid meters coupled with mobile money for others. To reflect costs, the government adopted progressive adjustments of the electricity tariff, which increased by 5 percent in 2020 and an additional 10 percent in 2021 for nonvulnerable households. This measure, combined with the implementation of the revenue protection program, has led SBEE to reach financial equilibrium. Efforts were also made by Togo and Benin to improve the financial situation of CEB, which was converted into a transmission systems operator that collects a tariff to carry electricity to the distribution networks in each country to finance its operational and maintenance costs. As a result of the reforms, the level of technical and commercial losses is expected to decline from 24 percent in 2018 to 20 percent in early 2023.

However, there is still cause for concern. The dissolving of the binational transmission utility CEB currently in discussion between Benin and Togo will pose significant risk to the security of assets and threatens the integrity of the transmission network operations. In April 2021, the "Haut Comité Inter-Etatique" recommended to the heads of states that the binational arrangement be dissolved without a clear roadmap and financing mechanisms. This recommendation followed the 2019 decision by the Beninese and Togolese governments that the national distribution utilities would be responsible for power importation for their respective countries and CEB's role would be converted from importing into a transmission systems operator. As a result, the company has entered a difficult transition period, with significant risks to the assets, the network operations, and ultimately to the economic development of the two countries. The dismantling of CEB means that the assets and departments of the utility will have to be divided between Togo and Benin, and new arrangements will have to be put in place. In addition, Benin will have to install a separate dispatching system to be able to adequately operate the transmission networks in its territories. The implementation of these measures will require significant financing yet to be mobilized and will take a minimum of 24 months as per the experience of a similar case in Sub-Saharan Africa (Cameroon).

As shown in box 3.2, new government policies and regulations could be implemented to improve energy availability and efficiency.

BOX 3.2 DETAILED RECOMMENDATIONS TO IMPROVE ENERGY SUPPLY FOR FIRMS

[Short term] To improve energy efficiency, adopt a decree supporting the implementation of the National Energy Efficiency Policy adopted in November 2021, by regulating the conditions and modalities for the implementation of efficient use of energy in specific cases and for auditing.

[Short term] To promote the sustainable supply of energy and increase the resilience of the electricity network to climatic shocks, adopt the "Code de Distribution" establishing conditions and regulating the distribution of energy. The code should include provisions for making the network more resilient to climatic shocks by evaluating the risks and setting up the mechanisms to resilient energy distribution. This action will complement the implementation of the National Renewable Energy Policy.

[Short to Medium term] To ensure security of assets and transmission operations, design a clear roadmap and financing strategy regarding the binational transmission utility CEB.

[Short to Medium term] To reduce the high upfront cost of connection to the grid, the government could regulate connection charges to be paid by new users, following the recommendations from the feasibility study to assess possible financial arrangements, supported by the World Bank Electricity Access Scale-Up project.

3.3. CUMBERSOME BUSINESS ENVIRONMENT, DESPITE POSITIVE STEPS

Successive governments have been very active in the business environment space

In recent years, Benin has devoted considerable efforts to improving its business environment and trying to attract foreign and domestic private investments. The government is committed to an ambitious agenda for reform of the business environment through the Government Action Program (PAG 2016–21) and the National Development Plan (2018–25). Some of the key reforms include the following:

- The enactment in 2013 of a law to better define property rights and establish a National Land Management Agency (Agence Nationale du Domaine et du Foncier; ANDF) launched in 2016. Significant reforms have since been introduced to strengthen security of land tenure, including the adoption of Law No. 2017-15 of August 10, 2017, and Decree No. 2015-029 of January 29, 2015, setting the terms and conditions for rural land acquisition. ANDF has completed the electronic registration of land titles for the city of Cotonou and is continuing the process for the entire country.[73]
- The launching by the government of the Statut de l'Entreprenant[74] in April 2014. It is a simplified legal regime offered to small informal businesses to formalize and had been added earlier in 2010 to the General Commercial Law of the Organization for the Harmonization of Business Law in Africa (OHADA).

- The creation in 2014 of a dedicated Investment Promotion Agency (Agence de Promotion des Investissements et Exportations; APIEx), which also manages special economic zones and the development of public-private partnerships (PPPs). The operationalization of APIEx and the strengthening of its technical capacity are seen as keys to targeting and mobilizing private investments.[75]
- The adoption of a new law in 2016 to reorganize competition and clarify key competition issues (price freedom, anticompetitive practices, collusion, unfair competition, legal proceedings when an issue appears, and so on).[76]
- The establishment with WBG support of functional commercial courts in 2017. This action helped to begin alleviating a key issue for the private sector.[77]
- The adoption in 2017 of an updated legal framework to regulate PPPs. The government further updated the country's investment and public procurement codes in 2018 in compliance with the PPP law.
- Entrance into full effect of a new labor code. In August 2017, a new law on the framework for private sector and government employment, termination of employment, and placement of labor in Benin was enacted. It introduces significant innovations (such as multiple renewal of fixed-term contracts and definition of proper severance payments) and contributes to enhancing the efficiency of the labor market.[78]
- The adoption in 2019 of an amendment to the business registration procedure that eliminates the declaration of existence of companies to the tax administration. The OHADA's Universal Commercial Code is also the framework under which commercial disputes and bankruptcies within French-speaking African member countries are managed.
- The introduction of an electronic platform known as "monentreprise.bj" in February 2020. Its objective is to ease the process of business registration. This platform makes online business registration possible in only about three hours.

The government has also been active in support of special economic zones (SEZs) (box 3.3). The government considers SEZs an affordable instrument to generate agglomeration effects, provide a suitable business environment to firms, and pilot business climate reforms when countrywide reforms, as well as infrastructure and public services provision, are difficult.

BOX 3.3 THE REVITALIZATION OF INDUSTRIAL ZONES IN BENIN

Benin's industrial zones regime is still in its emerging stages following failed attempts to operationalize industrial free zones starting in 1999. From the onset, the Beninese government opted for a private-type management structure, but the efforts did not yield the expected impact on the Beninese economy. The legal framework for the development of industrial zones in Benin has been characterized by two key legislative acts: Law 99-001 of January 13, 1999, which introduced the regime of the Industrial Free Zone, and Law 2005-16 of September 8, 2005, which enabled the implementation of the Industrial Free Zones regime. In 2017, the government adopted Law 2017-07 establishing the special economic zone (SEZ) regime, which offers a number of incentives and other tax and nontax benefits. The Société d'Investissement et de Promotion de l'Industrie (SIPI), a public establishment under the supervision of the Investment Promotion Agency (APIEx), is responsible for operating the SEZs.

The operationalization of the industrial zones agenda has initially faced problems: (a) an inadequate legal and regulatory framework and absence of key implementing decrees; (b) incomplete or lack of key preliminary studies to inform the selection of sites; (c) poor coordination of relevant institutions within the public administration; (d) insufficient resources allocated for the industrial zones programs; (e) lack of competitiveness in comparison with the competition in the subregion; (f) poor overall planning resulting in delays in developing infrastructure; and (g) lack of clarity on the advantages for companies in the zones. All these challenges contributed to discouraging investors and reinforced the perception of the lack of a clear vision by the government.

More recently, Benin has made important strides in revitalizing the plans to operationalize industrial zones, notably through the fast tracking of the Glo-Djigbé Industrial Zone (GDIZ). The operational model of the GDIZ is a public-private partnership (PPP) between the government of Benin and a private partner, Arise IIP, responsible for designing, financing, and operating the GDIZ with an investment of US$1.5 billion for the construction of the industrial zone on a site of 1,640 hectares (ha) of land 45 kilometers outside of Cotonou. The investment is expected to create 12,000 direct jobs by the year 2030. The construction of infrastructure within the GDIZ is currently 85 percent complete and had 24 investors registered in early 2022 in cotton processing, textile and garments manufacturing, and light manufacturing (agribusiness, wood processing, pharmaceuticals, and automotive assembly). GDIZ will also include a 1,200 ha solar power plant on newly allocated land. The establishment of a One-Stop Shop by APIEx in the GDIZ facilitates administrative formalities and the monitoring of commitments to investors, as well as the zone's management and the companies established there. In parallel, the Economic Community of West African States (ECOWAS) SEZ Law under preparation seeks to provide a regional framework that incorporates international best practices and harmonized standards.

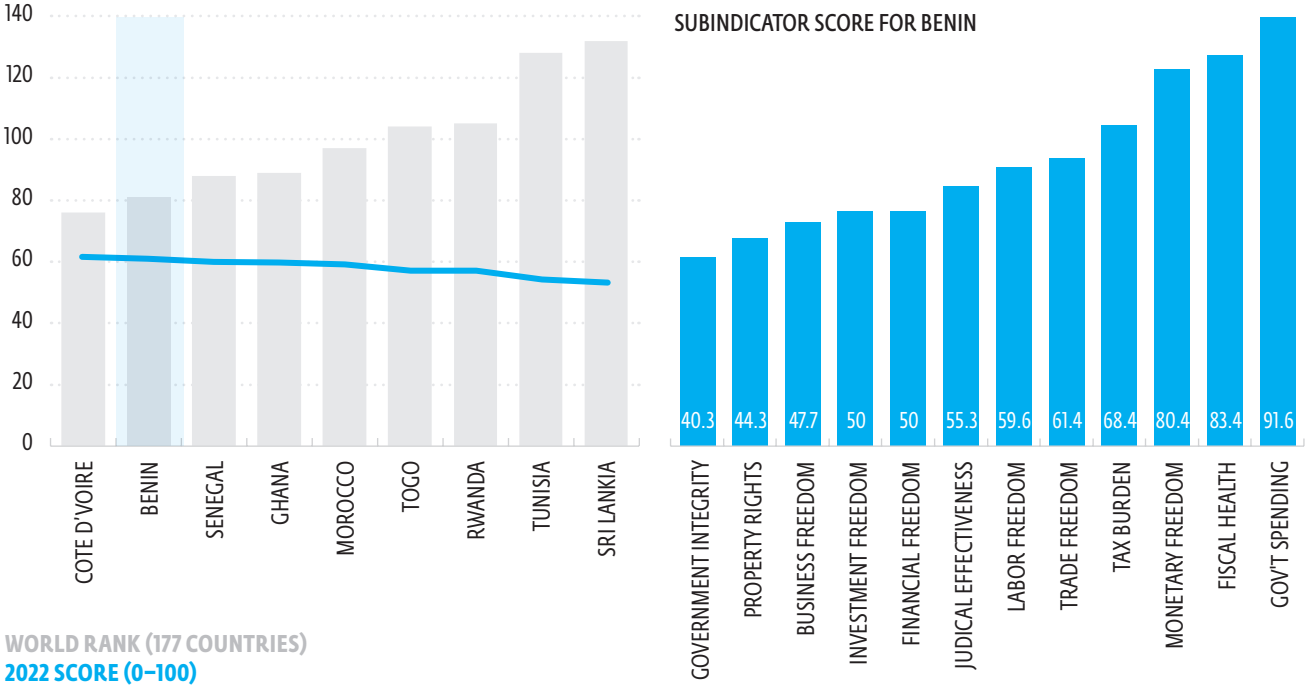
Source: World Bank staff analysis and Sipi-Benin (2022). Glo Djigbé Industrial Zone Zè BÉNIN (GDIZ)

However, the country's business environment still has weaknesses

Benin ranks relatively well on competitiveness and worldwide business environment indicators. For example, the 2022 Index of Economic Freedom (IEF),[79] developed by the Heritage Foundation, a conservative American think tank, ranks Benin 81st out of 177 countries covered, and thus considers Benin a "moderately free" type of economy. Still, the IEF stated specific weaknesses in terms of integrity,[80] property rights,[81] business freedom,[82] investment freedom,[83] financial freedom,[84] and judicial effectiveness[85] (figure 3.4). Benin was ranked 125th out of 140 countries on the 2019 Global Competitiveness Report[86] with major weaknesses in terms of ICT/technology adoption and innovation capability, skills, financial system, and market size (figure A.1, appendix A). These rankings are consistent with past Doing Business rankings that painted the picture of a difficult situation despite progress. Overall, Benin is perceived as a high-risk destination for FDI but is considered for now a moderate financial and political risk (IZF.net). Finally, despite continuous improvement since 2016, Benin continues to grapple with corruption-related challenges, ranking 72nd out of 180 countries on Transparency International's Corruption Perceptions Index for 2022,[87] with a score of 43 over 100, which confirms the IEF assessment. Broadly, while the basic institutional framework for a market economy has been strengthened, enforcement is subordinated to the political economy.[88] The regulatory burden remains high for businesses. It is characterized by important transaction costs and cumbersome procedures but also limited accessibility and accountability in business services offered by the government. This reinforces the view that Benin's reforms agenda remains unfinished although the fundamentals are in place for an investment climate more favorable to private initiative.

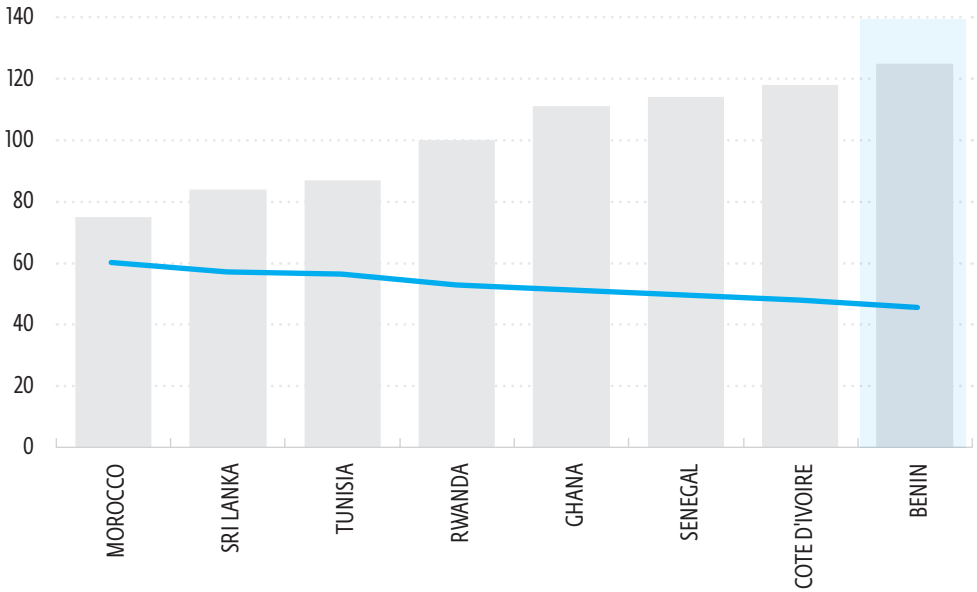
Perceptions from the private sector are that there is a gap between the reforms introduced to improve the business environment and their impact on businesses. MSMEs' requests for support focus on access to finance, access to market and information, and dealings with tax administration and unfair competition (chapter 2, section 2). For instance, Beninese firms without certificates report that information on quality certification is not readily accessible, with almost half considering availability low to very low.[89] These certifications are essential for access to international markets, particularly for the agricultural sector, for which the Beninese administration is strengthening its capacities.[90] Despite a swift response to COVID-19 by the authorities, only 4 percent of firms declared having received support over May and June 2021, also pointing to an implementation or awareness gap, according to the Benin Business Pulse Survey by the WBG June 2021. Foreign investors' perception of the attractiveness of the country remains quite ambiguous. This view suggests that reforms already undertaken have not sufficiently improved the investor perception, and that additional measures are necessary.

FIGURE 3.4 INDEX OF ECONOMIC FREEDOM – SCORES, RANKINGS, AND SUBCOMPONENTS



Source: Terry Miller, Anthony B. Kim, and James M. Roberts, 2022 Index of Economic Freedom (Washington, DC: Heritage Foundation, 2022).

FIGURE 3.5 2019 GLOBAL COMPETITIVENESS INDEX 4.0



Source: World Economic Forum, 2019.

An implementation gap remains

The government has made significant efforts to formulate policies and introduce measures to tackle many constraints to investment, particularly cross-cutting constraints related to business entry and the former Doing Business indicators. The government also rationalized and strengthened institutions that support the private sector and are responsible for promoting and developing trade and investments such as APIEx. However, more needs to be done to address the root causes of inconsistencies, including institutional capacity of support institutions, uncertainty, and transparency. Beninese firms consider that the support provided is of moderate use for training and advice, technological development, or export assistance. En outre, les femmes du Bénin sont aussi moins susceptibles que les hommes de s'impliquer dans des institutions d'appui au secteur privé alors que les associations commerciales renforcent la connectivité des entreprises a travers le partage d'informations de marché, l'identification d'opportunités d'affaires et l'établissement de références croisée (CCI, 2020).

The government can strive to make these efforts permanent by continually strengthening the capacity of key agencies responsible for implementing reform and clarifying government mandates and coordination mechanisms. These institutions include the ANDF, Tax Administration (DGI), APIEx, Municipality of Cotonou, Customs Office, National Fund for Agriculture Development (FNDA), Commercial Court, Centre d'Arbitrage de Mediation et de Conciliation (CAMeC), and National Agency for Standardization of Metrology and Quality Control (ANM). In parallel, a dynamic public-private dialogue mechanism, currently at the conceptual level of development, would better inform policy reforms, increase ownership of the reform agenda, reduce implementation gaps (box 3.4), and increase use of government-to-business (G2B) services. This mechanism would also be of paramount importance for deploying a reactive system to help firms face upcoming crises, such as climate events. An SME Competitiveness survey[91] shows that companies that were proactive about addressing climate risks were also positioned to face the pandemic by adopting resilient coping strategies.

BOX 3.4 DETAILED RECOMMENDATIONS TO STRENGTHEN THE BUSINESS ENVIRONMENT

Reduce the implementation gap in recent reforms

[Short term] Fast-track the adoption of a law on electronic signatures to promote providing digital government-to-business (G2B) services to micro, small and medium enterprises (MSMEs) and investors outside of Benin.

[Short term] Complete the operationalization of the automated system to monitor and restore power outages, which is an important tool because the quality of electricity supply affects all companies, but SMEs in particularly.

[Short term] Enable online submission, processing, and payment of building permit applications through the platform developed by the Information Services and Systems Agency (Agence des Services et Systèmes d'Information) and roll it out to the key municipalities of Cotonou and beyond.

[Medium term] Strengthen commercial justice and build the capacity of the Centre d'Arbitrage de Mediation et de Conciliation (CAMeC) managed by the Chamber of Commerce and industries and encourage the private sector to use alternative methods of settlement for commercial disputes.

Leverage digitization for an efficient business environment

[Medium to Long term] Consider developing a Unique Identifying Number for businesses across government agencies, which the Investment Promotion Agency (APIEx), Tax Administration (DGI), and National Social Security Fund (Caisse Nationale de Sécurité Sociale) will recognize once their respective databases are fully integrated/linked.

[Medium term] Digitize the land register. The land titles are already scanned, so the next step is to digitize the land registers to complete the National Land Management Agency (ANDF) database. Extend the geographical coverage of the cadastre and the land register to the whole country.

[Medium term] Complete the digitization of the collateral registry for movable properties, which should be geographically unified and linked to an electronic database to allow registration, search, modification, or cancellation of collateral registrations online.

Improve perception of foreign investors

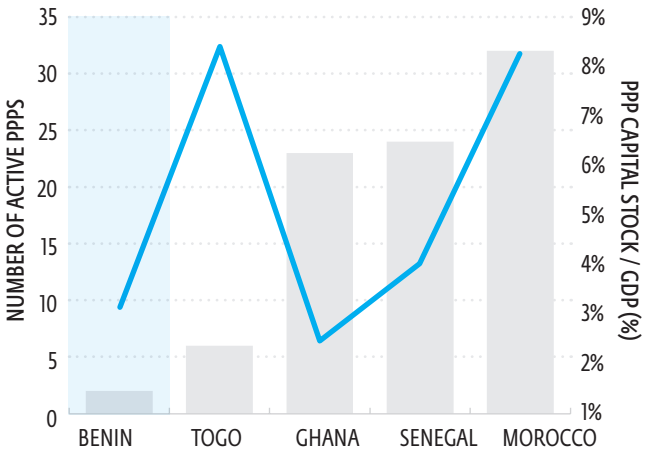
[Medium term] Streamline the issuance of investment incentives by conducting an inventory and benchmarking exercise of investment incentives to streamline the process and make the incentives accessible to investors.

PPPs can be a means to overcome implementation issues

With the potential to attract private funding, design expertise, and operational know-how, PPPs are viewed as excellent private sector solutions that can help build infrastructure, deliver access, and provide quality services. The government of Benin has already been involved in this type of transaction, having previously benefited from the services of the IFC Corporate Transaction Advisory team to design, structure, and tender a PPP transaction in the water sector.[92]

To advance economic transformation, authorities have promoted a model of PPPs as a means of financing 61 percent of planned investments in the first PAG (2016–21). For example, to boost the profitability of the Port of Cotonou, the government opted for a PPP, delegating management to the Port of Antwerp International in January 2018.[93] The administration seems willing to pursue further "privatizations" via PPPs and aims to finance 52 percent of planned investments in the second PAG (2021–26) through this instrument. New privatizations of airport services, food-processing factories, and health care services have begun. When public projects are privatized and awarded, competitive tenders and transparency will be critical to ensure the project's cost-effectiveness and, above all, its ability to deliver the best service.

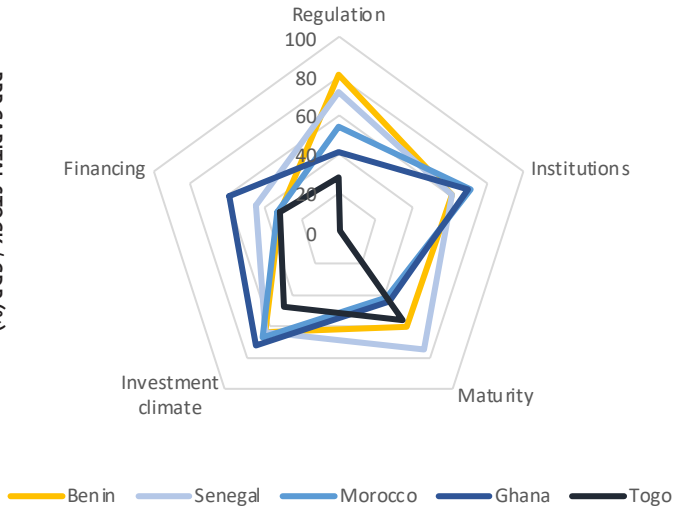
FIGURE 3.6 PPP CAPITAL STOCK OVER THE PAST DECADE AND CURRENTLY ACTIVE PPP PROJECTS



Source: International Monetary Fund (IMF) Investment and Capital Stock Data Set 2021.

Note: GDP = gross domestic product; PPP = public-private partnership.

FIGURE 3.7 CAPACITY TO IMPLEMENT SUSTAINABLE PPPs



Source: Economist Intelligence Unit, Infrascope Index, 2019.

Note: PPP = public-private partnership.

Experience shows, however, that it has been difficult to set up private financing schemes in Benin. The PPP capital stock for 2010–19, relative to the size of the economy, was indeed lower in Benin than in most comparative countries (figure 3.6). In 2013, the government did not manage to raise the funds for the construction of a new hospital in Cotonou. Because funding is limited, a careful evaluation of the investment pipeline based on economic returns and a strong institutional framework are of paramount importance. A new PPP law and its implementing decrees[94] were enacted in 2017 and 2018. The government benefited from a grant from the Public-Private Infrastructure Advisory Facility and WBG support. Key agencies involved in this reform include (a) the Inter-ministerial Committee for Investment Promotion, which oversees the PPP support unit, a line-ministry-level body that reports to the Council of Ministers and is responsible for providing technical support at all stages of the process, including the review of the quality price ratio; (b) the National Procurement Control Department, which oversees the call for tenders; and (c) the Public Market Regulatory Authority, which mediates disputes between private partners and contracting authorities.

In its current form, the legal framework is in line with peers but still has shortcomings when compared with international best practices. The main issue relates to the broad definition of a PPP, which allows all standard contracts to be designated as PPPs. According to the World Bank Country Economic Memorandum, rules and oversight are also limited; public disclosure is not required for all contracts signed by the government or commitment authorizations issued by parliament nor is the state obliged to adhere to ceilings on financial commitments in connection with PPPs (implicit or explicit). Finally, budgetary control during execution is not specified and there are no rules regulating unsolicited proposals.[95] According to the Infrascope Index (a benchmarking tool evaluating the capacity to implement sustainable and efficient PPPs), Benin's performance is average against comparative countries (figure 3.7). Its largest deficiencies are in the financing component that measures the financing facilities for infrastructure projects. Finally, the lack of prior experience in the design, negotiation, and award of concessions in the infrastructure sector has sometimes given a clear advantage to private negotiators.[96] Negotiations have been less of an issue in Benin because IFC successfully tendered a PPP transaction in the port sector in Benin (South Wharf Container Terminal), with financial closure in 2009 for US$489 million. Two earlier PPPs reached financial closure in Benin, the West African Gas Pipeline (US$590 million) in 2005, and Libercom in 2000, which was canceled because of the company's poor financial management.

Recommended improvements for PPPs are summarized in box 3.5.

BOX 3.5 RECOMMENDATIONS TO IMPROVE PPPs

[Short to Medium term] Enhance the definition of a PPP by defining precisely what kind of contract it includes.

[Short to Medium term] Define rules to regulate unsolicited proposals.

[Short to Medium term] Strengthen rules and oversight mechanisms and ensure appropriate budgetary control. This is a recommendation with neutral to positive fiscal gains.

[Medium term] Enhance knowledge exchange programs (although sensitive) at the regional level (both in the West African Economic and Monetary Union [WAEMU] and Economic Community of West African States [ECOWAS]) to strengthen the bargaining position of conceding authorities.

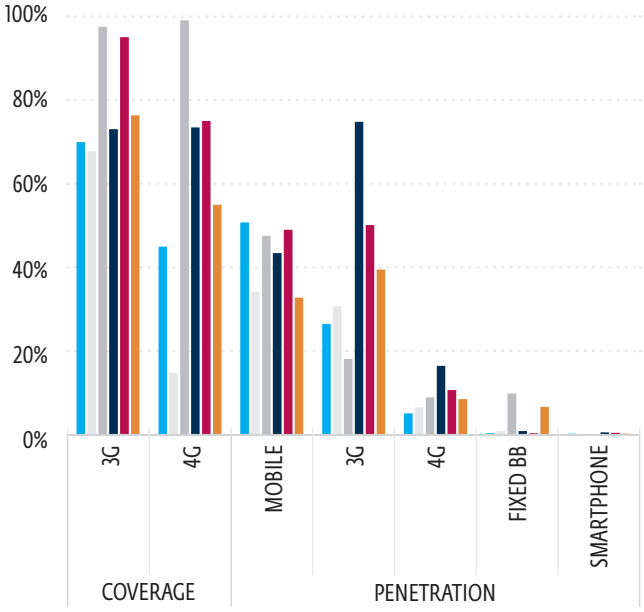
3.4. WEAK CONNECTIVITY

Infrastructure is a critical enabler for development, as shown in most studies of the connection. Studies find a positive relationship between infrastructure and growth, with the magnitude varying across countries. The largest impact typically is for telecommunications and digital services, transportation, and energy.

Digital connectivity is lagging

The COVID-19 pandemic has highlighted the importance of digital services for any economy. In 2019, Benin ranked 144th out of 170 economies on the GSMA Mobile Connectivity Index. Only about a quarter of the Beninese population use high-speed internet via mobile broadband, which has quickly eclipsed fixed broadband (figure 3.8). Most mobile users are on second-generation (2G) services and as such do not have the broadband experience. The mobile broadband penetration (third-generation 3G) stands at 26.6 percent (21 percent by unique subscribers), below most similar peers compared with a regional average of 39.6 percent. Since 2018, mobile demand has been served by a duopoly between MTN and MOOV, following a wave of closures and license revocations that affected three mobile operators. On a positive note, broadband operators have been offering good quality of services during the COVID-19 crisis, thus indicating a good degree of resilience in the mobile data network design when pressure is high. Fixed broadband is in its infancy, with the 10 internet service providers serving 1.9 percent of the households compared with the regional average of 8.9 percent.[97] Subscribers are mainly enterprises and public institutions, of which fewer than a third are connected by copper wireline. The government plans to deploy 690 kilometers (km) of fiber optics to overcome the lack of investment in infrastructure and performance exchange points outside Cotonou and Porto-Novo.[98] As in most African countries, the fixed phone penetration is very low and for decades the public telecommunications (telecom) monopoly was a major obstacle to fiber optics deployment by private operators.

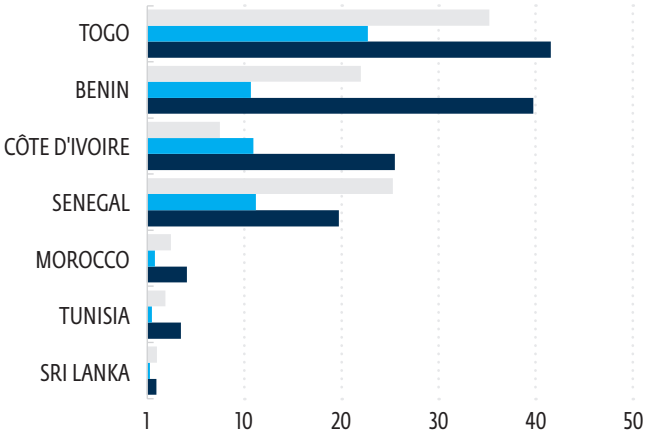
FIGURE 3.8 COVERAGE AND PENETRATION OF MOBILE SERVICES AND SMARTPHONE IN PERCENTAGE OF POPULATION, 2020



BENIN RWANDA SENEGAL
TOGO CÔTE D'IVOIRE SSA

Source: GSMA Intelligence, International Telecommunication Union (ITU).
Note: SSA = Sub-Saharan Africa. 3G = third generation; 4G = fourth generation.

FIGURE 3.9 COSTS OF INTERNET SERVICES IN 2019 (% OF GNI PER CAPITA)



MOBILE CELLULAR HIGH USAGE FIXED BROADBAND BASKET
MOBILE CELLULAR LOW USAGE

- *Mobile, high usage*: data and voice plan with 140 min, 70 SMS, 1.5 GB, 3G and above.
- *Mobile, low usage*: data and voice plan with 70 min, 20 SMS, 500 MB, 3G and above.
- Fixed broadband basket is for a 5GB plan.

Source: ITU, ICT Price basket at https://www.itu.int/net4/ITU-D/ipb/.
Note: GB = gigabytes; GNI = gross national income; MB = megabytes; min = minutes; 3G = third-generation; 5G = fifth-generation.

Broadband services are also unaffordable. Beyond connectivity, the high price of telecom services, to which multiple layers of taxation contribute, acts as a barrier to adoption. The total cost of mobile ownership, including owning (handset price) and using a mobile phone (activation and service prices for a medium basket), represents about 55 percent of the average monthly income. Similarly, the country is always in the group of the most expensive countries for digital service (figure 3.9). Out of 188 countries, Benin ranks 145th in gross national income (GNI) per capita for the price of a data-only mobile broadband basket (1.5 gigabytes), and 157th for a basket of voice and data services.[99] The combined effect of taxes is about 20 to 25 percent of mobile operators' turnover.[100] The review of fiscal measures could help decrease the cost of entry-level broadband services below the Broadband Commission's target of 2 percent of GNI per capita compared with the currently high 7.7 percent. In addition, well-designed fiscal incentives could accelerate the deployment of very high-speed fixed and mobile broadband and infrastructure to allow delivery of innovative services to businesses and consumers in Benin.[101]

In reaction, the government has launched an ambitious digital strategy and taken action to boost digital connectivity, which will be critical to the economy's resilience and productivity growth. The government has launched a major restructuring of the sector with the enactment of a Digital Law in 2017 that reflects international best practice. The government has also put digital development at the heart of the development strategy to accelerate structural transformation by setting up a Universal Access Fund, adopting the legal framework for infrastructure sharing, and connecting to the Africa Coast to Europe (ACE) cable. It has started notably with actions to develop digital use in public schools and to create public internet access points. To encourage the adoption of digital services, the government is also operationalizing the supervisory body for the trust service providers that will guarantee the quality of sensitive digital services, in collaboration with the Agence Nationale de la Sécurité des Systèmes d'Information (ANSSI).

For these efforts to be fully effective, it will be essential to ensure that competition dynamics remain adequate in the mobile market and are reinforced when it comes to fixed and international assets. In 2017, the government restructured the two public operators.[102] Infrastructure assets were transferred to a newly created state-owned company, Société Béninoise d'Infrastructures Numérique (SBIN), which also owns the national fixed fiber backbone network as well as access rights to two submarine cables. In March 2020, the government extended the scope of the SBIN from being a pure wholesaler to operating in the fixed broadband retail market and the mobile retail market, in effect becoming the third mobile operator. The mobile license was granted in June 2021, following the recruitment of a delegated manager in March 2021. Sonatel Group, which operates under the Orange brand is in charge of the management of SBIN for the next five years.[103] Efforts are required to ensure that competition dynamics will remain adequate as risks arise in at least three segments:

- **Mobile market**: SBIN is becoming a vertically integrated operator, active on both the wholesale and retail markets, and in direct competition with the operators—such as mobile operators—to which it was supposed to sell digital capacity.
- **Fiber market**: In October 2020, the sector regulator clarified the process for operators in Benin to request authorization to deploy fiber optics.[104] This decision increased transparency and certainty in the process, a welcomed improvement that will support private investments in fiber infrastructures. The government could now consider further supporting the deployment of optical fiber in Benin, by considering an even lighter authorization process to deploy fiber (or even remove the requirement to request an authorization to the sector regulator). The level of prices applied on the wholesale market, the price paid by internet service providers for a Synchronous Transport Module-16 (STM-16) link on the national backbone, is US$75,000, which is three times higher than the price charged by MTN in Ghana.[105] An extended open-access backbone could facilitate access to and quality of digital public and private services nationwide.
- **International access**: In the absence of all necessary authorizations, the regulator has asked the economic interest group managing the ACE landing cable and station in Benin in open-access mode, to cease its operation. Access rights have been transferred to SBIN, now the only operator with access to international bandwidth through the ACE and SAT-3 cables. New submarine cable projects may provide additional links to better connect the country with the region and other international cables.[106]

Further efforts are required because internet access remains limited and geographically disparate. Challenges include disparity in internet access across regions, high costs of telecommunications services, and competition concerns. This situation creates difficulties for the private sector to become more productive through digitization, and for the economy to become more inclusive through digital finance. A 10-percentage-point increase in broadband penetration is associated with an estimated average increase in GDP per capita between 0.9 to 1.5 percent in a country like Benin.[107] For instance, mobile money has allowed Benin to significantly improve access to financial services (with more than 76,000 mobile agents in 2019, a figure 35 times higher than in 2014).[108] Digital services can further unlock opportunities in sectors critical to Benin's development and structural transformation, such as using booking platforms in tourism and adopting smart-agriculture technology.

Lack of financing is slowing the consolidation of the government's efforts to reduce the digital divide, to which the entry of Towercos could be a tangible solution. Investments in the last-mile mobile networks over the past three years have varied significantly. The adopted new legal framework and regulatory decree for sharing broadband infrastructure have the potential to increase investments in fiber and fourth-generation (4G) towers by mutualizing operators' costs. For infrastructure sharing to materialize (including for site power provisioning), further clarifications on mandatory sharing dispositions in priority areas, conditions of deployment and transfer of mobile sites, and the process for site deployment authorization at the municipal level are needed. The Digital Economy for Africa (DE4A) diagnostic also identifies priority areas of interventions to further reduce the digital divide by improving policy visibility and predictability as well as more targeted use of the Universal Service Fund (USF) to cover white spaces.

Recommendations for furthering the development of digital connectivity are summarized in box 3.6.

BOX 3.6 DETAILED POLICY ACTIONS FOR DIGITAL INFRASTRUCTURE DEVELOPMENT IDENTIFIED IN THE WORLD BANK, DIGITAL ECONOMY FOR AFRICA (DE4A) DIAGNOSTIC FOR BENIN

[Short to Medium term] Improve policy visibility and predictability. The present uncertainty about the transfer of assets from Benin Telecom Infrastructure (BTI) to SBIN, the dominant position of SBIN on the international and national wholesale markets, and the upcoming launch of mobile services may generate risks for competition dynamics. To ensure policy visibility and predictability, the government of Benin and the regulator Autorité de Régulation des Communications Electroniques et de la Poste (ARCEP) may be encouraged to conduct a market analysis to assess all potential market risks of having a single vertically integrated operator and to identify and implement regulatory remedies to alleviate those risks.

[High priority] Continue to support the activities of the Universal Service Fund (USF), which is focused on expanding coverage to underserved areas. The present management and governance structure of the USF is under the aegis of the Beninese Agency for Universal Service of Electronic Communications and Post (Agence Béninoise du Service Universel des Communications Electroniques et de la Poste). It is important that the USF has the required support to focus on the universalization of broadband access across the country.

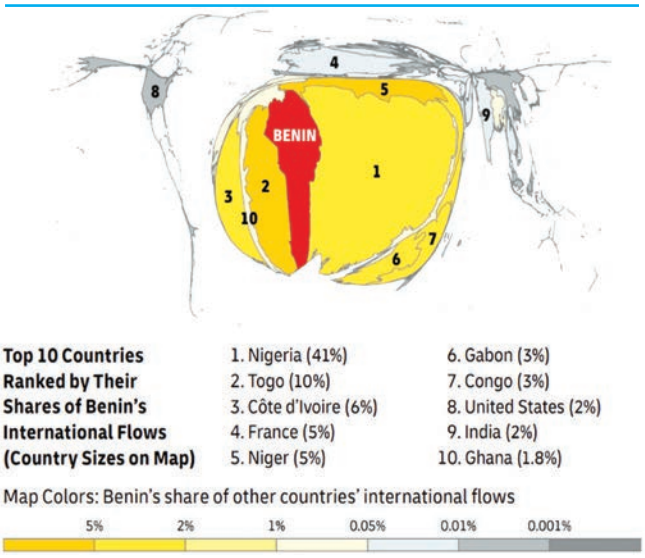
[Quick win] Further support the deployment of optical fiber by all operators active in Benin (including along axes where SBIN already has fiber).

Operators will be able to choose between deploying fiber for their own use or sourcing national capacity from SBIN—hence, to choose the most advantageous solution to reduce their costs in the short term and benefit their customers in the long term. This is a best practice regulatory policy known as "build or buy" that fosters competition and long-term economic gains to the benefit of the end users.

Transport and logistics services are expensive and unreliable

The country's strategic location makes Benin a prime transit hub connecting coastal and landlocked countries to its north. Benin provides the shortest and most competitive transport route to Niamey and is a competitive option for goods destined for Ouagadougou, northern Nigeria, and parts of Mali and Chad. The country's role as a key node within these regional corridors has acted as an important driver behind regional market integration (figure 3.10 and figure 3.11). The formal transportation sector accounted for about 8.9 percent of GDP in 2015–18,[109] but its indirect contribution to the creation of added value is estimated to be significantly higher. Though Benin is a small, open economy that depends on sound connectivity, the country has not yet been able to fully build out a strong transport infrastructure to spur growth and create jobs. The development of a formal, modern trade services sector would bring a double dividend to Benin's economy as a source of employment and of competitive advantage to underpin the country's economic transformation.

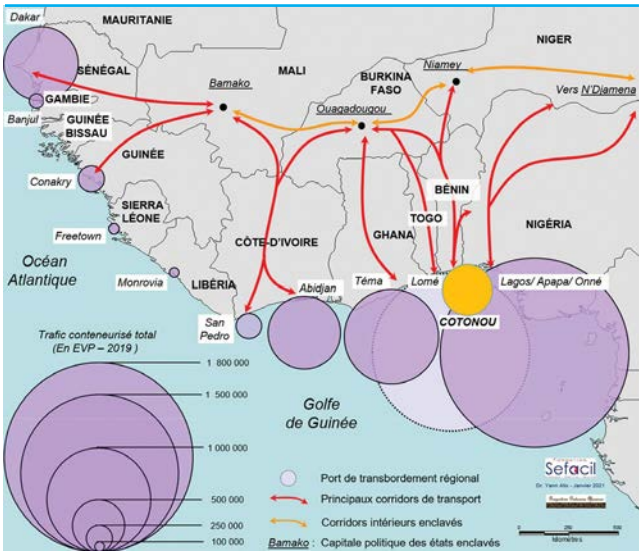
FIGURE 3.10 BENIN'S PRIMARY CONNECTIONS ARE REGIONAL



Source: S. A. Altman and P. Bastian, DHL Global Connectedness Index 2020 (New York: New York University Stern School of Business, 2020.

Note: The DHL Index gives the following weight to each component: trade 35%, capital 35%, information 15%, and people 15%.

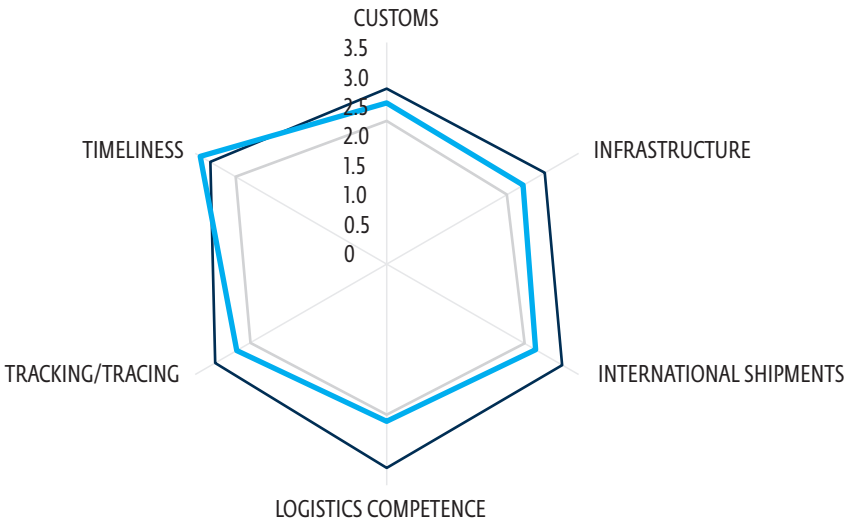
FIGURE 3.11 REGIONAL CORRIDORS AND PORTS



Note: Congo refers to the Democratic Republic of the Congo Source: Y. Alix, 2021. "Cotonou: Terre d'Innovations Portuaires," Sefacil: Perspectives Portuaires Africaines, N1.

Benin has made advances with recent investments in infrastructure, but issues persist in all areas of the logistics and transport sector. The 2018 Logistics Performance Index (LPI) ranks Benin 76th out of 160 countries, with its score in many areas above the regional average and on par with higher-income competitors (figure 3.12). Indeed, between 2007 and 2018, Benin's LPI score rose from 2.45 to 2.75 (out of 5), putting it ahead of the average in the region and among lower-middle-income peers. This advance was helped by the US$170 million rehabilitation and improvement of the Cotonou port's infrastructure, funded by the Millennium Challenge Corporation (MCC), which increased the port's cargo-handling at a time of significant improvements in neighboring regional ports. As a result, waiting times at the dock in Cotonou decreased from 46 to 23 hours for container ships for the period 2007–16, because of improved port operations.[110] In 2019, Benin also reduced the time and cost to trade by further upgrading its electronic single window system and by improving its risk-based profiling system. However, according to the 2018 LPI, issues persist for customs, logistics competence, tracking, and infrastructure itself. Before the COVID-19 pandemic, one in three Beninese firms already considered the quality of transport infrastructure to be low,[111] and the 2020 Global Connectedness Index ranks the country only 160th out of 169—behind Niger, Senegal, and Togo.[112] On the regulatory side, exporting goods remains relatively lengthy and costly compared with other comparative countries such as Morocco or Togo. On the plus side, export costs now appear lower than most competitors (table 3.2) and Benin has embarked on a major modernization of the Autonomous Port of Cotonou (PAC).

FIGURE 3.12 LOGISTICS PERFORMANCE INDEX, 2018



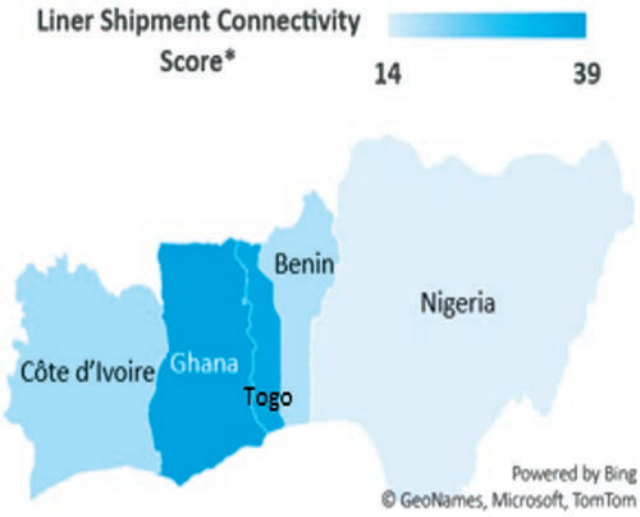
Source: World Bank, Logistics Performance Index (LPI), 2018
Note: SSA = Sub-Saharan Africa.

The government of Benin has recognized the importance of improving the country's transport infrastructure and has been increasing investments to this end. The government's 2016–21 Action Plan, "Revealing Benin," identified transport infrastructure as an important area for improvement. Within this context, the government set an objective to both modernize the country's transport infrastructure, such as upgrading at least 1,362 km of the national road network, and to induce reforms to help Benin evolve from a transit country toward a logistics and export provider by supplying an integrated system of transport infrastructure and efficient services. The 2022 Finance Law further built on this momentum, and the budget for the improvement of transportation infrastructure increased by 46 percent compared with the year before, to CFAF 155 billion (US$270 million). The budget will be used to invest in major projects across four domains: air transport, maritime transport, road transport and safety, and maintenance and construction of roads and rural transport infrastructure. Yet, in view of the limited public fiscal space and large investment needs, it is of paramount importance to broaden private sector involvement in the sector, both to upgrade infrastructure and to develop competitive service providers.

The PAC acts as a critical entry point for ocean freight and though its performance has improved in the past decade, more needs to be done to catch up with regional competitors. The PAC, one of the busiest ports in West Africa alongside Lomé (Togo), Tema (Ghana), Lagos (Nigeria), and Abidjan (Côte d'Ivoire), is often referred to as the "economic lung of Benin" and processes about 90 percent of the country's foreign trade.[113] Yet, annual freight traffic volumes are on a downward trend since peaking at 10.5 million metric tons (mt) in 2014, standing at 10.1 million mt in 2019.[114] Because the PAC is highly dependent on the Nigerian economy, this trend has mainly been driven by poor performance of the neighboring country and recurring border closures. Although the PAC does not intend to become a transshipment hub as in Togo, Benin seeks to remain a competitive transit hub with the potential to transform transport corridors into economic corridors.

In the context of increasing regional competition and limited port capacity, Benin is positioning itself as a transit hub. The PAC's closest neighbors, Lomé and Tema, have registered even more significant improvements, in particular in capacity metrics (table 3.2) and are therefore emerging as the leading regional hub ports.[115] They have positioned themselves on the transshipment segments, with Lomé being the first port offering these services and benefiting from better connectivity (figure 3.13). Combined with the near completion of Lekki deep seaport near Lagos and the project of the Badagry port nearby, chances exist that the PAC will lose important access to the lucrative Nigerian market in the coming years, making the PAC mostly a Benin-Niger port with total demand for both only standing at 10 million mt. The PAC decided to differentiate its services to serve as a transit hub to supply landlocked countries in the Sahel, which have a free zone inside the port. To maintain regional competitiveness, the PAC introduced a 2021–26 Master Plan, which consists of six renovation and development projects for a value of about US$440 million that address structural bottlenecks and improve capacity.[116] If successfully implemented, the port's efficiency would improve significantly, leading to improved regional competitiveness. To support domestic exports, the PAC and Glo-Djibé Zone must collaborate successfully on logistics because producers have been facing coordination failures in filling containers, and the pandemic worsened the affordability of and access to shipping.[117]

FIGURE 3.13 LINER SHIPMENT CONNECTIVITY



Source: United Nations Conference on Trade and Development (UNCTAD,) Port Liner Shipping Connectivity Index, UNCTAD, 2020.

Note: Liner Shipping Connectivity Index score indicates how well countries are connected to global shipping networks based on the status of their maritime transport sector. It is computed by UNCTAD based on five components of the maritime transport sector: number of ships, their container-carrying capacity, maximum vessel size, number of services, and number of companies that deploy container ships in a country's ports.The highest value is 100. The Liner Shipment Connectivity Score refers to the following ports in the respective countries: Abidjan, Côte d'Ivoire; Tema, Ghana; Lomé, Togo; Cotonou, Benin; and Lagos, Nigeria.

TABLE 3.2 PORT CAPACITY IN BENIN

PORT	MAX DEPTH (M)	NUMBER OF BERTHS	LENGTH OF STAY (DAYS)	AVERAGE NUMBER OF SHIPS PER MONTH	AVERAGE ANNUAL TONNAGE (MILLION)
Cotonou	15	11	—	85	10
Abidjan	16	21	15.70	160	22.5
Tema	16	18	18	129	22
Lagos	15	—	25	95	41
Lomé	17	13	—	115	30

Source: A. Hounshounou, Brage de Moraes, and M. El Robrini, "Application of Fuzzy Logic at the Port of Cotonou (Benin/West Africa) in Analysis of Port Logistics Viability," International Journal for Innovation Education and Research (2021): 209–25.

Note: m = meters.

The poor condition of Benin's roads increases the costs of commerce and limits market access, which is critical for exporting agricultural products. About 35 percent of Beninese firms surveyed in 2019–20 rated the quality of transport infrastructure as low.[118] Inconsistent development of road paving, combined with a lack of maintenance (in particular after heavy rainfall), has led to the relative decline of the country's infrastructure quality compared with regional comparative countries.[119] The Ministry for Public Works' 2020 quality road survey highlights that only 26 percent (566 km) of both interstate road networks are in good condition. This report is especially problematic for agriculture as producers in the north—the most productive region at the times of peak demand in Europe—need efficient transport to the cargo airport in Cotonou. The lack of access to all-weather roads (available to 23 percent of the rural population) makes the transport of goods difficult during the rainy season, leaving farmers with low bargaining power. Only about 19 percent of roads are paved,[120] and limited maintenance of major roadways exposes firms to higher indirect costs.[121] Thus, of the few agricultural firms that use logistics services, just 15 percent rate the quality of logistics as high, compared with 50 percent of manufacturers. Firms in northern regions value the quality of infrastructure as particularly low, with 80 percent of those in Parakou, for example, giving low ratings. Several projects[122] to improve road corridors call for further assessments of the potential for the private sector to finance upgrades and maintenance.

The lack of an alternative to road freight creates a monopoly position for large freight trucking companies and hinders the development of multimodal solutions. In the absence of an operating rail freight system in Benin, businesses can only go through trucking companies to transport their goods across the hinterland. According to anecdotal evidence from local firms, this situation not only results in higher prices but also in a less dynamic logistics sector that aims to defend the status quo without modernizing or professionalizing its services. Furthermore, the advantageous situation for large trucking companies leads to resistance blocking or slowing down the development of alternative modes of transportation, such as railways. In past decades, the existing railroad connecting Cotonou to Parakou has experienced declining traffic, poor quality of service, and growing indebtedness. As a result, the existing railway company,[123] a binational parastatal, was dissolved in August 2020. The governments of Benin and Niger launched an international tender for a concession[124] by a private company to take over rail transport services and complete the connection with Niamey. Although a sound railway network could greatly improve the corridor's competitiveness, multiple legal disputes between private companies have arisen since the tender was issued in 2008, which has delayed the project and halted rail operations. In this context, the current logistics market structure creates an additional barrier for creating a multimodal transportation infrastructure.

Meanwhile, Benin's airport infrastructure is not yet sufficiently mature to provide extensive international or regional market connectivity. With 21 international destinations, Benin was ranked 135th out of 139 countries by the World Economic Forum (WEF) 2019 Airport Connectivity Index, compared with 78th for Nigeria and 94th for Ghana. Passenger air transport in Cotonou has recorded minimal growth over the past 10 years—2.2 percent annually, compared with 6.0 percent in Accra and 10.0 percent in Abidjan (figure 3.14). Airport fees in Cotonou do not appear excessive nor do they seem to play a major role in explaining traffic patterns. Instead, the lack of adequate airport services, weak infrastructure, and changes in airline connections affected traffic. The main runway of the international airport in Cotonou-Cadjehoun is unable to accommodate certain types of wide-body aircraft. The construction of a second international airport in Glo-Djigbé during 2021–26 offers opportunities to address these issues, with a new runway and freight-processing services. To strengthen the competitiveness of air freight, critical for high-value horticulture exports, issues related to the relatively high taxes for flights[125] (above the ECOWAS average) and the lack of cold chain logistics should be addressed.[126] However, it will be important that clear complementary qualities between the two airports are established to leverage their comparative advantages. The government also sought to improve air connectivity through the recent decision to become a shareholder of Benin Airlines. However, the poor track record of national airlines that have historically faced overregulation, overstaffing, excessive debt, political interference, and poor management calls for caution.[127]

FIGURE 3.14 ANNUAL PASSENGER VOLUME AT REGIONAL AIRPORTS

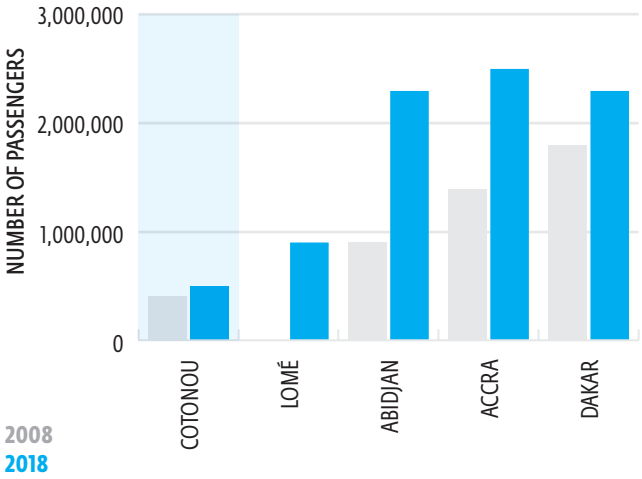
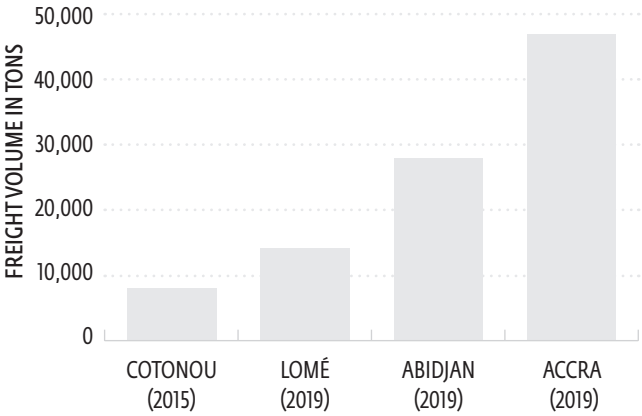


FIGURE 3.15 ANNUAL FREIGHT VOLUME AT REGIONAL AIRPORTS



Source: World Trade Organization, Trade Policy Reviews—Benin, 2018; IMF, Togo: Sixth Review under the Extended Credit Facility Arrangement and Request for Augmentation of Access, 2020; and France Aviation Civile Services (FRACS), Air Transport Bulletin—Airlines, Reports and Airliners, 2019 full year results (Q – 2020), FRACs, 2020.

To catalyze domestic and regional opportunities by connecting people and markets, Benin needs to strengthen the competitiveness of its trade corridors through better management of its infrastructure (box 3.7) and reforms for better services.

BOX 3.7 DETAILED PRIORITY POLICY ACTIONS FOR TRANSPORT INFRASTRUCTURE

[Short term] Establish a pipeline of potential public-private partnerships (PPPs) to leverage private expertise and capital. Interviews with the domestic private sector suggested exploring the viability of PPP solutions for the following: fruit storage infrastructure, cold chain logistics, bus stations, heavy vehicle parking infrastructure, professional training centers for trucking companies and road freight inspectors, and infrastructure for the development of river transportation. In addition, the proposed PPP project to construct the Cotonou ring road could be enhanced to increase its feasibility and attractiveness for private investments.

[Short term] Resolve the ongoing issues regarding the outstanding concession for the Benin-Niger railways by reflecting on the incentives for the private sector to invest in Benin's railways. The optimal functioning of rail services would transport 450,000 metric tons of goods per year and offer a competitive alternative to the Ouagadougou-Tema railway. It would reduce the strain on the domestic road network, which currently absorbs about 5 million metric tons of transported goods on more than 150,000 trucks each year for traffic to landlocked countries.

[Short and Medium term] Facilitate the successful implementation of the Port of Cotonou (PAC) 2021–26 Master Plan, including competitive transfer of activities to the private sector, to maintain competitiveness. In 2021, the Port of Antwerp International initiated the second term (2021–25) of its nine-year contract with the government of Benin to develop and support the PAC, with a focus on the implementation of its Master Plan. It consists of six major projects to improve the port's efficiency through, among others, the construction of a new terminal, an upgrade of the quayside, and the modernization of the truck terminal.[a] The government should closely monitor and proactively address the bottlenecks and constraints that exist for executing the planned projects. Beyond the Master Plan, other planned reforms should be carried out or complemented, including (a) the transfer of different port activities to the private

sector—the servicing of the new terminal of the port, the construction of warehouses, and the potential installation of cold storage facilities; (b) the informing of stakeholders about system requirements as the port information system becomes active in 2022; and (c) the development of an urban mobility plan with a parking with call system to help minimize congestion around the port.

[Short to medium term] Design a strategic master plan for air connectivity to ensure complementary qualities between the new Glo-Djigbé airport and the existing Cotonou airport. Clarifications in the strategic scope and objective of the proposed new international airport would enable the design and implementation of a sound concession contract for the existing airport. The development of a Master Plan for the latter would help articulate and sequence infrastructure development and consider options to leverage private sector expertise for specific operations. [b]

[Medium term] Establish a continual road maintenance program to maintain the quality of infrastructure. The road projects undertaken under the 2022 Finance Law would benefit from a sound rural roads strategy with a multiyear investment and maintenance program. The mobilization of local communities' own resources and interests could also yield tangible benefits. Upgrading and expanding the trucking infrastructure (such as parking lots for heavy vehicles, control/weighing stations, and reloading stations at border crossings) would limit road deterioration while enhancing the performance of road freight services. For higher impact, it could be complemented by a roadside inspection plan and an industry plan for teaching loading and unloading.

a. Port of Antwerp International (PAI), Plan Directeur Du Port de Cotonou, 2021. The implementation of the plan is expected to strengthen the PAC's efficiency by improving the access for larger vessels (up to a length of 350 meters and a width of 52 meters), reduce waiting times in the harbor and transit times for trucks, and increase the overall annual capacity of the port to more than 20 million metric tons.

b. Infrastructure is planned to connect the two airports and the Glo-Djigbé airport to the city of Cotonou—namely, (a) the construction of a northern bypass road of Cotonou (37 km) and its connecting bar (5.2 km); (b) the reconstruction of the RNIE2 into a 2x2 lane road, Cotonou-Bohicon-Dassa section (207 km), for a Cotonou-Glo-Djigbé expressway; and (c) the doubling of the Sèmè-Porto-Novo road (10 km) and construction of a new 2x2 lane bridge (for an expressway between Sèmè and the Nigerian border), which will allow for a rapid link with the megalopolis Lagos.

3.5. LOW-SKILLED WORKFORCE

A crucial ingredient for supporting productivity increases and enabling technology absorption by firms is to have high-skilled technical talent and human capital available, which are elements that remain underdeveloped in Benin. Statistics imply that 16.3 percent of Beninese older than 13 years (Facebook users in 2022, according to Meta marketing data) have foundational digital skills—that is, they can complete simple tasks online, and at least 42 percent (literate citizens) possess or have the potential to learn necessary digital skills.[128] About 20 percent of Beninese firms offer formal training to improve the skills of their employees, a much lower proportion than in other countries in Sub-Saharan Africa.[129] MSMEs are likely to face more severe resource constraints than larger firms, which limits their possibility to invest in strengthening the skills of their workers.[130]

The education system is indeed of low quality. The country ranks 147th out of 174 on the 2020 Human Capital Index with a score of 0.40, which is primarily attributable to weaknesses in the education system. This ranking is in line with the average for the Sub-Saharan Africa region and lower than the average for lower-middle-income countries (0.48). This score implies that children born in Benin today will be 40 percent as productive when they grow up as they could have been with a complete education and full health. Further, 78 percent of all children in Benin at late primary age are not proficient in reading. When the factor of what children actually learn is added, expected years of schooling represent only 5.7 years. Students scored 384 on a scale where 625 represented advanced attainment and 300 represented minimum attainment of harmonized test scores.[131] The COVID-19 pandemic further exposed weaknesses in the training system in Benin, particularly its lack of digital preparedness.

Access to formal technical and vocational education and training (TVET) remains limited for the Beninese population. Training programs are perceived to be underdeveloped and inadequate by employers. The number of students in technical and vocational training institutions (public and private) in 2019–20 was 3.8 per 100 pupils at the general secondary education level.[132] Administrative and management fields tend to be preferred and represent more than 53 percent of enrollment. In contrast, training offered in the agricultural sector accounts for only 23 percent of students, despite agriculture being the main provider of employment in Benin. This mismatch in skills leads to significant underemployment, which is especially pervasive for youth. Underemployment is estimated to stand at 92 percent of the 15–24 age group with employment. The typical underemployed worker is disproportionately young, female, rural, and self-employed, with low levels of education and engaged primarily in agriculture, livestock, fishing, and forestry. Girls are underrepresented in technical and vocational training (31.5 percent of students in 2019–20). Quality of training remains a serious concern because of a number of factors including an obsolete curriculum, outdated and weak pedagogical methods, inadequate training and learning equipment, and perhaps most importantly, trainer skills and qualifications—few trainers have industry experience.

The government, recognizing that TVET services are limited in both access and quality, has demonstrated a commitment to TVET reforms as set out in the Strategy on Technical and Vocational Training (2019—25). Deliberate efforts have been made to substantially increase investments in the skills development sector and feasibility studies are ongoing to ensure the increased delivery of quality skills and TVET programs in priority sectors (agriculture/agribusiness, environment, infrastructure, energy sector, digital domain, and tourism). The government also recognizes a number of issues in the TVET sector that need to be reformed such as institutional governance, modernization of curriculum and content development, training of trainers, recognition of prior learning, and certification in support of TVET development programs in the priority sectors noted previously.

The governance of the TVET sector is also amid significant changes. A new TVET framework law[133] was submitted by the government to the parliament on March 25, 2021, including, among other things, to promote private sector participation in TVET service delivery. Furthermore, a new agency known as the National Agency for the Development of Technical and Vocational Education and Training has been established to manage the key tasks associated with TVET. When it comes to promoting collaboration between training institutions and potential employers, Benin can build on earlier success. Katherine M. Caves and coauthors illustrate that while countries have typically taken employers and have attempted to integrate them into education-led programs, Benin has taken an alternative approach of an informal employer-led program, and integrated actors from the education system into it.[134] The Certificat de Qualification Professionnelle programs presented an education-employment linkage index score (based on surveys) just above the average scores of international top performers. Benin's efforts have proved the most effective, revealing (a) the importance of quality assurance under government programs through the assessment learning outcomes and competence acquisition by trainees and (b) potential for scale-up in context with large informality and low rate of formal education.

Recommendations for educating the workforce in digital skills are summarized in box 3.8.

BOX 3.8 DETAILED POLICY ACTIONS FOR DIGITAL SKILLS DEVELOPMENT IDENTIFIED IN THE WB DE4A FOR BENIN

[Quick win/High priority] Revisit and align implementation strategies of the 2018–30 education sector plan and its supporting programs with a digital skills framework that integrates international standards and definitions with national social, economic and labor contexts, priorities, and objectives to capitalize on Benin's comparative advantages.

[Medium term/High priority] Expand and equip literacy centers to implement user digital-skills workshops and community/peer digital skills training programs that fast-track adult digital literacy; develop digital centers that train and certify in areas with likely comparative advantages; create direct links between certifications obtained and job qualifications sought; and provide incentives for in-house industry skills training. These actions should aid progress toward equipping citizens with general literacy, numeracy, soft, and user and specialized digital skills that are reflective of Benin's regional dynamics (such as the Nigerian transit trade), workforce demands, and aspirations.

[Long term] Make information more accessible for the local market analysis of digital products and services and encourage venture capital investment supporting digital entrepreneurship. The government must support pathways to digital entrepreneurship, specifically development, distribution, and management of technologies. This support may include venture capital schemes, South-South partnerships that help public and private sectors maximize digital technologies and in-house expertise, business incentives for in-house entrepreneurship and/or venture management, and support-matching for innovation hubs that promote digital entrepreneurship meeting local needs.

[Long-term] Prioritize education and training content digitalization and invest in digital pedagogy. Smart and timely workforce development within a climate of transparency, inclusivity, and good governance is essential. In general, the government should incorporate comprehensive digital economy policies and guidelines to allow for operational agility.

4. IDENTIFYING OPPORTUNITIES

To identify short- to medium-term opportunities for leveraging private investment in selected sectors in Benin, the CPSD team considered three criteria: (a) potential inclusive gains from further private investment; (b) feasibility of reforms to unlock private sector potential; and (c) attractiveness for private investment. The challenges of Benin's volatile growth model with its basis on reexports to Nigeria, the small size of the domestic market, stagnating economic fitness, declining total factor productivity (TFP) growth, and the COVID-19 crisis encapsulate what the country and the private sector have to contend with in the coming years. The CPSD selected three areas of focus where the private sector can provide a boost to enhance productivity and economic diversification for more and better jobs and increase economic resilience to build back better in the post-COVID-19 recovery phase. First, the CPSD assessed potential to contribute toward enhanced productivity and diversification for higher-quality jobs (growth prospects, competitiveness potential, and development impact). The assessment also considered the feasibility of reforms as far as the government's interest in developing the sector. Finally, sectors were selected considering potential for private investments in the short to medium term and value addition of an in-depth assessment given existing knowledge and ongoing analyses. The CPSD's approach to sector selection combined consultations with key stakeholders, an analysis of economic fitness[135] and diversification potential, and a thorough review of existing analyses.

The sector selection criteria defined previously led to the proposed short-listed sectors for conducting detailed assessments in the CPSD, as follows: (a) agriculture and agro-processing of fruits and vegetables for export; (b) tourism in the post-COVID-19 context; and (c) regional integration. Exportable goods and services are prioritized for two proposed assessments given the small size of the Beninese market and potential for value generation. Digitization and technology adoption, an area that is key to enhanced productivity and resilience as illustrated by the COVID-19 shock, are emphasized when relevant, thus building on the findings of the recent DE4A. The CPSD pays particular attention to logistics challenges faced by exporting and trading firms, and to the potential of special economic zones as effective solutions to overcome difficulties in accessing reliable utility and exports services (see appendix B).

Private-driven growth in selected sectors has the potential to create jobs and enhance the resilience of the Beninese economy through diversification. WBG analytics[136] and interviews with stakeholders suggest there is scope for further private sector-driven expansion for agribusiness of fruits and vegetables for export to the regional and European markets. Access to market and improved productivity have the potential for large development impact given the economic importance of the agribusiness sector. Similarly, stakeholders' interviews and the analysis point to an untapped potential to better leverage Benin's proximity to Nigeria to develop a more solid tourism sector with potential to further expand toward international heritage tourism in the longer run. The COVID-19 shock on the tourism industry calls for an in-depth assessment to guide efforts toward improving the resilience of the sector and building back better and greener, as 1 in every 10 jobs was in the sector before the crisis. Benin's location, neighboring Nigeria's large market of 206 million people, can also allow the Beninese of the private sector to reap the full benefits of business relationships at the regional level. The partial reopening of the border with Nigeria in December 2020 and the ongoing negotiations on the African Continental Free Trade Area (AfCFTA) provide a significant opportunity for regional integration and export-led growth. The CPSD conducts an in-depth analysis on the potential for Benin's private sector to leverage business relations with Nigeria and its position in the region in the middle term.

The basis for not selecting other sectors was a limited potential for private sector expansion or value addition of additional analysis. Construction will already benefit from the existing momentum to address both demand and supply bottlenecks for the private sector to contribute to the success of tourism development and of the government's flagship program to supply affordable houses, in a context of rapid urbanization and the large deficit. The construction sector represents only 2.6 percent of employment, but job multipliers point to the potential for creating both direct and indirect jobs throughout the value chain. Benin's manufacturing sector has a limited path for upgrading and sophistication in regional and global value chains, with the exception of textile and semi-manufactured metal products. An ongoing regional analysis on the development of the textile value chain from cotton will provide insights on the path forward for the development of textile products. Therefore, manufacturing was excluded. Although technical and tertiary education and health care services are key enablers of productive growth, these sectors exhibit high levels of fragmentation, and stakeholders' interviews pointed to slim opportunities for private investment. Finally, challenges and reform paths in the energy and financial sectors have been well defined by the government, previous analytical work by the WBG, and current interventions. Although the CPSD will consider dynamics in these sectors as enabling conditions for agribusiness, tourism, and leveraging Benin's position in the region, value addition from further analysis would be limited.

4.1. AGRICULTURE AND AGRO-PROCESSING

Strategic Sectors

Agriculture is a key priority sector in the government's long-term development strategy because it is an essential sector of the economy, accounting for more than a quarter of GDP and close to 40 percent of employment. More than 80 percent of agricultural jobs are part-time jobs and 15.8 percent of farms are run by women, making a prosperous agricultural sector crucial to unlocking more inclusive growth in Benin. Thus, the PAG (2021–26) seeks to reinforce the performance of the sector.[137] The plan aims to support agriculture through nine projects[138] and several areas of reforms to (a) facilitate access to seeds, inputs, and markets; (b) provide incentives for the imports of inputs and exports of products; and (c) create the institutions for the management of large farms and livestock farms. This program will build on previous efforts undertaken by the government in this area under the first PAG (2016–21), which led to a substantial development of agribusiness activities around the high-value-added sectors of cashews and cotton. Over the period, Benin became the leading producer of cotton on the African continent.

Institutional reforms have created the conditions to support the implementation of the government's strategy. APIEx, the centralized agency under the presidency, coordinates support for the development of export-oriented agricultural value chains. The reorganization of export promotion activities under APIEx provides the mandate for an integrated approach to both on-farm and off-farm value chains development. In addition, the creation of seven Agences Territoriales de Développement Agricole (ATDAs) and the Direction Départmentale de l'Agriculture (DDAEP) in 2017 has shifted the strategic paradigm to a more productive and differentiated focus according to agro-ecological zones. The ATDAs are responsible for coordinating agricultural extension activities and have the reach to deliver critical assistance to farmers, while the DDAEP is in charge of monitoring quality control. The agricultural producers' organizations also play a key role in the deployment of the strategy. To support innovation, authorities have started operations at 23 new research and development (R&D) sites focused on the sectors of each of the agricultural development poles. In parallel, the National Fund for Agricultural Development (FNDA), created in 2017, has been operationalized to channel financing to the sector.

Agriculture hampered by low productivity, weak diversification, distortions and limited local processing

Benin's production system remains fragmented and dominated by small-scale farming. On average, farms operate 3.3 hectares (ha) of land, with 34 percent of them covering 1 ha.[139] The agricultural sector contains a dual structure. On the one hand, commercial farmers on relatively important single-product farms produce cotton or cashews or both, for export markets.[140] On the other hand, a large number of small mixed-crop farms produce agricultural products for the farmers' consumption or for sale in the domestic market. Almost all farms grow cereals, and 6 out of 10 farms grow roots and tubers.

Productivity is low, making agricultural products uncompetitive. The informal sector accounts for more than 9 out of 10 businesses.[141] Out of Benin's estimated 913,400 farms, only 2 percent are keeping financial accounts.[142] Most agricultural firms are characterized by (a) low investment, (b) low productivity, (c) very slow technological progress and capacity, and (d) a virtual absence of modern management tools.

Most farmers make little use of improved inputs and engage in inappropriate practices that increase the degradation of natural resources. Yet, while this situation is evolving through continued support from various multilateral development partners, the challenge remains to scale up successfully working interventions to reverse the trend at the national level. Mineral fertilizers are used on a little more than half of the country's farms (51.2 percent) while fewer than one in three farmers use organic fertilizers (28.4 percent), improved seeds and seedlings (28.6 percent), or phytosanitary products. The average rate of mechanization of soil work stands at a low 12.4 percent.[143]

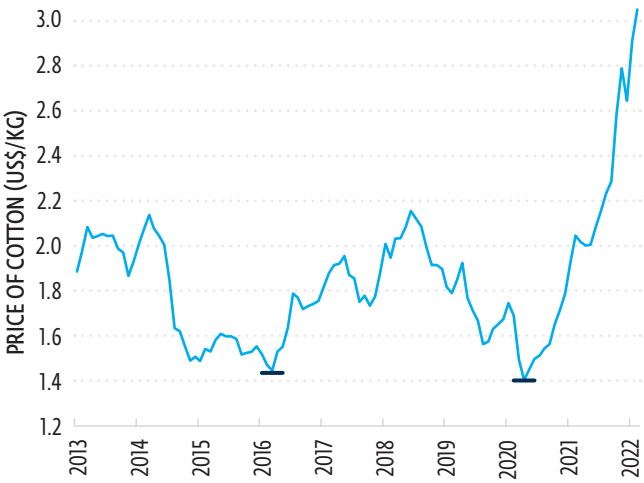
Nearly two-thirds of Benin's food crop output in volume is concentrated in low-value roots and tubers.[144] Other staples, such as maize, palm oil, and rice, make up another 20 percent of production. Overall, food production levels have made it possible to cover the country's domestic demand and to generate surpluses, with the exception of the production of rice, fish, meat, milk, table eggs, and vegetables (fresh tomatoes, peppers, onions). The share of the population that suffers from food insecurity decreased from 11 percent in 2013 to 9.6 percent in 2017. However, on average, the increase in food production is less the result of higher agricultural yields than of the expansion of cultivated land.

Cotton generates more than 9 percent of gross production value; the country has become, since the 2018–19 season, the leading cotton producer in Africa. Production reached 731,000 metric tons for the 2020–21 season. The yield increased from 1,073 metric tons per hectare (t/ha) to 1,185 t/ha over the period of 2018–21). Other industrial products include pineapples, cashew nuts, shea, soybeans, and palm oil, as well as poultry and livestock in the animal sector.[145] Citrus fruits have also received renewed attention. Regarding food crops, Benin stood out as the second-largest producer in the WAEMU area in 2019. Over the past years, important investments in high-potential value chains have also taken place to further support the country's agricultural development. Among others, almost 10,000 ha of pineapple and 135,000 ha of aging cashew plantations have been replaced or newly developed with high-yielding plant material provided to producers. This plant material aims to strengthen Benin's agribusiness positions and has also been made available to producers who wish to begin growing fresh produce, which is in high demand in regional and international markets.

A diversification of output and an increase in productivity are needed as current concentration creates vulnerability. Cotton—the country's single largest export—accounted for 53 percent of total exports in 2019 and 2020 while cashew nuts accounted for 9 percent. Market distortions resulting from interventionist measures might play a role in the concentration of production (box 4.1), calling for in-depth analysis of these mechanisms. Although their contribution to sector growth will continue to be important, an overreliance on a limited number of export products has made the country vulnerable to volatility in global commodity markets where farmers are price takers from large international buyers.[146] Vulnerabilities have materialized with the COVID-19 pandemic that brought cotton prices to record lows (at US$1.4/kg in 2020; figure 4.1while international demand for cashews and pineapples temporarily dropped. The COVID-19 pandemic has indeed negatively affected several value chains (cotton, cashews, pineapples, vegetables, fish, processed juices) as well as producers, processors, traders, and other players through various channels as follows: (a) local and international supply chain disruptions, (b) inflationary pressures on selected food crops; (c) reduced demand and falling prices, especially for exported crops (cotton, cashews, and pineapples); (d) high post-harvest losses; and (e) increased unemployment, especially in the agro-processing subsector.

Shea, soybeans, and pineapples are marginally contributing to Benin's agricultural exports, with the former two representing respectively about 5 percent and 2 percent of the sector's exports (Figure 4.2). Despite climatic and soil conditions that are favorable to the diversification of agricultural production, Benin's exports remain undiversified.

FIGURE 4.1 MONTHLY COTTON PRICES

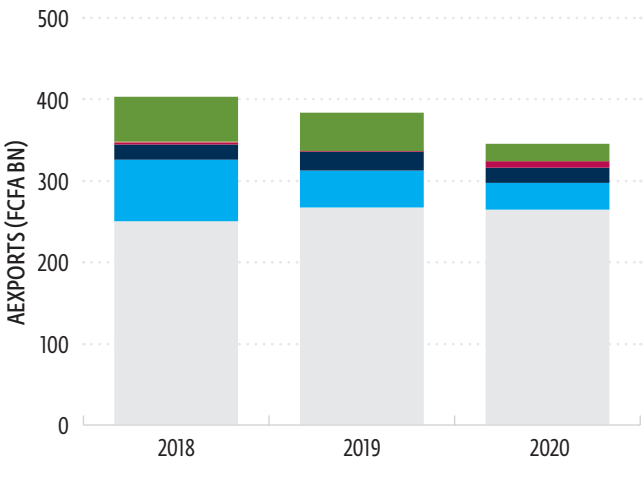


MINIMUM PRICE REACHED OVER THE PERIOD
COTTON PRICE

Source: World Bank, "Pink Sheet" Commodity Prices Data, January 2022.

Note: kg = kilogram.

FIGURE 4.2 EXPORTS OF AGRICULTURE PRODUCTS



COTTON SHEA PINEAPPLE
CASHEW SOYBEANS OTHERS

Source: Ministry of Agriculture, Livestock and Fisheries, Directorate of Agricultural Statistics, 2020 macroeconomic indicators on the agricultural sector, May 2021.

Yields have improved over the past five years (figure A.5, appendix A). The strategic programs and investments of the government have contributed to the increased yields of certain crops (pineapples, cashew nuts, vegetables, maize, rice, cassava, soybean, and shea), as well as animal and fisheries sectors. During 2015–20, yields rose for all those crops but maize. However, the yield growth of some key products such as cashew nuts, oranges, onions, and okra remain below the average global yields because of factors such as low availability of certified seed and fertilizer, limited access to water, and inadequate farming practices.

BOX 4.1 ANALYZING THE RISK OF MARKET DISTORTIONS IN AGRICULTURE

Benin's low diversification of agricultural exports calls for further analysis of possible market distortions. The concentration of formal commercial production for export in two commoditized crops (cotton and cashew nuts) creates systemic risk for the Beninese economy from exposure to price volatility. Limited data are accessible to properly assess the extent of market distortions in Benin. However, existing government programs, which are often intended to improve yield productivity and protect farmers, can distort cropping patterns and create monocropping systems if not adequately designed. For instance, M. Weltin and coauthors showed that the termination of economic support by the Common Agricultural Policy in Europe could lead to an increasing share of farmers diversifying.[a] Public programs that focus on product-specific inputs or off-taker arrangements risk locking farmers into producing crops that may not be otherwise market viable, preventing their entry into more sensible products.

Absence of competition and subsidization of agricultural fertilizers. The government subsidizes the sale of inputs, with programs targeting the production of cotton, cashews, and pineapples.[b] However, the procurement of fertilizers in Benin offers limited space for farmers to obtain fertilizers that are not specific to cotton production. Benin mainly procures fertilizers through a yearly national tender—through Société pour le Développement du Coton (SODECO)—which represented more than 89 percent of its US$83 million of imports in 2020. In 2020–21, 89.7 percent[c] of these fertilizers was distributed by SODECO to cotton producers, the only company that participated in the tender of the Cotton Interprofessional Association.[d] The government sets maximum annual selling prices for fertilizers and insecticides/herbicides for cotton, which have been constant over the past five years, and may result in indirect subsidies of cotton-specific inputs. In 2015–16, Benin's strategy to subsidize inputs for cotton, at an annual cost of CFAF 21–23 billion, had led producers to use cotton-specific fertilizers for food crops because they were not able to obtain appropriate inputs.[e] This usage posed health and safety risks for food products and hindered export prospects because the products (such as pineapples in 2016) did not comply with European minimum residue level requirements.

Minimum support prices for specific crops (cotton, cashews, shea, and soybeans) and restriction on sales of agricultural products may also lead to distortions. The government sets a guaranteed minimum production price at the beginning of each campaign following an agreement with the Cotton Interprofessional Association (with different mechanisms for cotton compared with other crops).[f] The Decree 88-30,[g] which organizes the trade of agricultural products, requires producers to use the services of an approved intermediary to sell their production and restricts the transport of the products to a campaign period.[h] Such a centralized mechanism can prohibit market signals from reaching farmers by obscuring the real price or quantities demanded and risk incentivizing farmers to stay in a business for which the market rationale is no longer valid while they miss out on commercial opportunities offered by other crops. The Food and Agriculture Organization (FAO) points that minimum price systems, such as the ones implemented in Benin, to support cotton production are often poorly implemented and end up being considered indicative prices by the market stakeholders, preventing farmers from fully benefiting from significant price increases in the international market.[i]

Export duties. On February 3, 2022, the government temporarily introduced export duties on soybeans, rice, cotton, cashew nuts, and cassava, with the objective of increasing the availability of domestic agricultural production, and combating food inflation. Revenues collected will be channeled toward funds to support farmers. Inflation is expected to worsen the situation for northern regions facing food insecurity and shortages, where the poorest households are bracing for the upcoming lean period. In the medium term, export duties may, however, prevent farmers from creating value from international markets.

The quasi-permanent interventions by the government in the agricultural markets have been adopted to reduce price volatility, improve yield productivity, and protect farmers' income in the absence of developed insurance markets. However, it is essential to assess the size of the distortions these interventions can trigger. By understanding the implications for domestic stakeholders in a no-subsidy scenario, the government could design adequate measures to allow farmers to keep the benefit of the subsidy without distorting the market or preventing diversification into activities of higher value (fruits and vegetables). For instance, a social protection system (such as cash transfers) has the potential to better target and more efficiently protect farmers and the poorest.

a. M. Weltin, I. Zasada, C. Franke, A. Piorr, M. Raggi, and D. Viaggi, "Analysing Behavioural Differences of Farm Households: An Example of Income Diversification Strategies Based on European Farm Survey Data," Land Using Policy 62 (March 2017): 172–84.

b. Government of Benin, "Etat de Mise en Oeuvre du PAG: Agriculture, Élevage et Pêche," December 2020.

c. Other options to procure inputs include small quantities bought from Nigerian traders or subsidized fertilizers procured through programs supported by financial and technical partners.

d. Millecamps, M., Bénin – Mathieu Adjovi (AIC) : « Quand le coton va, tout va », Jeune Afrique, 24 January 2019.

e. USAID, AgCLIR BÉNIN: Évaluation de la Réforme Institutionnelle Juridique et Commerciale du Secteur Agroalimentaire, Programme d'Action, 2014, https://pdf.usaid.gov/pdf_docs/PA00K9BP.pdf.

f. The price generally covers the farmers' production costs and a 15 percent margin. The restrictions on sales apply mainly to cashews and shea, but also to food crops because of increasing demand from neighboring countries. For cotton, the value chain is governed by an agreement between the Cotton Interprofessional Association (Association Interprofessionnelle du Coton – AIC) and the government.

g. Decree No. 88-30 of January 20, 1988, on the creation of the Permanent Commission for the Supply of Factors of Production, Marketing of Agricultural Products and General Trade

h. USAID, AgCLIR BÉNIN: Évaluation.

i. V. Pernechele, J. Balié, and L. Ghins, "Agricultural Policy Incentives in Sub-Saharan Africa in the Last Decade (2005–2016)," Monitoring and Analyzing Food and Agricultural Policies (MAFAP) synthesis study, Food and Agriculture Organization (FAO) Agricultural Development Economics Technical Study 3, 77 pp., Rome: FAO, 2018.

Farmers make little use of advanced technologies. Small farmers lack access and capacity to use better practices and technologies, such as data on climate- and soil-adapted crops, climate information, climate-resilient technologies, and infrastructure. Tillage is still mainly done manually, except in Borgou and Alibori, where there is a high level of use of animal traction and an expansion of motorization. In the center and south of the country, sociocultural resistance to technology adoption has been observed. In addition, postproduction and postharvest equipment (storage, conservation, processing, and marketing) remains rudimentary and inefficient, although significant progress has already been made over the past couple of years. The organization of the agricultural sector and professions could support the adoption of technologies and innovations, but efficient commercial structures and cooperative or horizontally or vertically integrated business models are scarce (with the exception of recent development in the subsector for oranges; more integrated commercial structures also exist in other value chains, such as cashews and pineapples). Only 11.9 percent of farms belong to a farm-based organization (FBO), and therefore much more remains to be done to address this gap.

The share of agricultural products processed locally remains limited. Although small-scale and semi-industrial processing units are increasing, there are only a few large industrial units, some of which are in the process of starting (pineapples, cashew nuts). Two out of 10 households process their products through artisanal practices—with a slightly higher proportion (3 out of 10) in the region of Couffo, Mono, Plateau, and Atlantique.[147] The main agricultural products processed in households are maize, cassava, yams, rice, palm nuts, groundnuts, shea nuts, and fish. Currently, food manufacturers are concentrated in the production of nuts (especially cashews), various vegetable oils, sugar, packaged rice, bottled beverages (juices), and other products that are capable of being traded over long distances with little time pressure on delivery. More than 19 percent of cashew nuts were locally processed in 2019 compared with the government's objective of 50 percent by 2021.[148] In the pineapple subsector, processing has offered opportunities for players to adapt to exogenous shocks such as the border closure with Nigeria. As a result, the domestic processing rate has increased from 15 percent in 2016 to over 50 percent at the end of 2019.[149] Beyond locally grown produce, large quantities of unprocessed products also transit through the country and could become an opportunity for value addition.

The agrifood sector, especially in the north, is vulnerable to climate change. These risks could reduce agricultural production by 3 to 18 percent by 2025.[150] Benin's agriculture is essentially rain-fed, and the country's exposure to climate events is high with negative impact on productivity, food security, and the risk of diseases spreading and new epizootics appearing. A climate impact assessment conducted by Climate Analytics[151] concludes that climate change by 2050 will not have a major impact on the area planted to crops such as maize, cotton, and soybeans but that maize and cotton yields could decrease significantly, by up to 30 percent and 20 percent respectively. The negative impact of natural hazards can be mitigated through investments in sustainable food production models and the application of appropriate agricultural techniques. In this context, the Ministry of Agriculture, Livestock, and Fisheries (MAEP) has prepared and adopted a strategy on climate-smart agriculture. The challenge is to implement this strategy on the ground. Communities have often initiated local strategies within their reach, including staggered planting, use of short-cycle varieties, use of fertilizers, and diversification of sources of income. However, the implementation of these strategies in practice is fragmented with small-scale impacts because of limited financial resources.

Opportunities

Benin's agricultural production can be classified by its competitiveness and export potential. A proxy of farms' competitiveness includes farm yields. Benin's yields exceed global ones for items including dry beans, cassava, dry chilies and peppers, shea nuts, pineapples, and sesame seeds (table 4.1). The level of current exports and the assessment of export potential by the International Trade Centre (ITC) of the UN Department of Economic and Social Affairs are good indicators for determining a country's relative advantage as evidenced by trade flows. ITC's Export Potential Indicator identifies the potential export value for Benin for a given product and target market, using an economic model that combines the exporter's supply, the target market's demand, market access conditions, and bilateral linkages between the two countries. Per the ITC's estimates, Benin has US$700 million of untapped export

potential, mostly in the agricultural and forestry sectors. The two indicators cast light on production and market dynamics. Limited export values or potential with a high yield ratio could indicate more robust domestic demand for a commodity relative to competing exporters, inability to expand production, and challenges between "farm to port" that reduce global trade competitiveness despite high farm level competitiveness. On the other hand, a low yield ratio but high exports could reflect policy factors that contribute to global trade competitiveness even though farm productivity is low. In both 2019 and 2020, the yields of cashew nuts[152] (second largest agricultural exports) stood at about 370 kilograms per hectare (kg per ha), below the average global yield (780 kg per ha) and regional yield for West Africa (420 kg per ha). Yet, this situation is rapidly evolving and recent projects with international development partners, which focused on improving farming practices, resulted in a yield above the global average. The challenge, however, remains to scale up these projects and accelerate a more widespread adoption among farmers of improved farming practices.

Table 4.1 summarizes the findings. In parallel, the country's development vision and stakeholder interviews pointed to a potential in 10 value chains: cashew nuts, pineapples, shea nuts and butter, soybeans, agricultural inputs, vegetables, rice, continental aquaculture, oranges, and poultry (including eggs).

TABLE 4.1 MAPPING OF THE POTENTIAL OF AGRICULTURAL PRODUCTS IN BENIN

	LIMITED ACTUAL OR POTENTIAL EXPORTS		HIGH ACTUAL OR POTENTIAL EXPORTS
High yields	Beans	Pulses	**Pineapples (high potential)**
	Cassava	**Rice**	**Soybeans (high potential)**
	Chilies and peppers (dry)	Sorghum	**Shea nuts (high potential)**
	Meat cattle	Sweet potatoes	Cotton seed
	Goat milk	**Tomatoes**	**Oil palm fruits**
	Millet	**Yams**	**Sesame seeds**
	Okra	**Fresh vegetables**	
	Onions		
Low yields	Bananas	**Mangoes**	**Cashew nuts (high potential)**
	Chilies and peppers (green)	**Meat (chicken)**	Groundnuts
	Coconuts	Cow milk	
	Eggs	**Oranges**	
	Fresh fruits	Sugar cane	
	Maize		

Source: WBG staff analysis based on ITC and FAOSTAT database, 2020.

Note: Products in bold are priorities highlighted by stakeholder consultations. "High yields" reflect production yields that were above global or regional average yields for products in 2020 of which more than 10,000 tons were produced in Benin the same year. High actual or potential exports reflect products with an export value above US$100,000 in 2019 (2020 data may reflect the effect of COVID-19 on global demand) or with untapped potential according to the ITC export potential assessment, which is based on five-year averages (2016–20), with higher weights for recent years.

As shown by the diagnostic, although Benin export opportunities exist in both traditional cash crops (such as cashew nuts) and a newer set of horticultural crops (such as pineapples, mangoes, tomatoes, and other fresh fruits and vegetables), it will be essential for farmers to make decisions based on market demand, while allowing the country's comparative advantage to guide investments in specific agrifood products. However, these decisions would first require an elimination of the aforementioned distortions. Moreover, by exposing itself to quality requirements of international markers, the agriculture sector would be able to serve emerging demand from tourists in hotels and restaurants, which require a constant and high level of quality.

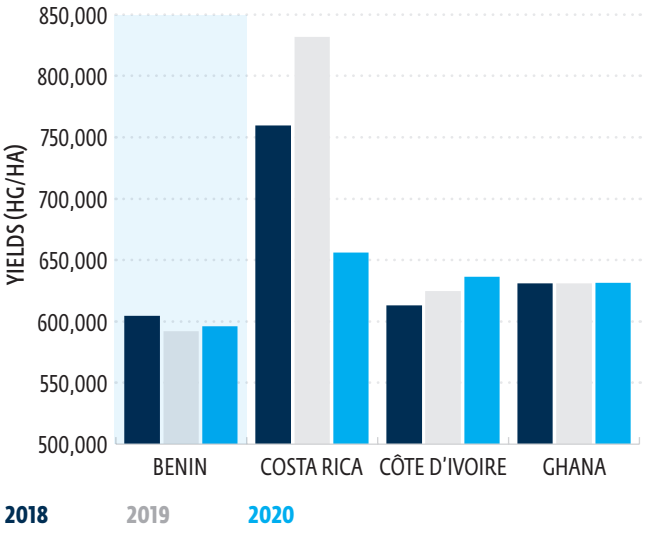
Leveraging global value chains for competitive potential exports

Products with high yields and export prospects (pineapples, soybeans, shea nuts, oil palm fruits) offer the best opportunity for rapid high-value generation. The analysis of economic fitness confirms potential for more complex products that include soya beans and pineapples.

Exports of quality pineapples can reach the lucrative European and American markets. Pineapple has become a new cash crop, thanks to a high-quality variety, the "Sugar Loaf," which is prized for its sweetness and flavor.[153] The air freightpineapple market, which represents 2 percent of European imports of pineapples (12,000 metric tons), makes it possible to export varieties prized for their taste qualities.[154] The sector is well structured and displays yields above regional and global averages and close to regional leaders (Figure 4.3 and 4.4). Important to note here, however, is that Benin's segment is the specialty pineapple, rather than the dominant Costa Rican MD2, for which West African countries do not have the natural conditions for competing with Central American producers. Production of pineapples in Benin is dominated by small producers (less than 1 ha) who provide 70 percent of the products while medium and large producers represent 25 percent and 5 percent of the production, respectively. About 13,000 producers are growing pineapple and more than 100,000 people are active in the value chain.[155] Nearly 80 percent of the active players are women. Southern and central Benin's tropical climate offers ideal growing conditions for high-quality pineapple.[156] Benin's comparative advantage has been reflected through the registration of one variety from the Allada Plateau with the African Intellectual Property Organization—its first Protected Geographical Indication. During the period 2018–20, the value of Beninese pineapples exported to Europe increased by 19 percent annually and nearly all of Benin's exports were destined to this market.[157] ITC assesses the untapped potential at US$1.3 million.

As a flagship project in the PAG, the pineapple sector benefits from measures to support transformation with a target of 35 percent, including (a) select quality products, (b) support the acquisition of processing equipment, and (c) improve marketing for aggregators. At the moment, 247 industrial, semi-industrial, and artisanal units process 27 percent of pineapples into juice, dried pineapple, marmalade, and syrup. Most of them are small-scale and informal processors. Industrial processors operate below capacity (40 percent of the established capacity) because of the lack of raw material.[158] Fresh pineapple juice is packaged in bottles/cans for the domestic market and in barrels for export to the subregion and Europe. ITC assesses the untapped potential export of juice at US$0.5 million with Nigeria and the United States as main destinations.

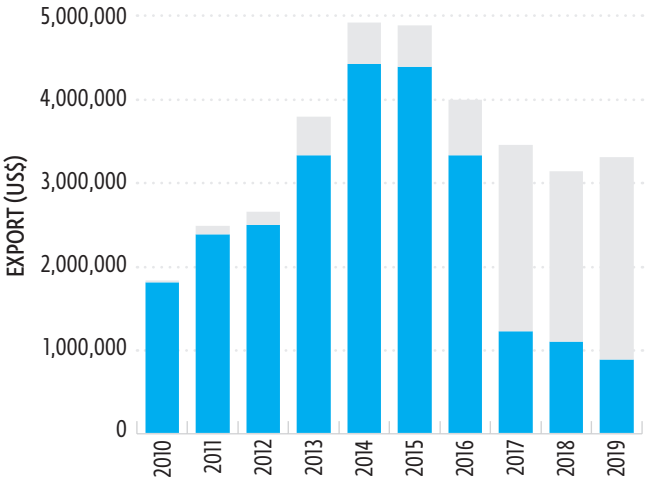
FIGURE 4.3 YIELDS FOR PINEAPPLE PRODUCTION



Source: FAOStat.

Note: ha = hectare; hg = hectogram.

FIGURE 4.4 ACTUAL EXPORTS OF PINEAPPLES, 2010–19



Source: CEPII, BACI harmonized system (HS) product codes HS 080430 and 200940.

Global market dynamics make shea nuts production and processing attractive. The processing of shea is very labor intensive. It mobilizes approximately 600,000 women collectors-processors who work on their own account or for processors.[159] Although Benin accounts for only about 2 percent[160] of the annual world harvest of nuts and has the potential to increase its market share,[161] the nuts represent the country's third-largest agriculture export. The global market is dominated by Nigeria (46 percent of production in 2020), Mali (23 percent), and Burkina Faso (19 percent). Global demand for shea butter is projected to increase at 5.2 percent annually by 2028[162] with strong demand for grade A shea butter from the European cosmetics market.[163] Certified organic shea butter offers a premium margin of 25–30 percent, making this market attractive though demanding in terms of quality. ITC assesses the untapped export potential for Benin at about US$4 million with the Arab Republic of Egypt and the United States as potential destinations. Developing capacity to process shea nuts would allow Benin to reap the benefits from exporting higher-value products (industrial and cosmetics shea butters).

Soybeans are an emerging commodity in the agricultural sector. Production nearly doubled from 2016 to 2019 to reach 257,000 tons. Benin is the second-highest producer in West Africa, after Nigeria. Northern Benin offers favorable soil and climatic conditions for production, but poor conditions of access roads have limited the supply of the product. The government of Benin is, however, undertaking efforts to tackle this issue of market accessibility, as illustrated by the announced rehabilitation of 1,200 km of rural roads in 55 of the 77 communes (administrative districts) of Benin, which is being implemented together with the World Bank. Exports took off in 2019, reaching 266,000 tons,[164] with 94 percent of exports going to India and nearly 4 percent to China.[165] Exported soybeans are largely intended for animal consumption, with derived products such as soybean meal and oil. Beyond its export potential, the soybean crop is also strategically important for indirect development in Benin and the West African region, including supporting the regional livestock sector. The ITC assessed the untapped potential of exports at US$62million (equivalent to current levels), with China and Egypt as the main destinations. This potential has just been reinforced with the design of quality norms and the signing of a memorandum of understanding with China in 2020 for the commercialization of soybeans. Opportunities for processing soybeans into additional high-value items exist through the production of vegetable oil, protein-enriched oilcake for animal feed, soy cookies, soy milk, and cheese. To ensure the quality of production, the ANM has announced four national norms on soy and soy-based products (milk, cheese, grains, and seeds), along with guidance notes on best practices. However, the soybean-crushing capacity of the three main industrial structures in Benin is limited to 69,500 tons per year. The key challenge within this domain remains to set up an adequate strategy and incentive scheme to both supply enough soybeans for the local processing industry and to export a sufficiently fair share of the local production.

Palm oil and sesame seeds also appear as quick wins to increase exports, with global demand on the rise. The production of palm oil in Benin displays yields that are 15 percent higher than the global average. Since 1980, palm oil production has been increasing, and the national plan for developing the value chain has estimated that the increase will be 50 percent by 2050.[166] Exports of palm oil took off in 2019, but Benin also displays levels of imports per capita that are much higher than the norm, an indication of reexports taking place. With the capacity of exporting peers as an indication, palm oil has also been identified as a product with high diversification potential by the ITC's product diversification indicator.[167] The markets with greatest potential for Benin's exports are Togo, Nigeria, and Egypt while China is the market with the highest demand potential. Sesame seeds also present high product diversification potential, according to ITC, with capabilities and yields well above the leading exporters (Sudan and India). The markets with the greatest potential for Benin's exports of sesame seeds are China, Egypt, and India.

For competitive products, regional integration and the large Nigerian market represent a major opportunity. If adequately implemented, the AfCFTA can facilitate intra-Africa trade, which is limited because of tariff and nontariff barriers and relatively poor logistics. Products are mainly exported through informal circuits and do not allow for a detailed assessment of potential that is based on trade data. The main agrifood products traded between Beninese and Nigerian actors include maize, soybeans, cassava, palm kernels, red oil, gari, pineapple, rice, vegetables, oranges, and cattle. These products are in high demand, especially in the Nigerian states bordering Benin, including from manufacturers.[168] For instance, soybeans and maize are in high demand by manufacturers to produce livestock feed, and pineapples are sold as raw material to fruit juice manufacturers. Benin[169] could position itself as the main crossing point between West Africa and Nigeria, and for exports to Central African markets. To take advantage of this position, Benin needs to demonstrate good capacity to create value addition within a regional approach, for which collaboration with Nigeria is critical and requires adequate engagement of the private sector to overcome resistance and vested interests.

Yet, for each of the identified agricultural opportunities, an assessment needs to be made of whether the economic benefits outweigh the associated climate and environmental impacts. For example, environmental and social risks linked to monoculture and deforestation could discourage specific agricultural opportunities and limit investors' interest. For certain products, such as palm oil, this risk aversion is already a reality. As a result, when the development of specific agricultural produce is being considered, an important step should be to investigate the comparative climate/deforestation impacts of each suggested agricultural opportunity so that short-term gains are not outweighed by the long-term biodiversity losses that could occur.

Competitive products with limited access to market represent an opportunity for diversified exports over the medium term if adequate support is given

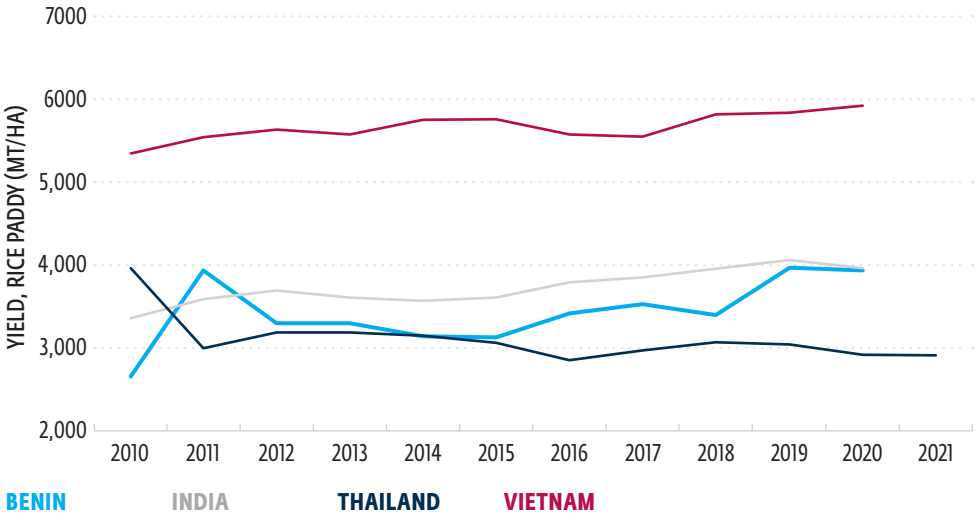
Opportunities also exist in segments of horticulture that are less permeable to international pressures, such as fresh food crops. Fresh food crops that are highly perishable often tend to have higher value and higher profit margins, albeit they require more intensive off-farm services.[170] Typically, the development of fresh agricultural products also tends to allow small farmers—including women—to bargain for better prices. The financial and economic analyses of several value chains in the vegetable subsector indicate that the production of vegetables is financially profitable for producers and traders and is economically profitable for the country.[171] Despite this profitability and high yields, these products face difficulties reaching consumer markets, which leads to overabundance of products and low prices in peak season. Vegetables are transported to large wholesale or semi-wholesale markets to resellers/retailers for small-scale distribution to consumers. Poor organization of the value chain and logistics prevents access to further markets that would allow farmers to capture more value.

The demand for vegetables (such as tomatoes, peppers, onions, and okra) is growing and requires the implementation of an innovative system to satisfy it. In Benin, vegetables are a major consumer crop and an important agricultural activity that employs thousands of people in urban, peri-urban, and rural areas.[172] Still, the marketed volumes of national production remain below the population's needs for these products.[173] Population growth combined with urbanization, internationalization of retail outlets, and increased use of refrigerators drives domestic demand for perishable products. Export opportunities exist as global demand for fruits and vegetables is expected to double by 2030, driven by Europe and North America. Most of the highest-value produce will be demanded in these two markets, where approximately 17 percent of the current world population accounts for 32 percent of the value of global demand. These markets often pay a premium for fresh fruits and vegetables given their relative scarcity and the countries' higher purchasing power.

Currently, Benin's formally registered exports of horticultural products remain minimal. They totaled US$220 million in 2018 compared with nearly US$3 billion in exports from Morocco, which has successfully built scale to export to European markets. In 2019, the revealed comparative advantage (RCA) indicator for fruits and nuts (such as pineapples, oleaginous fruits, palm nuts) was 25.6 and for vegetables was 2.8, suggesting that Benin's factor endowments are well suited for primary horticultural production (despite some caveats).[174] Table A.6 in appendix A provides RCA at a disaggregated level. In addition, the analysis of economic fitness shows potential for the most feasible products (beans, seeds, roots and tubers, nuts, mangoes, vegetable fat, oils) and untapped opportunities (carrots, onions). This potential, combined with growing demand and scarcity of products, suggests that there is space for Benin's producers to enter these markets if some supply-side market failures are resolved. Honey is also a good candidate for exports following the European Commission's decision to grant Benin the possibility of exporting to its common market in 2018. With a production of about 600,000 kilograms of honey per year, beekeeping is not able to meet the strong demands of international markets. The professionalization of the value chain could help Benin seize this opportunity.[175] The negotiations for a new partnership agreement that favors trade from African countries to the European Union (EU) following the terms of the Cotonou agreement in 2021 could facilitate market access.

The needs for rice and rice products nationwide is still unsatisfied, and each year there is an increase in the volume of imported rice. Production yields in Benin—almost 4,000 metric tons per hectare (mt/ha) in 2019—are on par or above two of the leading exporters of rice, India and Thailand (figure 4.5). India had about 3,962 mt/ha and Thailand had 2,916 mt/ha in 2019. But Benin's domestic rice production of nearly 412,000 mt in 2020 met only 54 percent of rice consumption. The adoption of better agricultural practices, such as the use of fertilizer, agro-chemical products, and irrigation, could further increase yields.[176] Only 11 percent of growers use irrigation techniques and an increase by 1 percent of improved seeds would lead to an improvement of 19 percent in yields. In addition, the current potential of rice-growing land in Benin is estimated at 375,000 ha (not including the Pendjari and Couffo valleys) of which only 17 percent are used for rice crops.[177] These characteristics suggest a large untapped potential for rice production and the prevalence of supply challenges that prevent the expansion of production and local processing.[178] However, commodities like rice typically need to be grown at a large scale that is difficult to achieve in Benin.

FIGURE 4.5 YIELDS FOR RICE COMPARED WITH TOP THREE EXPORTERS



Source: FAOStat.
Note: ha = hectare; mt = metric tons.

With adequate support at the farm level, low-yield products could better serve domestic demand

Despite unmet domestic needs in the animal sector, low-yield products would require significant efforts[179] to compete with imports. The animal sector (eggs, chicken meat, fish, and cow milk) is not able to meet needs for protein consumption. For instance, domestic production covers about 27 percent of demand for fish products, 49 percent for meat, 31 percent for eggs, and 69 percent for milk.[180] Besides low productivity, the absence of processing units, slaughterhouses, and adequate smoking techniques are key constraints, because they are prerequisites for value chain integration.

The ongoing structuring of the value chain for oranges supports productivity and production increases. The production of oranges is emerging, with 150,000 tons a year, all varieties combined. However, production yields of about 2,300 mt/ha are low compared with the global and regional averages (both above 17,000 mt/ha). Still, the leadership of Orana, a private Beninese company specializing in the trade of beverages,[181] is contributing to the structuring of the value chain, in the absence of a strategic national development program. In February 2022, Orana and cooperatives signed a first agreement that seeks to define unit price in the sectors and Orana purchased the entire production of oranges with the objective of providing visibility to producers. Such a coordination platform could be leveraged further to ensure the effectiveness of extension services and adaptation to market needs. Low farm productivity in the fruit subsector (fresh fruits, mangoes, and oranges) is a result of unavailability of quality inputs (seeds and specific fertilizer), poor water management, insufficient irrigation infrastructure, and low adoption of improved technologies.

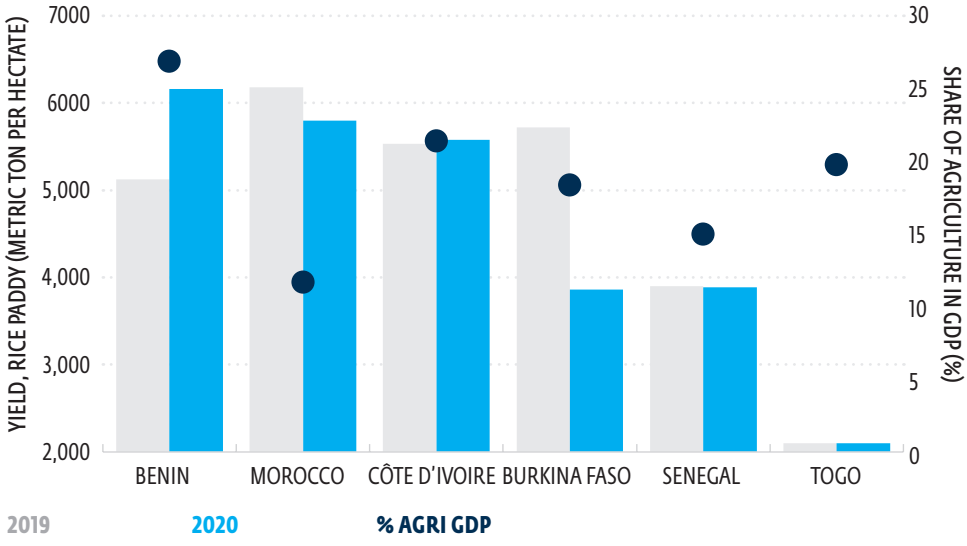
Supply-Side Challenges

The productivity of agriculture in Benin is affected by many constraints. Benin's poor rankings on the *Enabling the Business of Agriculture* 2019 index (88th out 101) shows significant room for improvement in all composite indicators.[182] Market failures affect competitiveness and access to markets, and as such may affect each segment of opportunity differently. Inadequate access to inputs and insufficient R&D have prevented Benin from expanding production into emerging commodities. Insufficient market knowledge and marketing are preventing competitive products from accessing markets. For them—and even more for perishable products that offer high export value—trade facilitation, better logistics, and quality control would unlock opportunities. Finally, frictions in the land markets linked to the unavailability of information, coordination failure in value chains, poor access to finance, and limited investment in irrigation infrastructure hinder productivity of each subsector. With adequate infrastructure and access to skills, equipment, and inputs, agriprocessing could create higher value through transformation. If these constraints are not resolved, it will be difficult to improve the competitiveness of the agricultural sector and to foster exports.

Cross-cutting challenges to expansion and productivity

Enforcement of land regulations is weak. About 43.9 perccent of available land for agriculture is cultivated (about 3 million ha). Persistent constraints on the registration of property and the leasing of land, especially in the southern part of the country, are hindering the functioning of land markets. Although the government has already enacted land reforms, the main bottleneck comes from the capacity to enforce the legislation governing the ANDF, the government agency in charge of land management.[183] Uncertainty fed by the lack of available information on land hinders investments that are mainly backed by land titles.

FIGURE 4.6 SHARE OF AGRICULTURE IN CREDIT AND GDP



Source: FAOStat, Credit to agriculture. Global and regional trends 2012–2020.
Note: GDP = gross domestic product.

Farmers and MSMEs have limited access to formal loans. For agribusiness development to act as an engine for private sector development in Benin, the sector needs capital. But investment levels are frequently suboptimal, in part because the sector is perceived as risky and likely to generate unattractive returns. In the short term, producers need preseason financing to ensure production and postseason financing for marketing (such as for shea and soybeans). Growing needs for credit for medium- and long-term agricultural investments are timidly met while investment in productivity-enhancing equipment is much needed. The share of total credit going to agriculture is low in Benin (about 4 percent in 2020) compared with the contribution of the sector to GDP (about 25 percent). Although this discrepancy is visible in different countries in the region, such as Senegal and Togo, more advanced economies, such as Morocco, exhibit a closer alignment between agricultural credit and the sector's share in GDP (3.8 percent and 11.7 percent respectively). See figure 4.6. Over the period 2016–20, bank loans to the sector nearly doubled in real terms, from CFAF 23.4 billion to 56.2 billion (in 2015 prices),[184] with funds mostly channeled to SMEs operating in agriprocessing and well-structured subsectors such as cotton. During the same period, MFIs provided CFAF 0.2 billion in financing; users find the application process lengthy and interest rates high.[185]

Financial products and services for agriculture are underdeveloped. Financing the agricultural sector requires integral risk-management strategies and close collaboration with technology providers and agribusinesses. Reaching remote rural areas can be expensive while uncertain weather, climate change, crop concentration, and price volatility increase the risk for lenders, reducing their appetite to finance the sector. Similarly, the crop insurance market is underdeveloped in Benin, which poses problems for risk mitigation in the context of more frequent weather events brought about by climate change, as well as for diversification. For instance, small-scale farmers, who are typically averse to risk, do not have the ability to safely experiment with new crops on their own, and few insurance products are available on the market that would cover such risk.[186] Only 1 percent of surveyed farmers subscribed to any agricultural insurance policy. Professional organizations can have a role to play in building trust between financial institutions and farms.

Public support for access to finance needs to be improved and better coordinated. The government's assistance fund, the National Guarantee and Small and Medium Enterprise Assistance Fund (FONAGA), is one response to improving access to finance, but it remains underfunded and lacks the capacity to effectively target farmers. In 2017, the government created the FNDA under the supervision of the MAEP to deploy financial instruments adapted to the sector's needs. The FNDA offers three major facilities: (a) subsidies for agricultural investments, (b) access to nonfinancial services, and (c) access to financial services through which the government deployed CFAF 100 billion to respond to the COVID-19 pandemic.[187] A year later, in June 2021, financial institutions had received 647 applications (CFAF 20 billion), of which 54 were validated (CFAF 4.5 billion) to finance the pineapple, rice, and table eggs subsectors.[188] The government also adopted a national agricultural finance strategy in 2021.

Leasing and warehousing receipts could help compensate for difficult access to finance. Most processors and traders in Benin face challenges accessing working capital to secure raw material, which is prevalent across several value chains (including in cashew nuts) and directly affects their competitiveness and profitability. On the one hand, leasing rather than purchasing is a low-risk option to finance agricultural equipment and cover capital expenditures. Although the legal framework[189] is in place and well adapted, only one regional major bank offers leasing,[190] which is mainly directed to SMEs operating in the cashew sector. This limited opportunity points to the need to assess the challenges for smaller and local financial institutions to deploy such solutions. Other banks pointed to the substantial equity capital requirements as a concern for leasing. On the other hand, warehousing receipts could help producers provide sufficient collateral for short-term financing, working capital, or operational costs, but the regulatory framework is still absent. To better understand the challenges and opportunities in this area, the government has initiated a feasibility study on warehousing receipts, which is expected to identify actionable measures that could create a market for this financing. Examples in other countries have demonstrated the sizable benefits a sound, functioning market for warehousing receipts could bring. For example, in the Senegal River Valley a warehouse receipt system was implemented to certify that commodities of a stated quantity and quality had been deposited at a particular location, allowing farmers to use that evidence as collateral. Efforts in Benin on this front could leverage the lessons learned from these interventions.

The organization of value chains is weak. Essential extension services lack capacity and funding. The competitiveness of value chains depends on both the coordination system within the vertical chain (including access to data and postharvest services) and horizontal coordination through efficient trade associations. Most value chains in Benin are loosely structured. The organization and capacity of the FBOs are weak, governance issues persist, contractual business relations between actors are rare, and inclusiveness is limited, which is partly caused by a lack of consultations. For instance, the level of organization of the actors in the shea sector is relatively low, with few women participating in consultation while they contribute to most of the collection and processing of the product. With limited scale of production, the lack of aggregation in production undermines productivity and competitiveness. As a result, umbrella organizations provide inadequate services to members, and synergies across actors of a sector do not materialize. Effective extension and advisory services are essential for technological upgrading, adopting sustainable and productive cultivation practices, and building farmers' resilience to climate change. The National Agricultural Advisory Strategy for 2018–25 seeks to promote private providers of extension services. The regulatory authorization process was finalized in December 2019 and to date 82 private structures have received licenses to operate as providers of extension services. The challenge is to find a viable economic model whereby producers or their apex organizations are able to pay for these services.

Yet, success stories of organizing actors in value chains have already materialized in Benin, and these could present concrete examples to build upon in the broader agricultural sector. One key example has been the nongovernmental organization Sojagnon, which is the Beninese association responsible for reorganizing the local soy system. The organization supports the supply chain by bringing together processors and farmers, both by professionalizing the latter and optimizing operations with the former. To support this effort, Sojagnon engages in projects with scientists to improve the yield and quality of soybeans and the products that come from them, such as soy milk. As a result of these efforts, soybean production has increased from 57,000 tons in 2009 to 222,000 tons in 2019, and its value has grown from US$6.6 million to US$109 million. This case study illustrates the potential for improved coordination across Benin's different agricultural value chains and should be leveraged going forward.

The use of irrigation infrastructure is very limited. The vast majority of the country's farms (95 percent) are rainfed, although there is considerable potential for irrigable land, particularly in the Ouémé Valley, the second most fertile valley in Africa after the Nile. Irrigation systems are present on 3.4 percent of farms (1.8 percent of farmed area), of which only 40 percent practice fully controlled irrigation.[191] Water used for irrigation comes from rivers for a third of irrigated farms and from boreholes for another third. Irrigation, together with the broader water sector, also presents significant opportunities for greater private sector participation. Facilitating the entry into this field of private actors, ranging from equipment importers to maintenance service providers, would furthermore accelerate the adoption of new irrigation technologies, such as solar-powered drip irrigation, which provide substantial economic, nutritional, and environmental benefits.

Difficult access to adequate inputs is a key bottleneck for exported and emerging commodities

Government support for better access to seed and fertilizer is high but has not been targeted appropriately. Limited availability of affordable and specific inputs (seeds, seedlings, fertilizers) is a major bottleneck to realize Benin's exports potential.[192] For instance, Dalberg Group[193] identifies limited access to specific fertilizer and good planting materials as a major bottleneck to realize the full export potential of pineapples. In response, the government has recently subsidized 2,700 tons of pineapple-specific fertilizer. However, private solutions to sustainably procure fertilizers are limited. Similar concerns have been shared by stakeholders in the soybeans and shea value chains. In 2018, the government adopted decrees[194] to set up a regulatory and institutional framework for better provision of fertilizers, pesticides, and seeds. Still, the 2019 Enabling the Business of Agriculture report highlights that the regulatory framework for seeds and fertilizers is not conducive for the development of input markets.[195] To support affordability of inputs to farmers, the government favors subsidized prices over market-based mechanisms.

Further, the supply of certified seeds through imports or domestic production, which has been declining, does not cover farmers' needs. For example, these seeds are only covered at 4.7 percent for maize, 22.2 percent for rice, and 6.8 percent for soybeans.[196] Lack of commercial promotion of hybrid varieties in maize and rice has also been reported. The National Institute of Agricultural Research of Benin (INRAB) has a mandate for the production of foundation and breeder seeds. Insufficient technical expertise in varietal creation within the INRAB has limited its performance. Other seed inputs are provided by international companies or sometimes by local research centers, which act in some market capacity. The absence of an organized collection and distribution circuit for plant seeds, as well as weak integration of private operators[197] in these activities, hinders the efficiency of provision. For instance, stakeholders in the soybean segment have expressed concerns related to the lack of infrastructure and equipment for seed production and conditioning, as well as medium- to long-term storage. In response, the government has recently adopted a national plant seed development strategy that, if well implemented, could help address the challenges within this domain.

R&D capacity is insufficient. The supply of new and improved seed varieties is limited in Benin, and public R&D institutions lack the resources needed to support the testing, development, and adaption of new varieties. Improving agriculture productivity necessitates a renewed focus on R&D and technology adoption, which is reinforced by climate vulnerabilities and acute land degradation. The adoption of the National Program for Agricultural Research[198] has been a first step in responding to this need, but funding remains limited. Public spending on R&D is estimated at 0.33 percent of agricultural GDP in 2020, well below Benin's commitment to contribute 1 percent of GDP by 2025. Moreover, the R&D system does not pay sufficient attention to the development of related topics, such as methods of reducing post-harvest losses, fresh preservation, cold chain technologies, and food logistics.[199] The deepening of interactions of R&D institutions with extension systems and commercial needs could also enable farmers to adopt new and more diversified varieties that have been validated in field trials and through market studies. The INRAB should also tap into both the innovations and seed varieties developed by regional research centers and adapt them to local conditions.

Better market access would unlock the potential of competitive nontraded products

Promotion and market intelligence are needed for competitive products to access markets. Accurately and cost-effectively determining market trends and requirements depends on either the capabilities of trade promotion agencies or access to effective private sector service providers, all of which are not available to the relevant actors. Limited access to information on market dynamics, combined with minimum price support and centralized selling systems, undermines optimal decision-making by farmers when they need to adjust production to market needs. The APIEx promotes agribusiness exports and investment opportunities, but the scope of its support needs to be well defined and based on a good understanding of global markets. There is a lack of monitoring market information and statistics[200] that prevents the sustainable management of commodity value chains and the deployment of adequate marketing. To perform effectively, APIEx staff would have to be trained in strategic market analysis and equipped with technical knowledge on how to inform the government on

the type of policy actions needed to increase the competitiveness of Benin's agricultural products in international markets. The effective delivery of off-farm public services and market intelligence would also require coordinated interventions between APIEx and ATDA, which have the ability to reach beneficiaries. A survey conducted among Beninese farmers producing pineapples showed their willingness to pay a premium of up to US$2.50 per month to get market price and quality information and reduce asymmetry of information with buyers.[201]

High-value perishable products require efficient cold chain logistics, quality infrastructure, and trade processes that are largely missing

Benin is less engaged in the perishables product segment, which points to challenges in the deployment of cold chain logistics. High postharvest losses—often in the range of 40 percent in Benin[202]—create a significant amount of risk that hinders most farmers from engaging in the segment of fresh produce. Smallholders cannot individually resolve the cold chain investment challenges while facing high perishability of the crops and inadequate postharvest handling. The potential for exporting Benin's vegetables is also limited by the nonexistent on-farm cold storage; the country's limited local, regional, and international logistics networks; and poor connectivity infrastructure (including cold chain concession facilities at airports). For example, poor rural-road connectivity constrains producers (especially in the northern region) from transporting products in good condition to hubs in the southern region and onward to markets abroad. In response, the government has undertaken the modernization and densification of 2,308 km of road over the period 2016–21—a first step toward market access that will need to be expanded. The government is also investing in energy-efficient cold storage for airports; infrastructure investments will be financed at the Glo-Djigbé airport, and temporary cold storage solutions (refrigerated containers and other movable equipment) are active at the existing Cotonou airport with a transition plan for the new airport's opening.[203] Another opportunity to tackle high postharvest losses could be to better connect the agricultural sector with the tourism industry such that, for example, hotels could be better and more fully supplied with local food supplies.

Adequate logistics services are not available. The number of aggregators, which are critical to achieve some scale in exports and organize just-in-time deliveries, is limited and most of them remain informal. Aggregation is currently carried out by wholesalers that purchase at the farmgate, while 3PL/4PL[204] operators that aggregate, palletize, and ship products at centralized hubs operate in competitive horticultural economies.[205] Weak transportation services, trade logistics, and infrastructure are serious impediments to maintaining quality, reducing waste, and ensuring timely delivery to retailers. Higher-quality goods and differentiated products often face greater information challenges in foreign market access.[206] Postharvest losses undermine producers' efforts because of the lack of modern storage, warehouse terminals, and preservation equipment. Flight connectivity has also limited the potential for horticulture exports—there are no specific cargo planes for the transport of horticultural goods and the frequency of cargo flights to Europe is low (three flights per week). In view of these logistical challenges, efforts to develop specific agriculture and agribusiness subsectors in Benin should, in the first instance and in the short term, likely use sea freight, which can relatively efficiently transport the produce. An additional factor to consider is that transporting by airplane is in general better adapted to high-value, high-quality products, given that it is significantly more expensive than refrigerated containers by sea.

The ability to comply with quality standards and trace products is weak. Small-scale producers and processors have huge difficulties meeting quality and safety standards set by overseas markets, even though significant progress has already been made on this front (box 4.2). Quality losses seem to occur mainly at the farm and retail level for tomatoes and peppers, while the wholesale and retail node of the chain poses higher challenges for amaranth and oranges.[207] The National Quality Infrastructure (NQI) system for food in Benin is still in its preliminary stage of formation.

BOX 4.2 IMPORTANCE OF QUALITY STANDARDS AND TRACEABILITY

In 2016, the Benin government imposed a suspension of pineapple exports to the European Union (EU) to increase quality compliance, after the EU imposed mandatory quality tests for food products. In response, the government has strengthened the technical capacity and equipment of the Beninese Food Safety Agency (ABSSA) The National Agency for Standardization of Metrology and Quality Control (ANM) coordinated the elaboration of quality norms for pineapples. The establishment of a food safety surveillance system by Benin allowed the lifting of the 2016 ban and demonstrated the benefits of investing in the National Quality Infrastructure (NQI) with the increasing share of pineapples to the EU.

Source: World Bank, Global Productivity: Trends, Drivers, and Policies (Washington, DC: World Bank, 2020).

Besides challenges related to the quality of exports, Beninese producers also face the lack of quality controls on imported food products, which creates an uneven playing field for them. With government authorities primarily focused on levying import duties, relatively less attention is devoted to the enforcement of quality standards of imported products. Locally manufactured goods thereby risk being in unfair competition with imports of lesser quality. Anecdotal evidence, for example, suggests that locally produced goods suffer from competition with imported equivalents that are being subsidized or dumped on the Beninese market. This situation further risks being exacerbated by the illegal smuggling of products across the border, whereby goods completely escape quality controls. In view of this problem, if the government's capacity to efficiently address quality controls were to improve, it would yield tangible positive results for local manufacturers, both in jobs and investment. In this context, human, financial, and technical capacity building in different government agencies, along with improving the agencies' visibility and accountability, remain important action points going forward.

The reinforcement of Benin's Central Laboratory for Food Safety, through the renewal of its accreditation in accordance with EU standards and the signing of a protocol with ABSSA, was an important step in that direction. Still, the 2020 review of Benin's NQI by the United Nations Conference on Trade and Development (UNCTAD) points to the following challenges: poor institutional coordination between ministries, the limited structuring of value chains, the low capacity of farmers, and the weak operability of institutions in charge of certification and control. A mechanism to promote testing among producers and processors of agricultural products, even in the absence of mandatory requirements, should be the next objective, and new technologies, such as digital platforms, can support compliance with international standards.

The ineffective implementation of trade agreements is a constraint to intraregional trade. The low volume of intra-African trade in agro-industrial products underscores the limitations of current integration efforts. Despite an acceleration of regional integration since the early 2000s, trade continues to be hampered by weak coordination and harmonization of product documentation, regulations, and standards. Similarly, weak institutions in customs administration and transit facilitation, as well as payment and insurance systems, hamper intraregional trade. Seizing the opportunities offered by the large neighboring Nigerian markets is also highly dependent on political decisions, not only technical/administrative matters. Beninese firms that seek to export through formal channels face difficulties related to (a) foreign exchange as the Nigerian naira is not accepted by commercial banks in Benin; (b) nontariff barriers imposed by Nigeria's National Agency for Food and Drug Administration and Control; (c) protectionist policy; and (d) poor-quality infrastructure at the border combined with unreliable procedures. Language, lack of knowledge of the Nigerian market, and informal costs in the form of bribes are additional constraints. More broadly, the legal and regulatory framework is not well understood by Beninese actors, who perceive some procedures as contradicting ECOWAS liberalization schemes. Export licensing, certification requirements, and import/export clearance processes are perceived as costly and complex. In 2019, time to export and time to import both took 30 percent longer than on average in Sub-Saharan Africa (Doing Business raw data).

Processing for value addition requires access to inputs and enabling factors

The downstream segment of the value chain is limited. In-country industrial processing capacity is small, resulting in a low processing rate (19 percent in 2019 and 6.5 percent in 2020 due to COVID-19 for cashew nuts and 26 percent for pineapple). Only a handful of food-manufacturing firms are producing a range of semi-processed or packaged goods of moderate scale. The agro-processing industry is dominated by the cotton sector, along with beer and oil palm fruits. Other food-processing or packaging activities are limited to a subset of commercialized crops that can be traded over long distances with long time delivery such as cashew nuts, shea, sugar, pineapples, and rice. The transformation of agricultural raw materials into industrial products can create value and is an outlet when fresh products cannot be exported to high-value markets because of difficult trade, quality, and logistics conditions. Main obstacles to a higher level of processing include the lack of well-located, secured, and serviced land for agriprocessors and the high cost of production factors (connection to electricity, cost of water, and equipment). If the provision of shared infrastructure and services in SEZs can offer a temporary solution, the government should focus on deploying sustainable solutions to improving the business environment across the country. The role of logistics service providers is important for exporting products because those providers can aggregate products across processors and facilitate access to containers, which have been much less available because of COVID-19.

Success stories from countries in the region on developing local processing capabilities could provide important insights for Benin. In view of Benin's strong natural endowment and competitive advantage for producing and exporting pineapples, the story of the originally Ghanaian company Blue Skies could provide important lessons on how value can be added at the source. The company, which employs more than 3,000 people in West Africa, makes its finished product, which includes fresh-cut fruit, fresh fruit juices, and nondairy ice creams, where its fruit is grown. Through a strong relationship with local farming communities, state-of-the-art processing facilities, and continual R&D investments, the company has been able to export about 6,000 metric tons of finished product per year. Nurturing local companies in Benin that could become similar regional champions in the agribusiness sector will prove crucial for the country to achieve an inclusive growth going forward. This growth will only become feasible, however, when the emergence of agricultural processing firms is more actively supported, in particular for making a consistently high-quality product and for managing sustainable farmer-based organization models.

Access to equipment, raw agricultural crops, and packaging is limited. Processing equipment is expensive to access and operate because affordable quality technology, machinery, spare parts, and maintenance are lacking. In addition, agribusinesses face difficulties in sourcing crops because global prices fluctuate. They also face shortages caused by fragmented supply, vertical integration, and the market power of retailers compared with processors. Exporting also comes with packaging requirements that are difficult to meet locally and to source on time. Three problems—(a) poor access to information on national packaging supply and demand, (b) the absence of mechanisms to aggregate sourcing and negotiate better prices, and (c) the absence of affordable, resilient packaging and labeling production facilities locally—constrain the ability of producers to integrate into global value chains.

Better skills and knowledge would improve productivity. Stakeholders reported that poor mastery of technical skills and modern techniques for the processing, conservation, and storage of soybean, cashew, and pineapple is a major challenge. They need to adopt and implement standard operating procedures, adjusted to target destinations, for postharvest transport and handling of perishable products that will lead to consistent quality of products. In addition, they would welcome better knowledge of existing technologies (for example, for rapid drying and shelling of nuts) and options for the valorization of waste and by-products to increase value creation.

Closing gender productivity gaps will also prove crucial for boosting the competitiveness of the agricultural and agribusiness sector. Women represent 52 percent of the rural population in Benin and are fundamental to the output generated in the countryside. Measures ranging from more education for women to policies promoting better labor market integration and helping improve their access to markets will prove crucial for accelerating the development of agriculture. Helping them boost their incomes will undoubtedly contribute to the elimination of poverty in rural areas, and promoting the role of women in subsectors with high potential for growth, such as pineapple exports or shea butter production, could improve economic opportunities for the entire country. In Benin, female smallholder farmers are key actors for poverty alleviation, and specific attention should be focused on them when developing policy interventions.

Recommendations

Moving forward, Benin should favor market-based mechanisms to unlock the full potential of export crops and high-value exports, while supporting enabling factors for continual productivity improvement (box 4.3).

BOX 4.3 DETAILED RECOMMENDATIONS FOR AGRICULTURE AND AGRO-INDUSTRY

Build efficient enabling sectors

[Short term] Strengthen the operational efficiency of FONAGA (National Guarantee and Small and Medium Enterprise Assistance Fund) and FNDA (National Fund for Agricultural Development) to better target farmers and effectively channel financing to a larger pool of agricultural actors and small and medium enterprises. Adopting a digital approach to the deployment of financial instruments can help micro, small, and medium enterprises establish a transaction history and improve credit profiles.

[Short term] Identify the bottlenecks that limit the offering of leasing services by domestic financial institutions (versus regional ones) and build capacity to deploy this product.

[Short term] Set up and operationalize a national platform for dialogue and consultation between the different funds intervening in the agricultural sector to draw synergies.[a]

[Short term] Support the development of solutions and platforms, possibly private, that can address information gaps in areas such as climate variability, agricultural productivity, input management, market access, market linkages, and supply chain management after harvest.

[Medium term] Strengthen the capacity of the ANDF (National Land Management Agency) to enforce legislation on land and mechanisms to access reliable information on land titles.

[Medium term] Design the regulatory framework for warehouse receipt financing and build the capacity of stakeholders for better adoption.

Enhance productivity through better access to inputs and market-based sectoral dynamics

[Short term] Facilitate the import process for machinery and equipment as well as the development of private repair and maintenance facilities.

[Short term] Conduct an in-depth assessment of the system of distribution and financing of fertilizers to identify bottlenecks to the access of suitable, safe, and organic products. The study would define a sustainable path forward for the liberalization of the market so farmers can access the different types of fertilizer and make informed decision regarding the use of inputs.

[Medium term] Increase research and development funding to expand research to reduce postharvest losses by improving fresh preservation and cold chain technologies in collaboration with the private sector. This work will require strengthening the technical expertise of INRAB (National Institute of Agricultural Research of Benin) and ABBSA (Beninese Food Safety Agency) and capacity building along agricultural value chains for the adoption of standard operating procedures adapted to target markets.

Access to markets

[Short term] Strengthen the capacity of APIEX (Investment Promotion Agency) on strategic market analysis for exports, technology information, and monitoring, and design a partnership with the ATDAs (Agences Territoriales de Développement Agricole) for the effective delivery of off-farm services, public services, and market intelligence.

[Short to Medium term] To improve the NQI (National Quality Infrastructure), raise awareness of private sector players on testing and traceability, ensure better institutional coordination between ministries, and strengthen operability of institutions in charge of certification and control. The Ministry of Industry and Commerce, through the ANM (National Agency for Standardization of Metrology and Quality Control), could coordinate the development of the adequate institutional framework for this work.

[Medium to Long term] Scale up strategic investments in poor rural roads (South-North

corridor) and cold chain infrastructure by following the "cascade" principle to leverage private sector expertise and funding. These steps should be completed by recommendations to formalize and consolidate the trucking and logistics industry to comply with stricter standards.

[Medium to Long term] Harmonize product documentation, regulations, and standards and strengthen customs to better enforce regional trade agreements. Efforts should focus on reducing the duration of clearance processes and on streamlining export licensing.

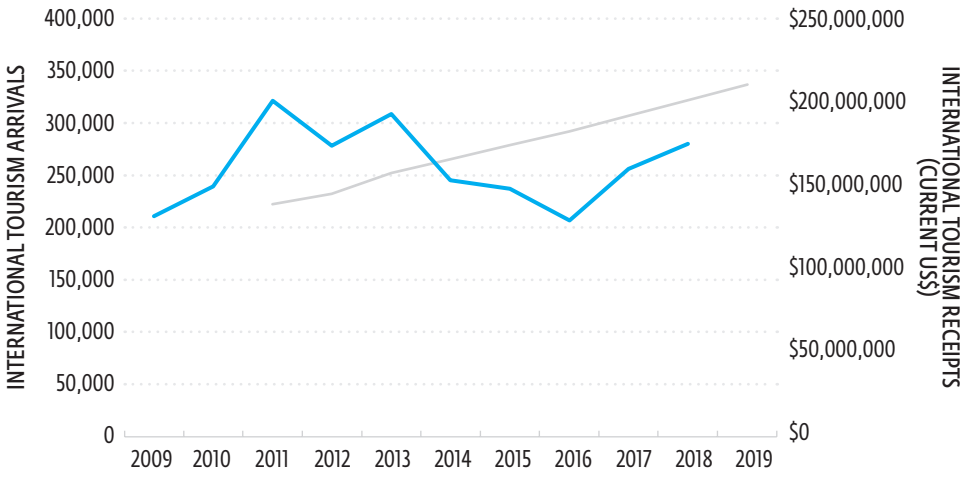
a. Besides FNDA and FONAGA, the funds include Fonds d'Investissement Agriculture, Fonds National de Microfinance (FNM), Fonds de Développement de la Formation Professionnelle Continue et de l'Apprentissage (FODEFCA), and the Agency for the Development of Youth Entrepreneurship.

4.2. TOURISM

Tourism Is a High-Priority Emerging Sector, Strategically Positioned for Resilience in Pandemic Times

Tourism is an emerging, high-priority sector for Benin, with the potential for economic diversification, labor-intensive job creation, and foreign exchange earnings. Tourism is one of Benin's most important exports of services, and it is the second-largest generator of foreign exchange earnings for the country (after cotton). The sector generated an estimated US$241 million in international tourism receipts in 2019, representing 6.7 percent of the country's total exports and nearly half of the value of services' exports.[208] Before the COVID-19 pandemic, tourism contributed a combined 4.7 percent of GDP and accounted for about 6.6 percent of employment with 312,800 jobs.[209]

FIGURE 4.7 BENIN INTERNATIONAL TOURISM ARRIVALS AND RECEIPTS, 2009-19



Source: UNWTO (United Nations World Tourism Organization), Yearbook of Tourism Statistics; World Bank, World Development Indicators.

In 2019, Benin welcomed 337,000 visitors. Although the evolution of its arrivals is difficult to assess because of statistical gaps, Benin's international tourism receipts, along with the number of tourism establishments, indicate a sector at the structuring stage that has yet to experience its growth phase (figure 4.7).

Benin's fledgling comparative advantage in tourism stems from its location, political stability, safety and security, international openness, and strength of its endogenous natural and cultural assets. Primary tourism assets include the global cradle of voodoo; one of Africa's most important historic slave routes; one of the best, most-venerated wildlife parks in West Africa (Pendjari); Africa's largest stilt-village (Ganvié); the Tata Somba clay-fort houses; and an undeveloped coastline, as well as a vibrant arts and festivals sector.[210] Benin's regional competitor countries are Côte d'Ivoire, Ghana, Senegal, and Togo. Compared with them, Benin's total arrivals are lower, but receipts per arrival are higher than most of them, according to key indicators. Benin has the lowest growth combined with the least absolute visitors, compared with those competitors.

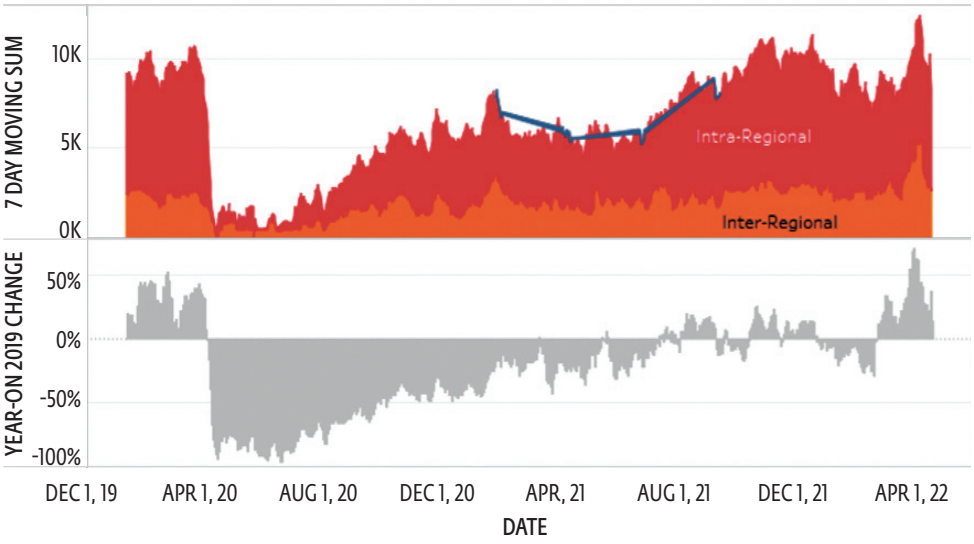
Benin has made significant strides in the structuring of its tourism sector since prioritizing tourism as a key economic driver in the 2016–21 PAG. For Benin, tourism can be an effective tool to increase foreign direct investment and foreign exchange earnings and build on the sector's deep potential linkages to create inclusive job opportunities, in addition to overcoming policy and infrastructure barriers traditionally faced by exports of goods. The government identified tourism as a priority to diversify the economy and create local employment by undertaking reforms to structure the emerging sector, focusing primarily on regulatory reforms and tourism destination infrastructure. Despite implementation delays, the government is well on its way to delivering large-scale, tourism-related infrastructure and institutional reforms, setting up the sector for growth. Tourism development is led by the National Agency for Heritage Promotion and Tourism Development (ANPT), created in 2016 to guide and implement the sector's development agenda and is regulated by the Ministry of Tourism, Culture and Arts (MoTCA).

Key reforms under way include the following: (a) revising the tourism licensing and classification system, (b) updating decrees regulating tourism firms and subsectors, and (c) overhauling the tourism statistics system. The visitor visa system has already been improved and streamlined, allowing for visa-free travel for African nationals and e-visas for most nationalities. Its ambitious tourism-related infrastructure program spans 10 destinations, focusing heavily on cultural heritage and beach tourism, along with several ecotourism investments. In an early successful initiative, African Parks, an international nonprofit based in South Africa, has been contracted to manage the Pendjari and W national parks for renewable 10-year periods, overseeing important infrastructure, capacity, and management improvements. Concessions to two lodges in Pendjari were recently issued —one mid-market and one upscale. Efforts to increase the density of hotel infrastructure for the further development of business tourism also have been made. In 2022, France returned 26 artifacts to Benin, an important milestone and a key tourism draw.

Results are beginning to be seen, with the country gaining four places in the World Economic Forum's Travel and Tourism Competitiveness Index (WEF TTCI), moving from 127th in 2017 to 123rd in 2019 (out of 140 countries). Gains have been particularly notable in its business environment, safety and security, international openness, environmental sustainability, and natural resources pillars. Despite this progress, tourism in Benin is still at a nascent development stage, and much needs to be done to translate key demand drivers into economic development outcomes.[211] According to the WEF TTCI, the sector is particularly lagging in its enabling environment, ICT readiness, prioritization of travel and tourism, and infrastructure. The sector had nonetheless been able to post real, but slow, progress in recent years until the COVID-19 pandemic halted much travel in 2020.

COVID-19 caused an unprecedented impact to Benin's tourism sector, resulting in a 75.3 percent drop in international visitor expenditures and a 42.7 percent reduction in domestic spending.[212] This drop led to an estimated decrease of 48.8 percent in the travel and tourism GDP, and a 29.3 percent reduction in travel and tourism jobs, with an estimated loss of 91,500 jobs. Many tourism establishments temporarily closed from March to August 2020 as entry restrictions were enacted. A number of establishments pivoted to domestic or regional tourism, although many have yet to return to near pre-pandemic revenues.

FIGURE 4.8 NUMBER OF SEATS, INBOUND, BENIN, JAN. 1, 2020, TO APRIL 1, 2022



Source: World Bank, Global Aviation Dashboard.

A survey in May 2020 by the Benin Tourism Federation (FOPAHT) showed that all subsectors were significantly affected by the pandemic, with guides, restaurants, and hotels most exposed to international travel stoppages.[213] Surveyed operators were most interested in receiving fiscal, financial, then employment retention support. A UN study in August 2020 corroborated these findings, showing a 75 percent drop in activity in the tourism sector.[214] Workers have been particularly affected, with a high unemployment rate, and a rate of underemployment in the sector that went from 15.2 percent pre-COVID-19 to 66.1 percent during the pandemic. A severe reduction in flights lasted from March to August 2020, with air arrivals returning close to pre-pandemic levels only by September 2021 (Figure 4.8 33). Data on international Google search results for accommodations in Benin indicated a return to pre-pandemic consumer interest and confidence by early 2021, which has been maintained throughout the year.[215] Both aviation data and accommodation searches show a noticeable reduction in December 2021 because of the Omicron variant and a rapid increase in February 2022 as the Omicron surge subsided.

Although the tourism industry has been heavily impaired by the COVID-19 pandemic, the sector is well positioned to take advantage of post-pandemic travel trends, particularly the increased importance of road-based regional travel, small-group travel experiences, and nature-based trips. The importance of road-based travel compared with flights could give Benin an advantage for increasing its market share of Nigerian visitors to accelerate its recovery. In 2019, more than 175,000 arrivals took place over land (52 percent of total), compared with 115,000 arrivals by air (34 percent of total).[216] In fact, when the Benin-Nigeria border was not closed, there was an increase of Nigerians traveling to Benin because restrictions had been placed on their habitual destinations. The closure of international destinations also increased domestic tourism, with a number of operators pivoting to providing and promoting domestic packages for the first time. The Pendjari National Park saw a 20 percent increase in its domestic visitors from 2019 to 2020. Furthermore, initially affected source markets, such as the French, have seen a rebound as vaccination rates in France have increased; however, the events market remains reduced across the board.

As box 4.4 shows, the development of tourism in Benin can help other sectors succeed.

BOX 4.4 THE DEVELOPMENT POTENTIAL OF TOURISM

The tourism sector is an important tool for development not only because of its economic growth and employment potential, making up 10.4 percent of global GDP and 10.6 percent of all jobs in 2019, but also as a vital foreign exchange earner and a driver for conservation and inclusive growth, with deep backward linkages to other sectors, including agriculture, construction, retail, crafts, and related services. Tourism has the ability to develop rural and depressed areas and serves as a robust entry point for formal employment, particularly for women, who make up more than 60 percent of the tourism workforce.

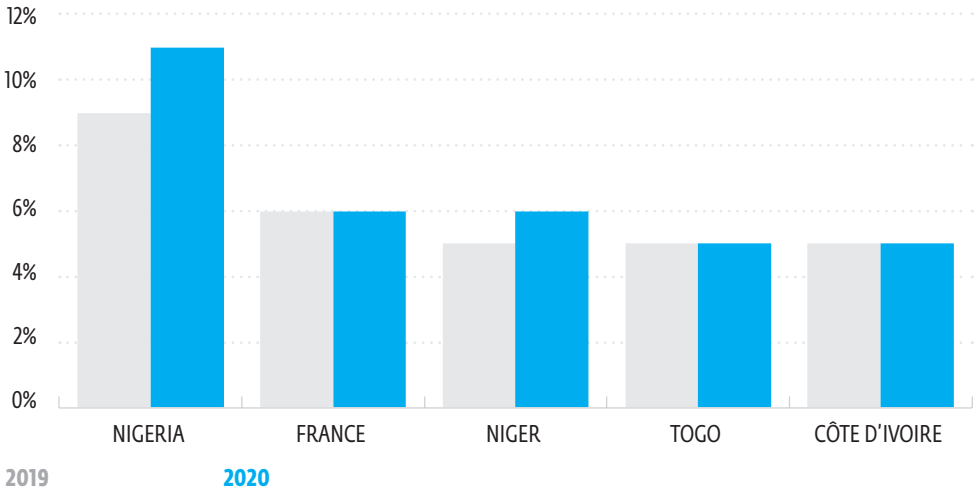
To realize these development impacts, the sector needs to be structured, developed, and managed in a green, inclusive, resilient, and competitive manner. This type of management entails policies, plans, programs, and investments geared at removing market failures while ensuring that there are no government failures. It is important to foster a level playing field, channel investments to public goods with the most positive externalities, and remove barriers to market access, particularly for women, communities, and small and medium enterprises, who traditionally face the greatest constraints to involvement and growth in the tourism value chain.

Source: World Bank analysis

Drivers of Demand: Current and Future Opportunities

Benin's tourism sector is primarily based on regional visitors, with business spending representing its largest share of receipts. The composition of its source markets remained similar pre- and post-COVID-19, comprising primarily arrivals from the subregion (figure 4.9), with the exceptions of France, which dropped off its top five source markets in 2021, and Nigeria, which increased its market share (from 9 to 11 percent between 2019 and 2020). This fact suggests increased resilience of Benin's neighboring markets, highlighting the importance of Nigerian visitors as well as the likelihood that many of these arrivals are not leisure related. In fact, about 62 percent of tourism spending in 2019 was business related, with the remaining 38 percent stemming from leisure activities.[217] The percentage of leisure tourists, however, has consistently increased from 22 percent in 2015.

FIGURE 4.9 SHARE OF INTERNATIONAL ARRIVALS IN BENIN FROM TOP FIVE ORIGINS, 2019 AND 2020, IN PERCENT



Source: World Travel and Tourism Council, Oxford Economics, national sources, and UN World Tourism Organization.

In the short to medium term, Benin's tourism sector will likely depend on Nigerians and the business segment as its core market, with the addition of high-value international niches of culture (heritage, art, Afro-descendant, festivals), and beach and nature-based tourism. This strategy of scaffolding volume arrivals from a populous neighbor with higher value, longer-haul niche segments has allowed Uruguay and Mexico—targeting Argentineans from Buenos Aires and Americans, respectively—to develop dynamic and high-impact tourism sectors (box 4.5). Lagos, Africa's most populous city with about 20 million inhabitants and the youngest entry-level consumers in the world, is just 77 km from the Benin border. Nigeria's outbound tourism has recently grown at an annual rate of 12 percent, with its inhabitants spending an average of US$4 billion on tourism abroad. Although Nigeria represents the most important source market for Benin's tourism, its potential remains significantly untapped, with Benin attracting only 2.3 percent of Nigeria's total outbound market (29,085 arrivals as of 2018), signaling a low market penetration and a high potential for growth.[218]

BOX 4.5 CASE STUDY: THE IMPORTANCE OF THE ARGENTINIAN MARKET FOR URUGUAY

Uruguay is a small country of 3.4 million people located between Argentina and Brazil. Its main tourist destination, Punta del Este, known as a world-class resort for wealthy Argentines, is 371 km from Buenos Aires, the capital of Argentina with a metropolitan population of 15 million. Because of this proximity, similar culture, relative affordability, and welcoming tourism policies, 61 percent of arrivals to Uruguay were Argentine, generating more than 60 percent of total tourist spending in Uruguay in 2019. That same year, tourism contributed a total of 15.3 percent to Uruguay's GDP, supporting a total of 272,100 jobs.

Source: World Bank analysis

The Argentine market is Uruguay's mainstay, providing a reliable base of visitors and revenue. The Argentine market has shaped the development of Uruguay's tourism sector, enabling it to develop sufficient accommodations, support services, and skills to attract higher-value and more distant markets. The long-haul markets are a high-value complement to Uruguay's source markets, and although they generate a higher value per tourist, they are much lower in total volume and total expenditure generated than the regional and specifically Argentine market. The reasons for the lower volume and spending is their great distance from Uruguay, lack of connectivity, and the highly competitive environment for long-haul visitors from Europe and North America.

The most recent and comprehensive demand assessment of Benin tourism found five priority segments for attracting Nigerian visitors.[219] They are, in order of importance, (a) meetings, incentives, conferences, and exhibitions (MICE); (b) shopping; (c) beach; (d) culture; and (e) nature. Thirty-nine percent of Nigerians surveyed visited for MICE reasons, which is also the segment with the most potential for growth through shopping and leisure add-ons. Nigerian outbound tour operators cited cultural activities as the second-highest growth segment. The destinations of The Gambia, Ghana, Kenya, and South Africa have recognized the value of Nigerian visitors and are actively targeting them with ad campaigns, familiarization trips, incentives, and industry partnerships, among other initiatives. The tourism industry should also consider the development impacts and externalities of each market segment when setting priorities. MICE tourism, given its concentration in leading economic centers, can have less of a distributional impact on inclusion, a challenge that Côte d'Ivoire has faced. The industry must pay more attention to building inclusive linkages for MICE tourism with local supply chains and MSMEs to maximize its development impact. This focus can include matchmaking programs between small suppliers and business hotels; support to MSMEs to improve the quality, consistency, and quantity of their products; and the pooling of small-scale suppliers, for example, to procure quantities of food inputs required by larger hotels.

TABLE 4.2 HIGH-POTENTIAL SEGMENTS AND SOURCE MARKETS

HIGH-POTENTIAL SEGMENTS AND SOURCE MARKETS	SEGMENTS	SEGMENT CHARACTERISTICS/ POTENTIAL	PRIORITY SOURCE MARKETS	REGIONAL COMPETITORS
Current	MICE	39% of Nigerian visitors to Benin 21.3% CAGR in 2021–28	Nigeria, Côte d'Ivoire	Togo, Côte d'Ivoire, Rwanda
	Shopping	21% of Nigerian visitors to Benin	Nigeria, Niger, Togo	Côte d'Ivoire, Senegal
Short term	Cultural heritage	8% CAGR globally pre-pandemic, expected to retain growth rate in 2021–24 period 14% of Nigerian visitors to Benin	France, Afro-descendants (the Americas)	Ghana, Senegal
	Nature-based tourism	13.3% CAGR globally from 2016 to 2019 pre-pandemic 11% of Nigerian visitors to Benin	France, Germany, Scandinavia	Sierra Leone, Uganda, Rwanda
Medium term	Beach tourism	15% of Nigerian visitors to Benin	Nigeria, France	Côte d'Ivoire, Senegal, The Gambia

Sources: Government of Benin, "Benin Tourism Demand Assessment," 2015; Technavio, "Global Cultural Tourism Market 2020–24," 2019; Allied Market Research, "MICE Industry: Global Opportunity Analysis and Industry Forecast 2021–28," 2021; UNWTO (UN World Tourism Organization), "Global Report on Shopping Tourism," 2014.

Note: The top three Nigerian high-value growth markets for Benin were identified through a rapid analysis based on average spending, return visits, Benin's tourism product match, and seasonality data gathered from interview results and background data analysis. CAGR = compound annual growth rate; MICE = meetings, incentives, conferences, and exhibitions.

Cultural heritage, nature-based, and beach tourism are short- to medium-term opportunities to attract long-haul and higher-value visitors. Cultural heritage in particular has the potential to form a long-term comparative advantage for Benin given its unique assets and recent government investments in heritage tourism destinations and infrastructure. A combination of these three segments is likely to drive demand in the short term, through country and regional circuits (that is, Francophone West Africa, Togo-Benin-Burkina Faso), which are already attracting mid-to-low-spending international adventure tourists. As infrastructure, facilities, and packages improve, these experiences can be moved upmarket; however, these segments also face steeper regional and international competition, particularly beach and nature-based tourism. Gaps in data and market research complicate the ability to quantify the potential of each segment and source market.

Supply-Side Constraints to Seize Opportunities

Tourism development has traditionally been led primarily by the public sector in Benin, partly because of state-driven legacies, the underdevelopment of the private sector, and its tourism development stage requiring structural public investments. This approach has been effective in undertaking key structural reforms and destination infrastructure investments, particularly in this emerging stage of tourism development, in which the private sector sees high perceived risks in an unproven sector. There are a number of blockers, however, inhibiting the tourism sector's transition from the development to the growth stage. These include transversal limitations and key constraints detailed in this section. The compounding effect of these constraints has led to relatively low tourist arrivals, spending, and occupancy rates before the COVID-19 crisis. In turn, the resulting low profitability propagates underinvestment in tourism products—both physical and human assets. Together, these constraints have reduced overall sectoral competitiveness and prevented it from realizing its potential.

Transversal limitations include the following:

- **Institutional arrangements and capacities**: The government and, as a result, its tourism institutions are highly centralized. The creation of the ANPT in 2016 affected the MoTCA, transferring a series of institutional responsibilities under the presidential agency and further centralizing decision-making. The MoTCA has not yet been restructured as a regulatory and oversight body, leading to (a) institutional fragmentation, (b) the overlap as well as lack of ownership of key functions, and (c) a lack of strategic orientation guiding the many stakeholders of the sector. The ANPT has been broadly focused on implementing priority projects. Institutional arrangements are being clarified and a new national destination marketing agency is being created. What is important is that the institutional arrangements are clear and that all institutions are provided with a sufficient budget to carry out their mandates.
- **Air connectivity:** Airport infrastructure has improved, notably the upgrading of the Parakou airport to international standards and the ongoing upgrading of the Cotonou International Airport after work on the new Glo-Djigbé International Airport was put on hold in September 2021. However, the frequency and cost of both domestic and international flights are an inhibitor to competitiveness and the creation of tourism circuits throughout the country. Because of elevated operating costs, a lack of competition, and a lack of economies of scale, flights remain expensive, and connections are limited. A sample round-trip flight in March 2022 cost US$595 from Paris to Cotonou, while costing less than half—US$266 from Paris to Dakar.[220] In the pre-pandemic week of January 1–7, 2020, Benin had flight connections with 12 countries, only one of which (France) being outside the continent, with four weekly flights. There are currently no scheduled domestic flights, with the recently upgraded Parakou Airport yet to establish scheduled air service.

- **Security and regional stability**: Safety and security are key preconditions for tourism sector growth. Despite a relatively stable security environment in Benin, there is a risk of subregional instability affecting Benin's tourism sector, particularly its border area with Burkina Faso where its core wildlife assets are located. This area has faced three attacks since November 2021, one of which led to the death of French visitors to the area. As a response, the government has increased its army presence along the border, particularly for protection at the park, but the area remains sparsely populated and provides opportunities for nonstate actors to cross between the two countries unchecked. This increasing subregional insecurity could delay Benin's tourism sector recovery and particularly the growth of wildlife tourism as a key product and flagship draw to the country.

Key constraints include the following:

- **A lack of a strategic focus on demand creation and product-market fit. Demand has stagnated for years because of a poor product-market fit, weak packaging and distribution linkages, and a lacking strategic approach to market development.**
  - Benin is well positioned but has yet to fully capitalize on the growing Nigerian market. A number of bottlenecks remain to attracting Nigerian visitors, most of which are relevant for international as well as regional tourism. They include (a) a lack of market-appropriate facilities and prices; (b) a lack of targeted marketing and cross-border tourism industry relationships, resulting in a poor destination image; (c) cumbersome road border crossings; and (d) a language barrier. The 2015 demand assessment found that the lack of awareness of Benin as a tourism destination was a key roadblock to attracting Nigerian visitors.[221] Nigerians who had visited Benin had a considerably more positive view of it than those who had not, suggesting that promotional campaigns and business-to-business (B2B) outreach can produce outsized impacts.[222] The government has invested heavily in cultural heritage, which studies show is an important add-on for the Nigerian market; however, the market's core interests revolve around shopping, events, leisure, and mid-scale beach tourism, which at the moment are areas that are not being invested in.
  - Targeted marketing and cross-border tourism industry relationships are lacking, continue to form obstacles for tourism development in Benin, and are key contributors to its stagnant arrivals. Benin is critically lacking in targeted marketing and promotion, and it lags behind many of its regional neighbors in promoting its national tourism product. The mandate for destination marketing currently sits with the ANPT, but the government has been hesitant to develop its promotional systems, tools, or campaigns until its infrastructure projects are completed. This lack of promotion has led to very little brand recognition internationally, with even neighboring Nigeria mostly overlooking Benin as a place to visit. Yet, discussions with tour operators indicate that when they create and promote packages, they do sell. Research shows that it can take years to structure a destination marketing apparatus and consistently undertake B2B and business-to-consumer campaigns before moving the needle on brand recognition and purchase decisions.[223] In a bid to better structure these systems, the government is considering creating a para-public Benin Tourism Marketing Agency similar to national destination management organizations to institutionalize and systematize these roles, but the timeline for this plan is unclear.

- **An underdeveloped local private sector.** Local tourism operators lack the product and geographic diversity, distribution linkages, quality levels, and professionalization to drive the sector's growth.
  - Given the emerging stage of the sector, many operators, particularly outside the handful of chains in Cotonou, have an uncompetitive tourism product. Cotonou has a number of branded, international-level hotels at diverse price-points, with a luxury Sofitel currently under development. The ownership of most quality hotels is concentrated in a few families or portfolio companies that are diversified in various sectors, and as such are not specialized in travel and tourism. Most lodging establishments are in southern Benin and are mainly small, unbranded, family-owned facilities that conform to neither international norms nor local construction and operation regulations. Smaller hoteliers lack linkages with local and especially international operators, as well as marketing know-how. Low sector-specific knowledge of owners and operators and insufficient construction and licensing guidelines, as well as a general lack of enforcement by authorities, have led to poor-quality lodging products, unfit for attracting value-added markets. This situation has resulted in low profitability and thus deferred maintenance, which further lowers the quality of the product.
  - Benin has experienced lackluster growth in lodging establishments, with 1,253 registered in 2019, a growth of only 216 from 2010. Access to finance remains an issue, specifically for the more capital-intensive accommodation businesses, where discussions with operators indicate that the lack of working capital in the first one to three years is a major factor in failing tourism ventures. Tourism ventures are often regarded as high-risk and low-margin investments, with investors often opting for the quicker returns of the commercial real estate market. Another reason for this lack of growth is an inhibitive enabling environment. The MoTCA's Tourism Licensing Commission met only once between 2016 and 2021, leaving a backlog of more than 500 tourism business applications pending in 2021. It has been issuing provisional licenses since 2016 while awaiting ongoing reforms to the licensing process. These reforms have been under way since 2022 and the commission is currently reviewing applications. This situation has affected the growth of the tourism private sector because banks often require sectoral licenses before they issue loans. The licensing problem is symptomatic of broader issues around the public sector's lack of prioritization of tourism firm growth, engagement, and inclusion. Domestic investors, particularly SMEs, don't have the entry points, scale, or sophistication to be involved in the government's large-scale tourism projects. This problem is compounded by authorities' lack of communication with the local private sector on entry points for involvement in flagship government initiatives.
  - Few travel agents and tour operators actively create and sell packages to inbound markets, and many lack international travel-trade linkages and the know-how to establish them. A 2015 tour operator survey showed that less than 10 percent of agencies in Benin work with outbound operators in source markets, whereas 65 percent of Nigerian agencies look to work with inbound operators in destination countries to design and sell their packages.[224] The greatest weaknesses of Beninese operators identified in the survey were a lack of available and competitive packages and insufficient budget dedicated to marketing. Nigerian agencies are looking for added-value packages from inbound tour operators in host countries that include multiday circuits, guided tours, and complementary activities as well as transport, lodging, and catering.

- Despite the potential, and a broad array of arts and crafts, tourism value chain linkages remain untapped. Tourism is a broad umbrella sector, encompassing lodging, catering, aviation, agriculture, construction, and handicrafts, among other sectors. Handicrafts alone employ 10 percent of Benin's population, with more than 350,000 artisans working in wood, iron, leather, bronze, indigo, and bamboo.[225] However, links with support and supply services such as transport operators and artisans are underdeveloped. Crafts linkages are constrained by the quality and consistency of products, distribution/linkages, and low sales volumes. Informality in the sector remains high, particularly for the catering and crafts sections of the value chain. The gap between formalized and informal hotels was highlighted during the pandemic, with many informal operators being unable to access government support programs because of their registration status. Anecdotally, agricultural linkages are adequate, with tourism establishments consulted in Cotonou being able to locally source the majority of food and beverage inputs.
- The tourism innovation and entrepreneurship ecosystem remains rudimentary, with few options for incubation or seed financing outside of Sèmè City and public programs. As discussed in chapter 2, there is a lack of diversity and innovation in new ventures and, with low capacities, firms require substantial pre-incubation support on basic business and soft skills before sector-specific support programs. Similarly, digital penetration remains low, which is an economywide issue (see chapter 3, section 4) and is magnified for the tourism sector. Interviews indicate that target markets are increasingly shifting to digital communications channels, but many of Benin's tourism SMEs are lagging behind. Digital adoption for back-of-house systems is even further behind than marketing, which stunts productivity and scalability. Distribution links with source markets are one of the greatest gaps for travel agents and lodging; however, many have not taken advantage of online travel agencies and other digital distribution channels that can facilitate more direct links between demand and supply. The cost and availability of the internet is an important obstacle in this regard, particularly outside of Cotonou.
- Few environmental sustainability measures are implemented or prioritized. Outside of protected areas, sustainability and greening of the sector is not yet a priority for the private sector or the government, in part because their mostly business-heavy clientele does not place a premium on sustainable measures. In addition, investors have limited knowledge of and expertise in cost-saving environmental measures. The coastal region is highly vulnerable to coastal erosion. In recent years, emergency protection projects to stabilize the south bank of the Mono River have been carried out. In the medium term, the government identified in its revised, nationally determined contribution to the Paris Agreement[226] two adaptation projects to protect coastal areas and the need to strengthen technical capacity and risk management.

There is a lack of tourism professionalism and sector skills at all levels, from line-staff to management and entrepreneurs. Only 7 percent of the workforce has any level of professional training; operationally, that low number is a major concern for tourism firms.[227] There is one high school with a tourism stream until graduation, and two higher-education-level degrees: a Master in Integration and Regional Development and Cultural Heritage and Tourism. There is a critical lack of qualified instructors, while materials and course syllabi are outdated and inappropriate for modern sector needs. About two dozen private hotel and tourism institutes exist, but mainly offer short-course certificates (three months) and produce low-quality outputs because of a lack of accreditation and oversight. Most of these tourism institutes offer training in food service (13), followed by tourism (5), and hotel management (2). The government is aware of this deficiency and has begun to pilot training activities, financed by the World Bank. These activities include (a) a diagnosis of the tourism training ecosystem, (b) the establishment of an interministerial committee for tourism training, (c) the training of 50 trainers, (d) the piloting of continuous training for 700 tourism employees, and (e) the training of 54 tourist guides. It is important that these training modules be institutionalized in the tourism curriculum and not remain isolated initiatives. The government has committed to opening a dedicated tourism and hospitality training school by 2024, but its institutional setup and funding sources remain unclear. Box 4.6 offers some insights on vocational training.

BOX 4.6 PUBLIC-PRIVATE PARTNERSHIPS IN TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING

Public-private partnerships (PPPs) in education, and specifically technical and vocational education and training (TVET), can help the government more effectively use scarce funds, encourage innovation, extend access to educational services, and ensure that participants are trained to industry standards, thus improving job placement rates and productivity. There are many different types of PPP arrangements in education that can cover management services, operational services, education services, facilities, or a mix of these four elements. Contractual arrangements can include public service leasing, concession, administrative long-term leases, and build-operate-transfer. The choice of services and contract instruments depends heavily on context, the TVET market, and sectoral constraints.

Ghana, for example, is currently setting up a Tourism and Hospitality Training School as a PPP through the World Bank–financed Ghana Tourism Development Project. The first step was to undertake a diagnostic and prefeasibility study to understand the size of the market and work with a transaction adviser to determine parameters of the PPP that would be beneficial for the public sector, the private partner, and the end user. The transaction adviser also assists in outreach, selection of the partner, and contract negotiation and finalization.

For more information, see the International Labour Organization's Guidebook on Implementation of Public-Private Partnership in TVET and the UN World Tourism Organization's Global Report on Public-Private Partnerships in Tourism.

Source: World Bank staff's analysis

Barriers to attracting **foreign direct investment (FDI).** In emerging tourism sectors, FDI is often seen as a way to bridge local capacity, funding, and distribution gaps. Benin, however, faces a number of constraints in attracting FDI in the tourism sector. The constraints include a high perceived risk caused by lack of historical precedent, high establishment and operating costs, and insufficient data on arrivals and potential markets to make investment decisions. Tourism statistics are incomplete, and market studies are unavailable (the latest published study was in 2015), leaving little data available for prospective investors to understand the sector's potential and entry points. As for the investment-enabling environment, the tourism sector faces similar general roadblocks to operations as have been identified for other sectors (see chapter 1, section 3). The main remark from Benin's tourism firms is the lack of tourism-specific investment incentives or conditions, such as industrial electricity tariffs for tourism establishments).[228] In addition, infrastructure and services can remain a challenge in upcountry rural areas, particularly ICT infrastructure. However, in coastal areas with short-term tourism investment potential, infrastructure has not been identified as a binding constraint.

Public investment in facilities such as hotels and resorts is crowding out the private sector and inhibiting demand-driven product development. The government has opted for a heavily public-financed sectoral expansion, with both important heritage and natural sites being upgraded with public funds, as well as hotels, resorts, and master-planned coastal developments. The government is also seen as crowding out potential private sector investment in its objective to rapidly develop a tourism sector around its priority destinations. This public-first approach presents increasing risks. Evidence from the rollout of similar governmental programs globally since the 1970s shows that privately owned hotels are a more efficient and effective way of developing tourism.[229] FDI can bring important knowledge and distribution linkages with source markets, and it results in a more demand-driven approach, which can ensure better product-market fits and ultimately a more competitive sector. Senegal has fostered a dynamic tourism sector in part by ensuring clear conditions for investment in the sector and planning tourism development areas, which facilitates access to land for tourism developments—a key obstruction currently in Benin. The government is tightly regulating private investment in tourism, particularly in attractive coastal areas through master plans and control of land rights. This action risks establishing a sector dominated by enclaves and large actors, rather than more broad-based SME growth. The Ministry of Economy and Finance, with APIEx support and ANPT mobilization, controls investment promotion and has had limited success in attracting anchor investors. The centralized and selective approach to FDI can discourage investors, and navigating the local political economy can be particularly difficult, especially since foreign investors often have trouble finding local partners of adequate capacity.

Recommendations

Moving forward, the government should be looking to transition from a public sector–led to a private sector–led tourism development model, as the focus shifts from structuring to growing the sector. This change can increase the sector's contribution to economic development and boost its recovery from the current crisis. It can be facilitated by (a) focusing on demand creation and market-driven product development, (b) building local private sector capacity, and (c) reducing barriers to FDI in tourism. The government acknowledges the need to focus on these areas in the next phase of sector development, but it is currently lagging in engaging on these priorities. Evidence from similar countries shows that long-term, consistent, and concerted efforts in positioning and promoting a destination are required before it becomes established, and the longer one waits to market, build private sector capacity, and prioritize FDI, the longer the lag to sector competitiveness. See box 4.7.

BOX 4.7 DETAILED RECOMMENDATIONS FOR THE TOURISM SECTOR

Focus on demand creation and market-driven product development

Priority recommendations for high-potential market segments (listed here) need to be complemented by the effective implementation of ongoing initiatives (see table A.3, appendix A).

Efficient marketing

[Short term] Structure, finance, and implement the Benin Tourism Marketing Agency to lead national-level tourism marketing and carry out promotional campaigns and events, with a focus on strengthening regional and international industry relationships and distribution channels.

[Short term] Develop a targeted digital-first marketing strategy. Begin with implementing marketing activities outlined in the 2016 Marketing Action Plan toward the Nigerian market.

[Medium term] Pilot subnational Destination Management Organizations to spearhead marketing and product development, beginning with Ouidah.

[Medium term] Develop a tourism market intelligence platform, beginning with carrying out consumer research and market assessments for key potential source markets. Undertake regular tourism visitor and expenditure surveys.

Targeted regulatory reforms and investment

[Short term] Ensure that public investments in tourism sites and infrastructure have a clear product-market fit and appropriate demand rationale for the scope and scale of the works, following the "cascade" approach.

[Short term] Improve the land border crossing experience and better communicate border openness and protocols.

[Short term] Foster firm-level technology adoption and integration into digital platforms to capture the growing share of digital booking channels for tourism.

Build local private sector capacity with a focus on digitization

Strengthen the institutional setting

[Short term] Accelerate plans to create a para-public Tourism Quality Assurance Agency.

[Short term] Create a public-private commission to study and communicate ways to better integrate the local private sector in flagship tourism projects.

[Short term] Finalize reforms to the tourism licensing and classification system, including updating of regulatory texts such as allowing digital travel agencies and tour operators.

[Medium term] Prioritize the development of a public-private Tourism and Hospitality Institute.

Build the capacity of the entrepreneurial ecosystem

[Short term] Provide business development services to lodging, catering, tourist transport, and tour operator entrepreneurs to upgrade their products and increase their competitiveness by focusing on digital solutions by launching a digitizing tourism program to provide grants, advisory services, and loans for the digitalization of business operations and customer acquisition tools.

[Medium term] Provide comprehensive pre-incubation services to tourism entrepreneurs.

[Medium term] Implement a program to support community-based tourism ventures in upgrading their product offering, improving their small-scale tourism infrastructure, and creating marketing linkages with local and international operators. This action can include integrating community groups and associations into institutional arrangements for site operation and maintenance.

Efficiently mobilize funds

[Short term] Provide block grants to institutes, foundations, and nonprofits to take a value chain approach to developing the local tourism ecosystem.

Increase foreign direct investment in tourism

Strengthen the institutional support system

[Short term] Increase institutional capacities in investment promotion by onboarding a hotel investment specialist or adviser within the National Agency for Heritage Promotion and Tourism Development (ANPT).

[Medium term] Create a tourism investment promotion strategy, to be led by the ANPT.

Enable private investment

[Short term] Prioritize private over public sector ownership of tourism lodging facilities.

[Short term] Increase transparency in access to land and investment opportunities in tourism zones, particularly the highly regulated coastal areas, while ensuring the respect of environmental and social safeguards for all new investments.

[Medium term] Facilitate joint ventures between domestic and international investors by providing trainings, structuring support, and organizing investment roundtables.

Align incentives across sector and the region

[Medium term] Provide preferential electricity rates, comparable to the manufacturing sector, in a clear, time-bound, and destination-specific manner to increase the price competitiveness of Benin as a destination.

[Medium term] Conform with the West African Economic and Monetary Union (WAEMU) recommendations of a 10 percent value added tax (VAT) rate for tourism establishments.

4.3. REGIONAL TRADE AND SERVICES

Benin is an open economy: trade openness to merchandise is high given Benin's level of economic development. Merchandise exports and imports, both in absolute terms and as a share of GDP per capita—a common measure of openness—have been increasing since 2010. Benin now exceeds the lower-middle-income country (LMIC) and Sub-Saharan Africa average and has caught up with structural peers.[230] However, openness to services exports remains low.

Trade in Benin has historically been a key business, but what is captured in Benin's openness is, to an important extent, trading of goods not being produced in the country. Indeed, when observing trade in Benin, the CPSD team distinguishes between four types of trade that take place, each with their specific characteristics.

- Official trade is a trade flow originating from or destined to the Benin domestic market and is recorded in Benin external trade statistics.
- Official transit of products is transit originating in or destined to neighboring countries (Niger mostly). Official transit is not reported in Benin's external trade statistics.
- Informal entrepôt transit trade involves imports of products that are declared imported for the Beninese market but are reexported informally to neighboring markets—mostly for tax and border control evasion reasons. This trade goes two ways: (a) from the region through Benin toward regional and overseas markets (such as gold or gasoline); and (b) from overseas through Benin toward regional markets (such as imports for Nigeria). Thus, imports and exports of Benin appear larger than what they are in reality in Benin external trade statistics.
- Informal trade is often conducted by small-scale traders in border regions and is not recorded in any official statistics.

TABLE 4.3 TYPOLOGY OF BENIN'S CROSS-BORDER MOVEMENT OF GOODS

	REPORTED IN BENIN'S EXTERNAL TRADE STATISTICS	NOT REPORTED IN BENIN'S EXTERNAL TRADE STATISTICS
Official	Products consumed in Benin (imports) Produced in Benin and sold abroad (exports)	Transit trade to neighboring countries under customs bond regime
Informal	Entrepôt trade of products imported in Benin to be sold in neighboring countries	Informal cross-border trade

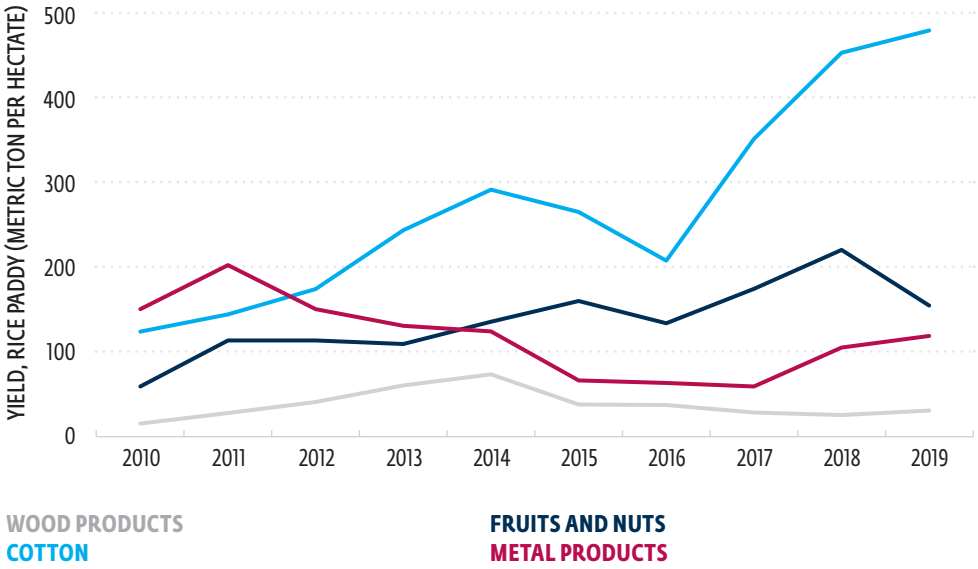
Source: World Bank analysis.

These activities all contribute to Benin's economy. Transit and entrepôt trade are, in essence, exports of freight transport and logistics (warehousing, freight forwarding, and shipping) services to neighboring markets. These services are remunerated. Formal and informal trade flows truly show Benin's ability to sell its products in foreign markets and its need to source products from abroad.

Benin's Exports Show Successful Developments in Cotton but Overall Remain Undiversified

Benin's trade statistics should be interpreted with extreme caution. The list of top products exported by Benin from official trade statistics mixes products exported with products traded in the context of entrepôt trade (some of which is recorded as exports from Benin), while ignoring informal trade flow. The importance of entrepôt trade jumps out immediately from the list of the top products listed as Benin exports (table A.5, appendix A): petroleum products and gold. They have been two of the top three major recorded exports from Benin since 2010 but are not produced by Benin; instead, they are imported to be then reexported. Petroleum products are imported from Nigeria in the context of entrepôt trade and reexported to the region. Likewise, Benin is not a large producer of gold but is geographically close to two world-class producers: Ghana (6th in the world) and Burkina Faso (14th in the world).[231]

FIGURE 4.10 KEY PRODUCT CATEGORIES EXPORTED BY BENIN



Source: CEPII, BACI.
Note on harmonized system (HS) classification: Fruits and nuts (HS 08); wood (HS 44–46); metal (HS 72–83); cotton (HS 52).

Benin's exports reflect the booming cotton sector but little diversification in its structure. Excluding entrepôt trade products, Benin's main exports are cotton, cashew nuts, and wood products. Cotton and cashew nuts have performed well in the past decade, but Benin did not diversify its exports as these products were already important a decade ago, and Benin did not move in the value chain toward further processing. Exports of wood products show a decline since the middle of the period. Important exports of scrap metal should also be noted, covering various metal products (copper, iron, and aluminum), and they also are declining (figure 4.10).

Benin's exports of raw cotton have boomed, but the pattern of imports of cotton fabric point to a large reexport activity rather than domestic value addition. Cotton exports have grown spectacularly in the past decade, by an average of 19 percent per year since 2010. Benin is the sixth largest world exporter and is leading in the region, in front of Burkina Faso and Côte d'Ivoire (Table 7). Benin has gained significant market share worldwide, accounting for 3 percent of world exports in 2019, up from 0.6 percent in 2010, and has been the fastest-growing exporter in Africa since 2010.

Derived cotton products are also among the top products exported but have not experienced similar growth levels. In 2019 exports of cotton seeds, seed oil cakes, and carded cotton accounted for 3 percent of total exports, US$48.9 million in value. Although it is difficult to estimate accurately the volumes of reexport trade recorded in Benin's exports, cotton accounted for half of total exports in 2019 by the CPSD team's estimates, a much higher share than in 2010.

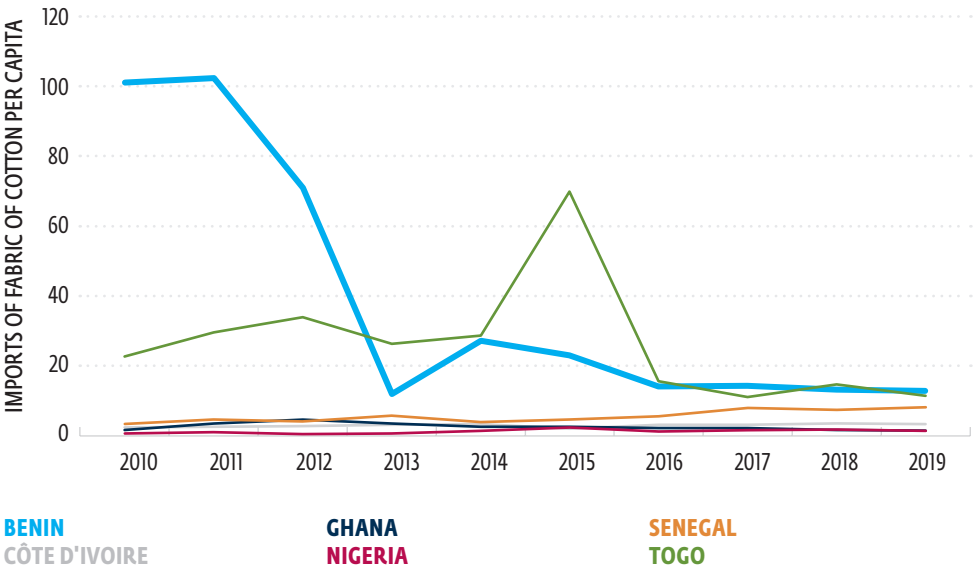
Cotton fabric exports that appear in Benin's top exports are probably not produced in Benin given that large import trade flows of the same product are also recorded (US$152 million in 2019). The methodology proposed by S. Golub and A. Mbaye[232] highlights that Benin imports for itself (in line with its broader consumption pattern), but also for neighbors. Imports of cotton fabric are large relative to the Benin population—a proxy of market demand (Figure 4.11).

TABLE 4.4 LEADING EXPORTERS OF RAW COTTON IN WEST AFRICA

	EXPORTS (US$ MILLION)		WORLD RANK		CAGR
COUNTRY	2010	2019	2010	2019	2010–19
Benin	113.8	462.6	19	6	15%
Burkina Faso	385.6	394.1	7	7	0%
Côte d'Ivoire	131.0	362.2	16	8	11%
Mali	193.6	97.1	13	18	-7%
Togo	31.6	87.0	37	19	11%
Cameroon	85.9	80.0	21	21	-1%
Senegal	22.2	15.8	42	37	-3%
Nigeria	355.9	10.1	8	38	-30%

Source: CEPII, BACI; World Bank, World Development Indicators (WDI).
Note: CAGR = compound annual growth rate.

FIGURE 4.11 IMPORTS OF COTTON FABRIC PER CAPITA



Source: CEPII, BACI; World Bank, World Development Indicators (WDI).

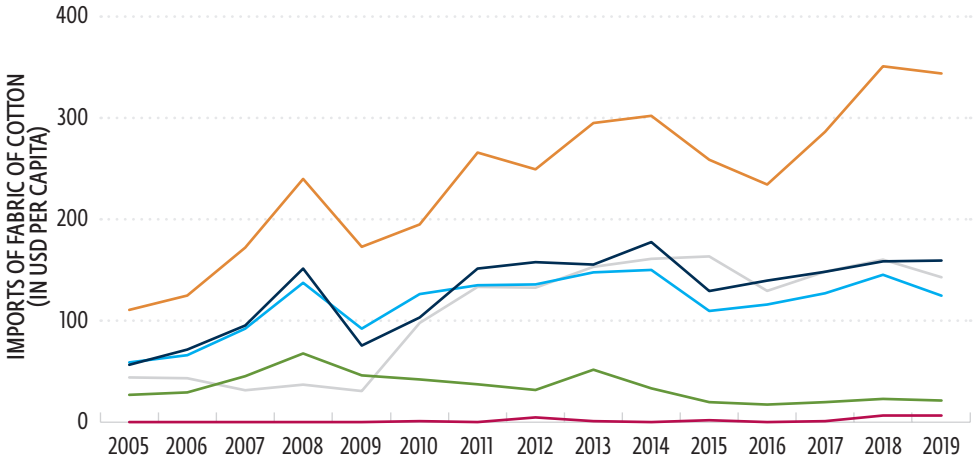
Cashew nuts and wood products also represent a rising opportunity for formal exports. The second most important agricultural export, cashew nuts have grown robustly over the past decade, 12 percent on average per year, to triple from US$50 million to US$152 million, in a context of fast-rising world exports (almost 10 percent growth per year). Benin was the 12th-largest exporter in 2019 and the 4th-largest one in West Africa, where other exporters have progressed faster—including Ghana, now the 2nd-largest exporter in the region and 4th-largest one in the world. Countries that are rapidly catching up include Burkina Faso and, to a lesser extent, Senegal.

The third important product, exports of wood products, represented a bit more than US$31 million in 2019, significantly above 2010 exports of US$15 million, but they have been in significant decline since a peak of US$74million in 2014. Exports also evolved toward more processing, with sawn and shaped wood becoming the largest export category whereas raw wood exports dominated in 2010. Exports of furniture, while still modest at US$2.4 million in 2019, have increased significantly. In 2018, 102,000 cubic meters of precious woods (teak and Gmelina) were exported).[233] Efforts have been made to sustainably manage forestry resources—seven forests managed by the government account for most exports. According to the World Bank in 2020,[234] most timber exported in recent years came from plantations.[235]

Benin's services trade exports are close to the level of goods exports. In 2019, Benin exported US$800 million worth of services, compared with about US$940 million for goods.[236] Services exports provide an indication of Benin's key trade partners (Figure 4.12), with the EU representing 24 percent of the total, followed by China (10 percent), India (9 percent), and the United States (9 percent). Notably, these shares have not changed much for some countries since 2010 when the EU and China's shares were nearly identical, followed by India (6.9 percent), and the United States (only 1.6 percent). A country whose share rose was the United Arab Emirates, going from 4.3 percent to 6.8 percent in 2019. Sectoral exports of services are difficult to interpret.

OECD export statistics show that key sources of exports earnings are telecommunications, insurance and pension services, transport, and construction.[237] Of the four main categories of services exports, only exports of ICT-related services have grown regularly by 5.8 percent per year on average in the past decade, while other service sector exports have grown more slowly (3.5 percent on average) (figure 4.12).

FIGURE 4.12 BENIN EXPORTS OF SERVICES (BALANCED TRADE), 2005–19



Source: Organization for Economic Co-operation and Development-UN World Tourism Organization (OECD-UNWTO) Trade in Services Statistics.

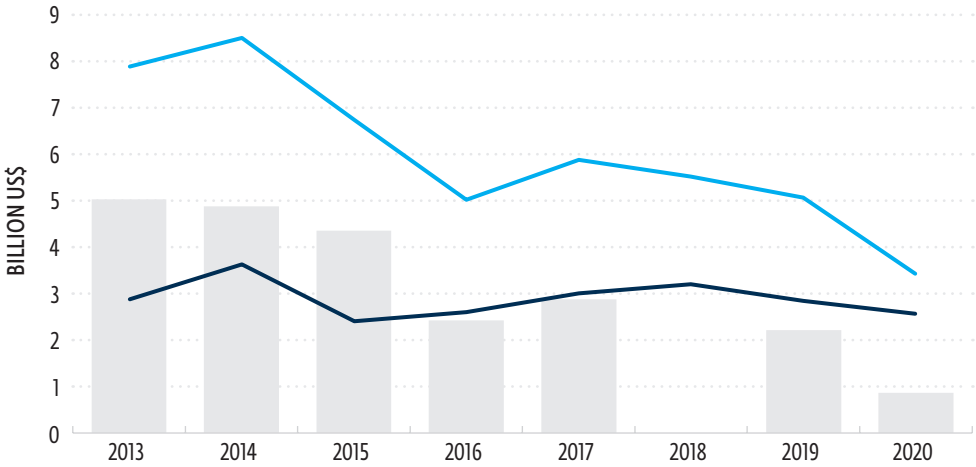
Entrepôt Trade or Reexports That Are Transiting through Benin Remain Important for the Economy

The overwhelming part of entrepôt trade involves products originating from Nigeria and products for consumption in Nigeria. This trade is based on price arbitrage and motivated by Nigerian market-distorting policies on several consumption products. This trade provides an incentive for traders to arbitrage across the border with Benin. One of these policies is Nigeria's subsidizing of oil prices which leads to active smuggling of oil across the border to Benin. Other policies by Nigeria limit imports of specific products. It is difficult to list the evolution of these policies because they have combined several types of interventions, including some that may not have been necessarily officially regulated or notified (an example is discussed later). The restrictions to imports include prohibitions that have been in place for many years, with the objective of protecting selected Nigerian industries. The Central Bank of Nigeria has also limited imports through the allocation of the foreign exchange rate, starting in 2015. Together these have affected a fairly long list of products. In 2015, per the Nigeria Central Bank, restrictions on foreign exchange (forex) concerned 40 categories of products. The current prohibition list includes 26 categories, among which the most important for entrepôt trade are meats and vegetable oils.[238]

A large portion of entrepôt trade differs from informal cross-border trade in that it is supported by formal institutional mechanisms in Benin. A de facto, ad hoc regime has been established for reexports to Nigeria: it is neither a true transit regime where goods are transported through the territory of Benin duty free nor a regime of release in Benin's customs territory. Instead, exports bound to Nigeria that are brought through the Port of Cotonou are subject to a special regime that gives rise to a specific tax. The World Bank Diagnostic Integration Study[239] estimated that the tax on reexports was 6.7 percent on average, and that the volume of reexport trade amounted to US$5 billion, confirming earlier estimates; in 2010, Benin's informal reexports to Nigeria were estimated to be about US$5 billion or 10 percent of Nigeria's imports.[240]

Evidence points to the importance of entrepôt trade diminishing significantly since 2015. Following the methodology of World Bank,[241] the proxy measure for entrepôt trade stood at about US$2 billion in 2018 and 2019, less than half the levels observed earlier (Figure 4.13) Although specific circumstances of the border closure in 2019–20 temporarily depressed entrepôt trade, the decline observed starting in 2015 could related to the rationing of foreign exchange in Nigeria in 2015 in response to the current account crisis the country experienced following the then drop in gasoline prices. Nigeria also lifted its import ban on textiles that year (albeit subjecting these products to high tariffs and placing them on the exchange control list). Golub and Mbaye[242] also noted that the decline in entrepôt trade may be attributed to a dampening of Nigerian demand for some products, notably used cars. Although the forex crisis of the Nigerian naira has since subsided, forex controls have remained in place, which could explain the continued subsiding of entrepôt trade (figure 4.13).

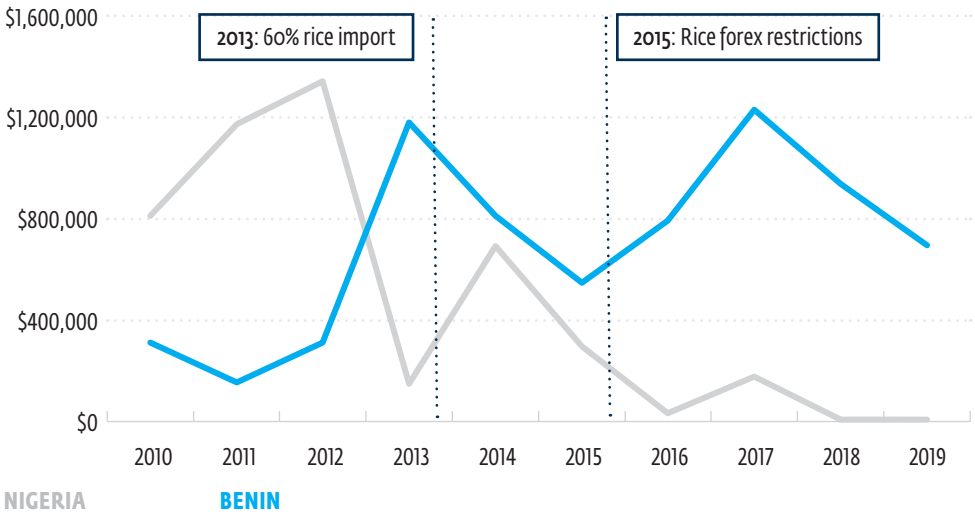
FIGURE 4.13 PROXY OF ENTREPÔT TRADE FROM BENIN TO NIGERIA



Source: World Integrated Trade Solution (WITS)-Comtrade data.

Product trade patterns show abnormally high levels of imports in Benin, as well as the high sensitivity of entrepôt trade to events and demand shifts from Nigeria. The fall in entrepôt trade of textile and clothing, vehicles, footwear, and vegetable products (rice) explains most of the evolution of the observed trade gap. Cotonou is a well-known market for used vehicles and clothes, as well as rice reexports. This decline could therefore indicate a significant reduction in the activity of a sector that has been historically an important part of the economy. Rice entrepôt trade decreased when Nigeria introduced a 60 percent tariff on imports in 2013 and then picked up when forex restrictions came into place in 2015 (figure 4.14). Benin also displays levels of imports per capita of rice, palm oil, poultry meat, and vehicles that are much higher than the norm, an indication of reexports taking place. On the other hand, informal imports of oil from Nigeria seem to continue being significant with no discernable downward trend. Benin reports much more substantial levels of oil imports than what its trading partners are declaring they export, which suggests that smuggled oil from Nigeria is probably recorded by customs. The levels of reported imports have been relatively stable over recent times. Besides, oil originating from Benin continues to appear among the country's top exports and levels seen in 2019 are comparable to those in 2010.

FIGURE 4.14 AFTER NEW RESTRICTIONS, NIGERIAN RICE IMPORTS DECLINE AND BENIN'S IMPORTS SURGE (IN US$ MILLIONS)

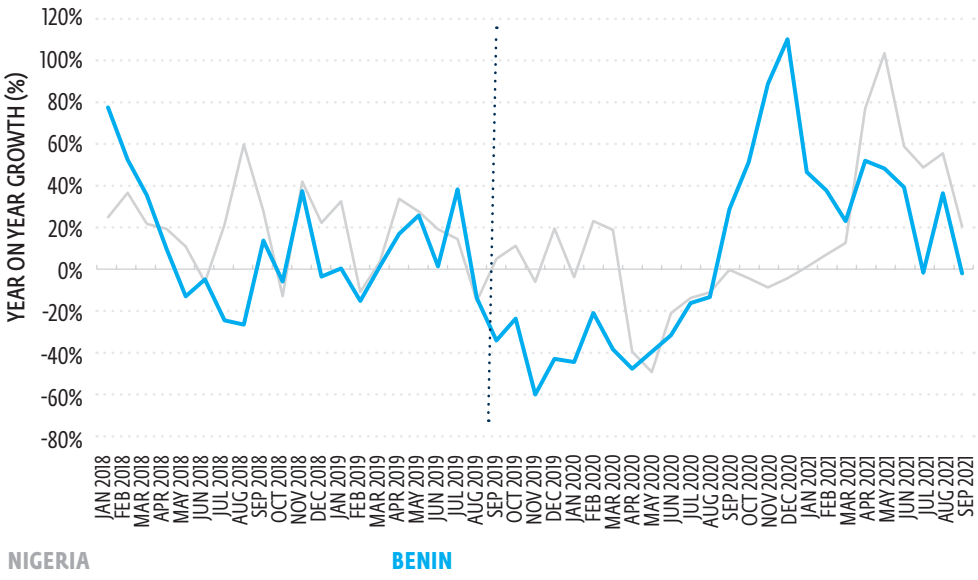


Source: World Bank staff calculations using World Integrated Trade Solution (WITS) Comtrade (HS code 1006).
Note: forex = foreign exchange.

The Recent Border Closure with Nigeria Likely Had a Temporary Effect

The border closure corroborates trade sensitivity to policy and difficulties in anticipating market outcomes. In August 2019, Nigeria closed its land borders with neighboring countries Benin, Cameroon, Chad, and Niger. After a partial reopening in December 2020, people can pass through, but the passage of goods and services is prohibited. The main purpose of the border closures was to stem the smuggling of goods, particularly food products including rice. Nigeria's policy decisions can have a very significant effect on Benin's trade and, by extension, its economy (figure 4.15). It also shows the limits of Nigeria's (and Benin's) capacity to dictate outcomes to market forces because trade is naturally strong on that border between the two countries.

FIGURE 4.15 GLOBAL EXPORTS TO NIGERIA AND BENIN



Source: International Monetary Fund (IMF) Direction of Trade Statistics.

Formal exports to Benin reduced significantly following Nigeria's decision, but recent data show that entrepôt trade across the border has likely recovered. A steep drop was initially observed for formal exports to Benin just after the border closure, (Figure 4.15), but exports to Benin significantly rebounded a year after this decision. There have also been reports that the closure was not effective, and that smuggling continued. Likewise, estimated entrepôt trade initially fell by 61 percent. The border closure led to a general decrease in border crossings as well as a reallocation across border crossings, mostly from official border points to outside of official border points.[243] Benin customs revenue growth diminished compared with the previous year but remained positive.[244] This growth may reflect additional customs revenue from improved enforcement following the announcement of a joint border force in November 2019 between Benin, Niger, and Nigeria for joint inspections and new customs procedures and a crackdown on smuggling. Likewise, activities around the border (measured by nightlight intensity) seemed only temporarily affected by the closure.

Opportunities within the Region

Increasing trade with the region, important entrepôt, and informal trade all point toward opportunities for Benin to serve as a platform for trade within the subregion. Benin wants to position itself as a transit platform and a gate between West and Central Africa, differentiating itself from the positioning of other regional ports as transshipment hubs, such as Lomé.

The destination of Benin's exports is becoming more concentrated around a few countries and is showing an increase in formal trade flows to the region. Notwithstanding data shortcomings, the top 10 destinations account for a much larger share of Benin's total trade in the past three years than a decade prior—from less than 80 percent to more than 90 percent. Regional exports are now relatively more important, with Niger accounting for 6.7 percent of total exports—a doubling of share with construction materials and food products being the main exports—and Burkina Faso and Nigeria among top 10 partners. This trend points toward Benin's having future opportunities linked to serving markets in the region.

If one considers current informal trade, opportunities within the region may be larger. Trade agreements (facilitated by the AfCFTA) as well as further reduction in trade distortions will normally reduce incentives for informal trade. Current entrepôt trade through Benin indeed occurs for regional production (for example, agriculture products such as oil seeds or ground nuts),[245] which could open future opportunities. These important entrepôt trade flows of agricultural products could potentially be leveraged further, beyond trading services, toward higher-value addition (processing or more sophisticated logistics services).

Corridors Offer Potential to Benin

The potential of corridors from Benin to the hinterland is an opportunity to transform transport corridors into economic corridors. Economic corridors yield important benefits for the private sector, not only through more competitive transport services but also through higher mobility for goods and improved market access. Trade corridors from and to Benin (Cotonou-Niamey and Cotonou-Lagos) are in competition with other routes to serve the landlocked countries of the Sahel in the region (Burkina Faso, Mali, and Niger). The competitiveness and efficiency of each corridor are key determinants for generating traffic in a context of high competition among coastal countries to capture transit traffic.

TABLE 4.5 SUMMARY OF CORRIDOR CROSS-BORDER CONTROLS PERFORMANCE INDICATORS

CORRIDOR	LENGTH (KM)	ESTIMATED COST OF TRANSPORT (US$ PER 20 FT CONTAINER)	COST PER KM	NUMBER OF CONTROL POSTS	VALUE OF ILLICIT FEES (CFAF)	CONTROL TIME PER CORRIDOR (MINUTES)
Cotonou-Niamey	950	3,938	4.15	7.9	9,051	115.6
Abidjan-Bamako	1,174	ND	ND	20	24,355	49.05
Abidjan-Ouagadougou	1,263	5,095	4.03	20.7	27,974	69.2
Bamako-Dakar via Diboli	1,385	2,300 (cotton)		42.1	78,149	545.7
Bamako-Dakar via Moussala	1,225	2,500 (rice import)	1.66 to 3.4	44.4	81,662	155.7
Bissa-Dakar via M'Pack	1,052	4,150 (rice export)		17	28,820	287.2
Lome-Ouagadougou	920	4,092	4.45	16.7	8,216	121.5

Source: Observatoire des Pratiques Anormales, "Rapport du 3e trimestre 2020 (n. 44), Période: du 1er juillet au 30 septembre 2020," 2020; Abel Bove et al., West and Central Africa Trucking Competitiveness (SSATP [Africa Transport Policy Program] Working Paper 108, Washington, DC: The International Bank for Reconstruction and Development/World Bank Group, 2018).
Note: ft = foot; km = kilometer; ND = not determined.

Informal obstacles, however, penalize Benin's attractiveness. Recent research[246] shows that although illicitly collected fees and the average waiting time at border crossings are among the lowest for the Cotonou-Niamey corridor than for other routes in the region, those challenges still remain significant and the estimated cost of transport of a container per kilometer is relatively high (Table 8). The multiplicity of checkpoints is among the leading complaints from transporters, traders, and consumers because checkpoints slow the average speed of travel and reduce the accessibility of border cities. The border crossings between Benin and Nigeria are severely affected by this issue. As of 2019, the average transit time at Sémé-Krake (Benin-Nigeria) was the longest along the coastal Abidjan-Lagos corridor (52 hours on average to cross).[247] Recent efforts to reduce barriers to trade, such as the two operational one-stop border posts, which aim to streamline border-crossing procedures, have shown promising results.[248]

Restrictive regulations for freight allocation between countries also contribute to inefficiencies. Fragmentation characterizes logistics in Benin with widespread inefficiencies. Trucking services are dominated by small operators, a vast majority of individual owners and few trucking companies. The average fleet size is three vehicles.[249] Regulations favor the development of low-capacity informal operators and intermediaries (demarcheurs) benefiting from an asymmetry in information between shippers and carriers. They operate most local transport capacity and rely on low-quality and outdated equipment. Overloading continues to be a widespread issue (about 80 percent of trucks), because of limited enforcement of axle-load limits. The average age of the national fleet is more than 25 years, compared with 17 in Togo.[250] Such market structure may also explain why the difference in time to finalize customs clearance procedures at the destination is longest for the Cotonou-Niamey corridor (19.7 days), compared with the Lomé-Ouagadougou corridor (11.6 days).[251] Even after customs clearing at the incoming port, both the length and variability of transportation time across the Cotonou-Niamey corridor seem to be longer when compared with alternative routes such as the Abidjan-Ouagadougou corridor (4–9 days against 1–2 days).[252]

Lessons and Recommendations for Benin

Benin needs to develop new paths to leverage its location. Entrepôt trade with Nigeria remains important for Benin, but its evolution in the past decade has several concerning aspects. First, this kind of trade is subject to abrupt policy changes on the part of Nigeria on which Benin has limited influence. A rather high volatility can be observed in the various products imported by Benin to be then reexported by Nigeria. The only constant has been that Nigeria has kept enough restrictive policies to provide a steady stream of revenue to Benin traders and customs that control these reexports. The second worrying sign is a tendency toward the erosion of entrepôt trade volumes. Nigeria may be gradually softening its restrictive policies, and demand may be changing in Nigeria's market away from products subject to protection.

The recent episode of the border closure offers lessons for win-win cooperation between Benin and Nigeria. For Benin, better cooperation with Nigeria customs may have enabled better enforcement, thus compensating for the loss of the taxes on reexport trade. This type of change could be a win-win: Benin would gradually escape the stronghold of reexport trade (by helping Nigeria apply its own regulations), while, through cooperating with Nigeria, opening the possibility of better treatment for Benin traders and less arbitrary application of rules (for legitimate exports, including from Nigerian traders established in Benin). The political economy of entrepôt trade also needs to be considered—because the interest of large traders runs against cooperating with Nigeria in enforcement—and the change would facilitate more legitimate businesses serving the Nigerian market and thus create new business opportunities. Important volumes of informal trade, as well as the resilience of traders to Nigeria's sudden policy changes, are suggestive of strong trade ties across the border that may be able to adapt to changing circumstances. Many traders in Benin are from Nigeria. Offering better business conditions on the Benin side of the border could pave the way for future commercial relations that do not rest on evasion of regulations. The establishment of a consultation mechanism between Benin and Nigeria, a permanent trade observatory, a space for cross-border trade, and adequate logistical infrastructure would allow a better structured Beninese agricultural value chain to serve the large neighboring market.[253]

There is room to consolidate Benin's position as a transit hub for select countries in the hinterland. Benin functions as an entrepôt for regional trade—motivated by a variety of efficiency-seeking reasons (market distortions, better port conditions, or a conducive environment for logistics firms). Some of the reasons that entrepôt trade takes place in Benin are likely linked to Benin's comparative advantage as a port or proximity to markets (Nigeria and Niger). Those advantages could be leveraged into Benin becoming a provider of value addition to these products, which would in turn reinforce Benin's attractivity as a hub. Benin's exports to Niger are increasing, benefiting from rising exports of cement and construction materials and to a lesser extent of food products. Transit trade is the trading of products that could be the source of value addition through transformation (such as shea butter), with attractive production conditions and infrastructure (such as in industrial zones).

The development of complementary services, such as digitized logistics solutions and cold chain logistics, provides another avenue for strengthening Benin's position. Benin could solidify its role as trade intermediary by modernizing its trade corridors through collaborating with reputable logistics operators and adopting information technologies to reach international standards. In addition to that stronger role, investments in cold chain logistics and support for attracting third-party logistics should be assessed as another means to build out transport capabilities and develop skills. It would also enhance the ability of farmers to participate in high-value markets for fresh fruits and vegetables, something that is currently almost nonexistent in Benin because of the absence of just-in-time linkages and infrastructure for transporting unpackaged food or perishable goods. That absence, in turn, is a result of the limited size of the domestic market and the importance of agriculture in Benin. For example, estimating the profitability of cross-border channels to Nigeria shows that with the right logistics, tomato and chili marketing is profitable.[254]

Recommendations for expanding regional trade and services are detailed in box 4.8.

BOX 4.8 DETAILED RECOMMENDATIONS FOR THE TRANSPORT INDUSTRY AND REGIONAL TRADE PROCESSES

[Short term] Modernize the professional transport industry by enabling higher levels of competition. This effort would require updating the regulatory and legislative frameworks for transport companies in line with Economic Community of West African States (ECOWAS) standards, strengthening the oversight of companies, defining conditions to access the professions, and providing support to industry bodies through advisory trainings and capacity building. It is important to ensure the sharing of information between the administration in charge of transport and that in charge of trade. At the same time, well-designed incentives could spur consolidation, innovation, and performance—including through the renewal of fleets and higher utilization rates.

[Medium term] Implement trade facilitation reforms (box B4.8.1). Automating trade processes would increase the competitiveness of logistics. To this end, the government has decided to digitize the document management process for certain exports, and the Port of Cotonou (PAC) is deploying a centralized information system to monitor traffic. A comprehensive optimizing of customs processes would further shorten transit times. Industrial zones, such as the Glo-Djibé Special Economic Zone, which aims to provide logistics services related to the PAC, can serve as a one-stop logistics hub.

TABLE B4.8.1 RECOMMENDED REFORMS FOR SPECIFIC CHALLENGES AT BORDER CROSSINGS

CHALLENGES AT BORDER CROSSINGS	REFORM
Unpredictable operating hours of customs clearing and processing	Reinforce customs teams and introduce 24/7 operating hours.
Existence of unregulated reloading points for trucks, which leads to overloading and noncompliance of trucks thereby increasing transit times at border crossings	Improve enforcement of trucking regulations and close nonofficial reloading stations. Improve efficiency and capacity of official transit points.
Lack of data exchange between customs and immigration authorities, resulting in duplication of certain formalities	Implement programs to interconnect the systems of the two authorities.
Language barrier	Require border officers to master both English and French.

[Medium term] Establish a more transparent framework for freight allocation to enhance freight management. Revising the allocation mechanism to correct the information asymmetry between shippers and carriers is of paramount importance to reducing anticompetitive practices. The establishment of a freight exchange, as Burkina Faso and other countries have experimented with, could be an appropriate solution. This step would also warrant a reexamination of the existing agreement with Niger on the managed competition with Niger truckers on the Cotonou-Niamey corridor. Currently, fixed percentages of capacity are reserved for Niger truckers, which limits competition.

[Medium term] Accelerate the implementation of measures to reduce delays for inspections, enable online issuance of certificates for exports, introduce risk-management and cargo-tracking tools, and complete the rollout of the SYDONIA World automated customs system.

[Medium term] Fully operationalize the Guichet Unique pour le Commerce Exterieur (GUCE) platform, ensure all the key licenses are enabled, and raise awareness among port stakeholders. The system manages the issuance of certificates required for exports and is developed by modules.

APPENDIX

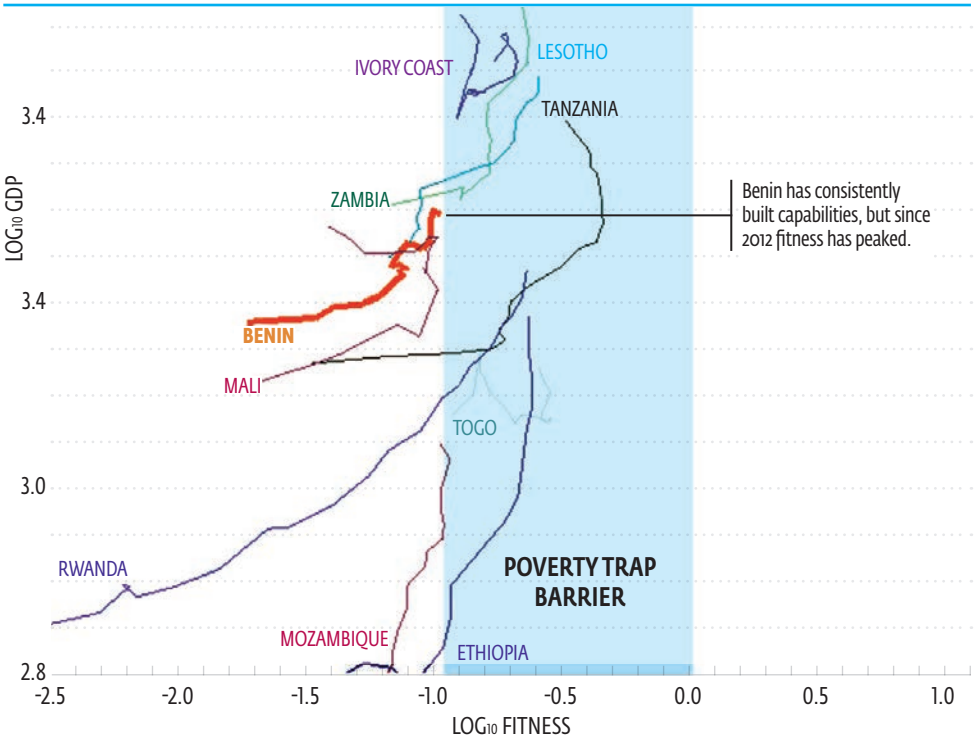
APPENDIX A. ADDITIONAL DATA

TABLE A.1 LARGEST INCREASES IN AGRICULTURAL OUTPUT, 2011–19

	2011	2020	RATE OF CHANGE (%)
Vegetables, fresh nes	19,038	200,271	952
Onions, dry	10,819	77,362	615
Fonio	747	4,382	487
Soybeans	67,154	253,954	278
Chilies and peppers, dry	38,542	108,934	183
Chilies and peppers, green	38,543	108,934	183
Seed cotton	265,178	728,000	175
Rice, paddy	219,626	411,578	87
Rice, paddy (rice milled equivalent)	146,491	274,523	87
Pineapples	246,702	440,179	78
Sugar cane	6,960	12,050	73
Nuts nes	950	1,615	70
Tomatoes	163,720	261,103	59
Beans, dry	85,498	134,940	58

Source: FAO statistics at: http://www.fao.org/faostat/en/#data/QC.
Note: nes = not elsewhere specified.

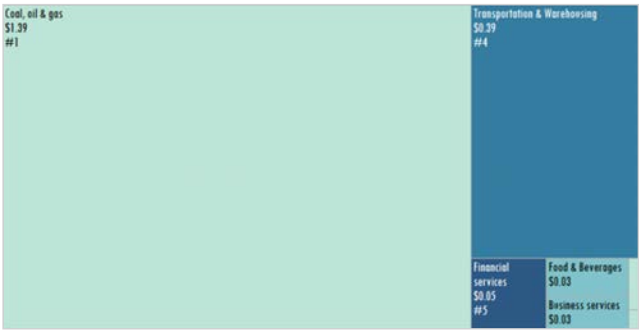
FIGURE A.1 ECONOMIC FITNESS TRAJECTORIES OF SELECTED SUB-SAHARAN AFRICA COUNTRIES, 1995–2018



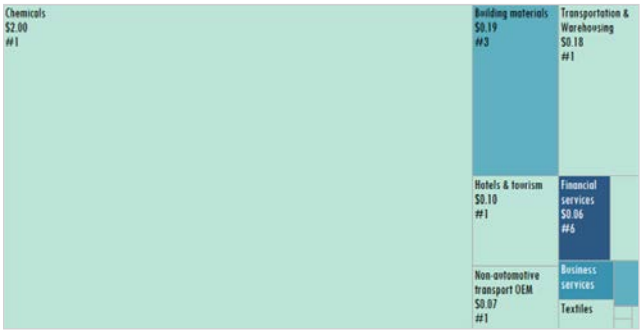
Source: World Bank analysis based on Cristelli, M. C. A., A. Tacchella, M.Z. Cader, K.I. Roster, and L. Pietronero. 2017. "On the predictability of growth, Policy Research Working Paper WPS 8117." The World Bank, 2017.Structural growth estimates based on SPS methodology in A. Tacchella, D. Mazzilli, and L. Pietronero, "A Dynamical Systems Approach to Gross Domestic Product Forecasting," Nature Physics 14, no. 8 (2018): 861–65.

FIGURE A.2 GREENFIELD FOREIGN DIRECT INVESTMENT BY SECTOR FOR 2016–20 IN SELECTED COUNTRIES, US$, BILLIONS

Benin

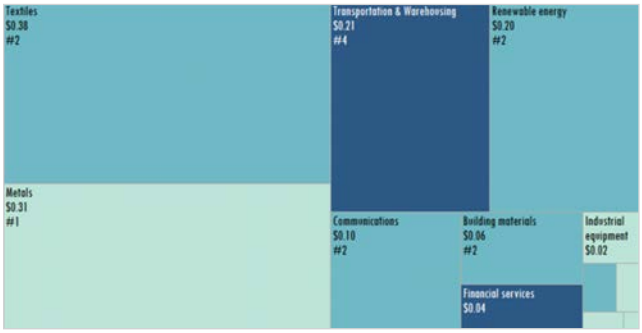


Togo

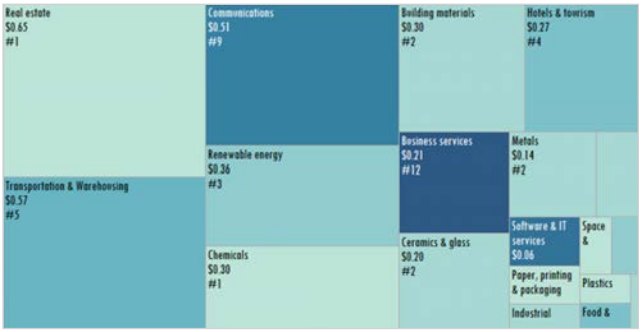


Rwanda

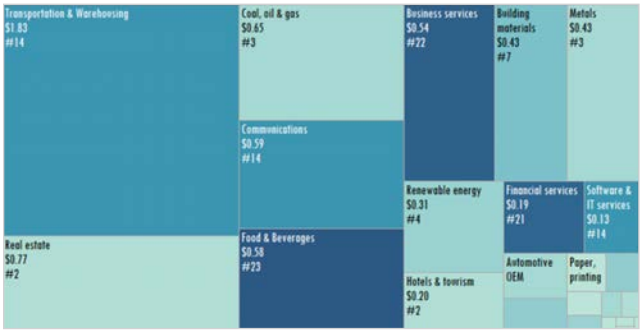
Burkina Faso



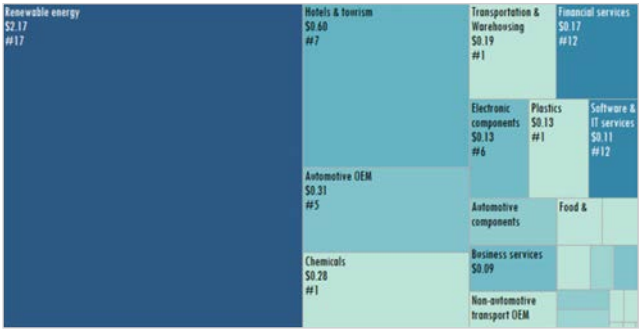
Senegal



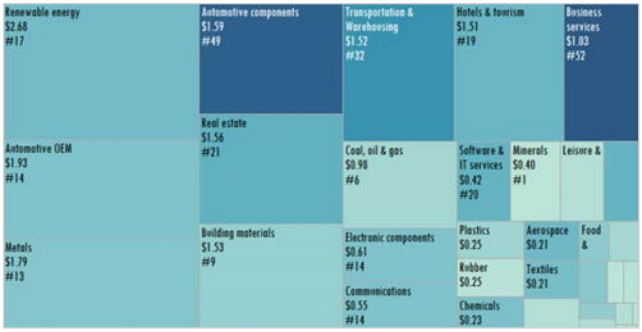
Côte d'Ivoire



Tunisia

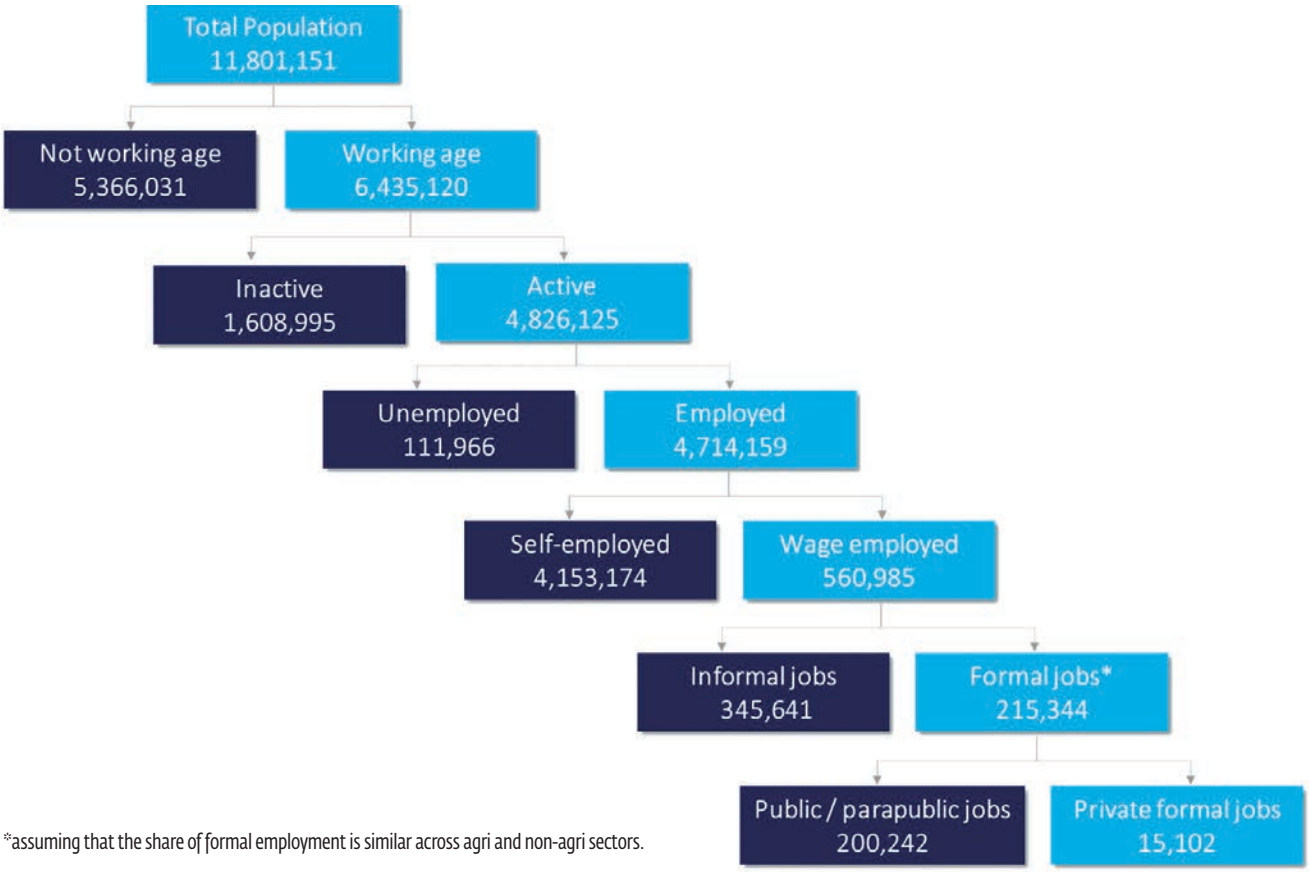


Morocco



Source: IFC, "Compact with Africa: Trends in Cross-Border Investments," Spring 2021 Update. Based on FDI markets data, Financial Times.Note: Foreign direct investment in oil and gas in Benin related to the signature in 2019 by France-based Total of a gas supply agreement and a host government agreement with the Republic of Benin and the Société Béninoise d'Energie Électrique for the development of an liquified natural gas import floating terminal in Benin.

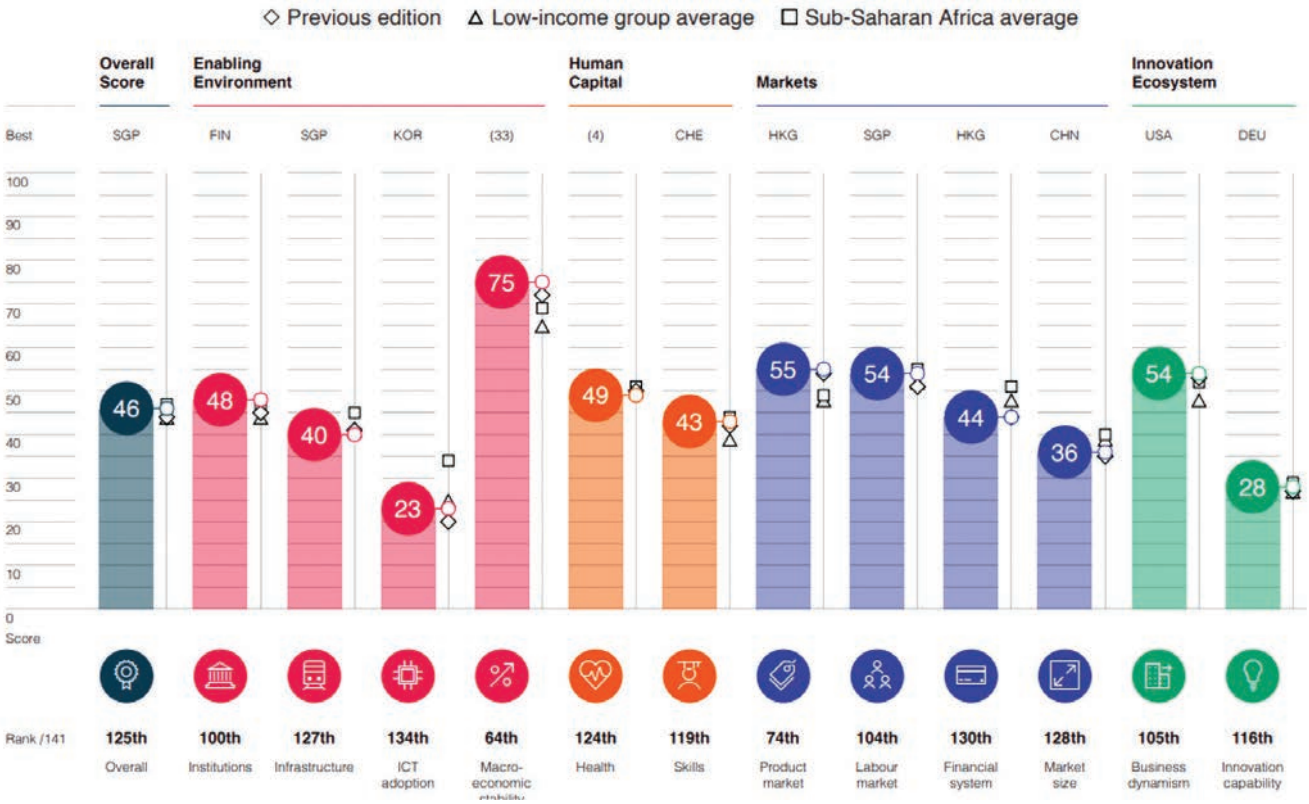
FIGURE A.3 BENIN'S EMPLOYMENT CASCADE: A VERY LIMITED SHARE OF THE POPULATION IN THE FORMAL PRIVATE SECTOR



*assuming that the share of formal employment is similar across agri and non-agri sectors.

Source: International Labour Organization modeled estimates for 2019 and 2018 regional survey on employment and the informal sector (Benin country report).

TABLE A.2 BENIN RANKINGS IN THE 2019 GLOBAL COMPETITIVENESS INDEX 4.0



Source: World Economic Forum, Global Competitiveness Report 2019,.

FIGURE A.4 CHANGES IN VOLUMES OF PRODUCTION BETWEEN 2015/16 AND 2019/20

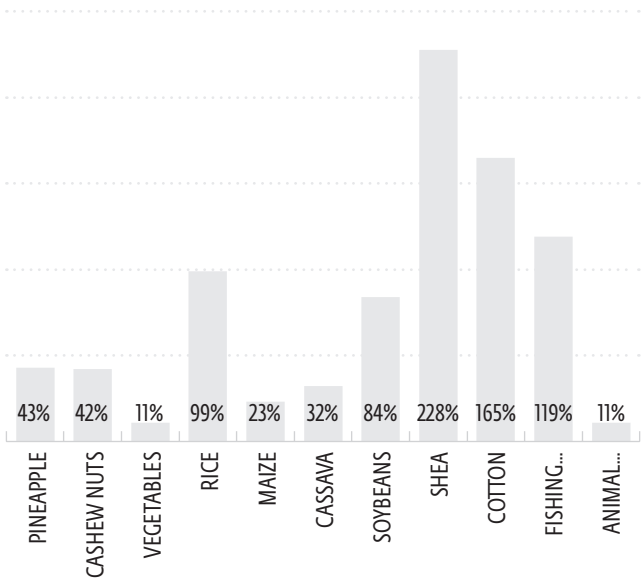
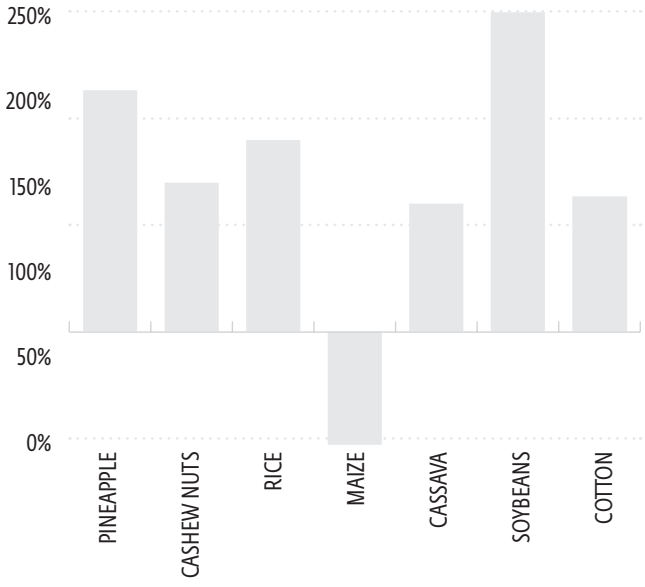


FIGURE A.5 CHANGES IN YIELDS BETWEEN 2015/16 AND 2019/20



Source: Ministry of Agriculture, Livestock and Fisheries, Directorate of Agricultural Statistics, 2020 macroeconomic indicators on the agricultural sector, May 2021

TABLE A.3 GOVERNMENT OF BENIN PRIORITY TOURISM PROJECTS

PROJECT NAME	DESCRIPTION	ESTIMATED VALUE (CFAF, BILLION)
Pendjari National Park	Develop into a premier wildlife park. Under management contract with Africa Parks (NGO). Lodge and hunting area concessions	11.5
Reinventing the lake village of Ganvié	Upgrading living conditions and tourism infrastructure to create a community tourism destination	84.1
Museum of the Amazonas and Kings of Danhome	Promote family tourism around the history of the kings of Abomey and the kingdom of Danhomè. Construction of a museum and upgrading of palace	38
International Museum of Arts and Civilizations of Voudou/Orisha in Porto-Novo	Construction of a Voudou (voodoo) Museum	28
"Toussaint Louverture" Museum: slavery, resistance and memory of Allada	Rehabilitation of heritage building into museum	1.75
Nikki Royal Palace	Construction of the new Royal Palace ofNikki and the arena for the feast of Gaani	5
Historic city of Ouidah	Upgrading of cultural heritage sites in Ouidah, including the rehabilitation of the Portuguese fort into the international museum of memory and slavery. Construction of a Marina complex and lagoon near the Door of No Return	183
Development of a seaside resort in Avlékété	Development of master-planned resort area, including the construction of a 150-room hotel and leisure facilities	184
Route of the Convents	Upgrading of 10 Voudou Convents along a tourism circuit	1.9
Tata Circuit	Structure and upgrade a circuit for visiting traditional Tata Somba houses and structures	0.08

Source: ANPT, government of Benin 2021.

TABLE A.4 PRIORITY INITIATIVES BY MARKET SEGMENT

HIGH-POTENTIAL SEGMENTS AND SOURCE MARKETS	SEGMENTS	ONGOING INITIATIVES	PRIVATE SECTOR OPPORTUNITIES	PUBLIC SECTOR ENABLING AND INVESTMENT NEEDS
Current	MICE	Visa facilitation (e-visas), including visa-free entry for Africans	PPPs for Cotonou Convention and congress centers; business + leisure packages	Establish a Benin Conventions Bureau; prepare a Meet Me in Benin guide, B2B outreach to meeting organizers
	Shopping	Dan Tokpa market rehabilitation and guiding resources	Shopping packages + tours; private rentals	Develop a Cotonou Shopping week festival, shopping mini-guide & app
Short-term	Cultural Heritage	10 flagship tourism infrastructure projects (table A.3) training of guides	3-star + lodging in Ouidah and upcountry for tourism circuits	Investment promotion, SME development programs, community linkages
	Nature-based tourism	Management agreement with African Parks for W and Pendjari National Parks; tendering of lodge concessions	Lodge and hunting concessions in Pendjari National Park, lodging in Natitingou, Parakou	Improved domestic air links, particularly upcountry; shared multicountry visas
Medium-term	Beach tourism	Development of a seaside resort in Avlékété; Marina Complex project	3–4 star-level beachfront resorts, support services	Investment promotion, inbound operator development program, B2B matching

Note: B2B = business-to-business; MICE = meetings, incentives, conferences, and exhibitions; PPP = public-private partnership; SME = small and medium enterprise.

TABLE A.5 MAIN EXPORTS OF BENIN, 2010–19

HS6	PRODUCT (HS 6 DIGIT)	2010	2015	2019	CAGR1019	CAGR1519	CAGR1014	SH19	SH15	SH10
520100	Cotton, not carded or combed	113,784,946	252,577,456	462,647,435	15%	13%	19%	28.6%	23.4%	10.5%
271000	Oils petroleum, bituminous, distillates, except crude	306,091,117	71,374,140	379,658,337	2%	40%	23%	23.5%	6.6%	28.1%
710812	Gold in unwrought forms non-monetary	146,359,991	303,746,557	220,662,450	4%	-6%	10%	13.7%	28.2%	13.5%
080130	Cashew nuts, fresh or dried	50,216,239	135,433,525	152,613,808	12%	2%	17%	9.4%	12.6%	4.6%
740200	Unrefined copper, copper anodes, electrolytic refinin			49,388,105			0%	3.1%	0.0%	0.0%
120799	Oil seeds and oleaginous fruits, nes	2,190,573	4,778,348	35,272,216	32%	49%	4%	2.2%	0.4%	0.2%
151229	Cotton-seed or fractions simply refined	5,900,628	4,897,487	17,740,337	12%	29%	-1%	1.1%	0.5%	0.5%
020741	Fowl cuts & offal, domestic, except livers, frozen	72,404,081	78,265	17,416,670	-13%	195%	-75%	1.1%	0.0%	6.7%
740400	Copper/copper alloy waste or scrap	65,565,041	18,577,043	17,262,545	-12%	-1%	-14%	1.1%	1.7%	6.0%
230610	Cotton seed oil-cake and other solid residues	6,082,098	8,075,342	14,804,345	9%	13%	6%	0.9%	0.7%	0.6%
252310	Cement clinkers		13,022,413	14,627,473		2%		0.9%	1.2%	0.0%
200811	Ground-nuts otherwise prepared or preserved	730	533	12,362,999	165%	647%	22%	0.8%	0.0%	0.0%
740321	Copper-zinc base alloys, unwrought			12,160,907				0.8%	0.0%	0.0%
120720	Cotton seeds	5,177,818	1,889,802	10,197,087	7%	40%	-27%	0.6%	0.2%	0.5%
520812	Plain weave cotton, >85% 100-200g/m2, unbleached	4,530,038	10,136,889	10,150,705	8%	0%	23%	0.6%	0.9%	0.4%
440920	Non-conifer wood continuously shaped along any edges	419,879	1,680,072	9,607,308	37%	42%	27%	0.6%	0.2%	0.0%
252329	Portland cement, other than white cement	192,643	22,429,751	9,576,754	48%	-16%	152%	0.6%	2.1%	0.0%
120100	Soya beans	29,342		9,245,975	78%		129%	0.6%	0.0%	0.0%
440799	Lumber, non-coniferous nes	2,174,798	4,776,960	8,715,148	15%	13%	41%	0.5%	0.4%	0.2%
721331	Hot rolled bar/rod, iron or non-alloy steel, coiled width <14mm, C<.25%	11,307,715	4,469,916	7,155,518		-4%	10%	-3%	0.4%	0.4%	1.0%

Note: CAGR = compound annual growth rate; cagr1019 = CAGR between 2010 and 2019; cagr 1519 = CAGR between 2015 and 2019; HS = harmonized system (code); nes = not elsewhere specified.

TABLE A.6 REVEALED COMPARATIVE ADVANTAGE, 2019

PRODUCT LABEL	RCA	PRODUCT LABEL	RCA
FORESTRY AND PROCESSED PRODUCTS		**AGRICULURALPRODUCTS,RAW AND PROCESSES**	
Wood in the rough, treated with paint, stains, creosote or other preservatives (excluding rough-cut...)	11,644	Oilcake and other solid residues,whether or not ground or in the form of pellets, resulting...	2,710
Fuel wood, in logs, billet twigs, faggots or similar forms	342	Oil seeds and oleaginous fruits,whether or not broken (excluding edible nuts,olives,soya ...	991
Coniferous wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded ...	191	Fresh or dried cashew nuts, in shell	773
Sawdust and wood waste and scrap, whether or not agglomerated in logs, briquettes or similar...	170	"Pineapple juice, unfermented, Brix value <= 20 at 20•c,whether or not containing added sugar ..."	327
Wood, incl. strips and friezes for parquet flooring, not assembled, continuously shaped "tongued...	119	"Seeds,fruits and spores,for sowing (ecluding leguminous vegetables and sweetcorn,coffee,..."	207
Coniferous wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded ...	17.2	Soya bean seed, for sowing	206
Wooden frames for paintings, photographs, mirrors or similar objects	14	Groundnuts,prepared or preserved (exclud ng prrvedwith sugar)	130
Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared (excluding ...	5	Flour, meal and powder of sago or of roots or tubers of manioc, arrowroot, salep, sweet potatoes...	88
Tropical wood specified in Subheading Note 1 to this chapter, sawn or chipped lengthwise, sliced ...	3	"Fixed vegetable fats and oils and their fractions,whether or not refined, but not chemically..."	79
Furnture of other materials, including cane, osier or sinilar materials (excluding of bamboo,...	2	Vegetable products n.e.s	42
Tropical wood specified in Subheading Note 1 to this chapter in the rought, whether or not...	2	Fresh or dried cashew nuts, shelled	31
Seats, with wooden frames (excluding upholstered)	1	Oilcake and other solid residues,whether or not ground or in the form of pellets, resulting ...	27
ANIMAL PRODUCTS		Crude palm oil	18.6
Frozen cuts and edible offal of turkeys of the species domesticus	40	Palm nutsand kernels	17
Frozen cuts and edible offal of fowls of the species Gallus domesticus	27.5	Cereals (excluding wheat and meslin, rye, barley, oats, maize, rice, grain sorghum,buckwheat, ...	11
Raw skins of sheep or lambs, without wool on, fresh or salted, dried, limed or otherwise preserved,...	25	Sesamum seeds, whether or not broken	12
Whole raw hides and skins of bovine "incl. buffalo" or equine animals, whether or not dehaired,...	15	Bran, sharps and other residues of cereals whether or not in the form of pellets, derived ...	11
Hides and skins of goats or kids, in the dry state "crust", without wool on, whether or not ...	11	"Palm kernel and babassu oil and their fraction, whether or not refined, but not chemically..."	8
Artic es of furskin (excluding articles of apparel, clothing accessories and goods of chapter...	5	Oilcake and other solid residues,whether or not ground or inthe form of pellets, resulting ...	7

PRODUCT LABEL	RCA	PRODUCT LABEL	RCA
Guts, bladders and stomachs of animals (other than fish),whole and pieces thereof, fresh ...	4.5	Margarine (excluding liquid)	6
Frozen fowls of the species Gallus domesticus, not cut in pieces	4	Frut stones and kernels and other vegetable products, incl. unroasted chicory roots of the...	5
Fish filets, dried, salted or in brine, but not smoked (excluding tilapia, catfish, carp...	2	"Arrowroot, salep, Jerusalem artichokes and similar roots and tubers with high starch or inulin"	5
Raw hides and skins, fresh, or salted, dried limed, pickled or otherwise preserved, whether ...	2	"Pineapple juice, unfermented, Brix value > 20 at 20C,whether or not containing added sugar ..."	5
Prepared or preserved meat or meat offal of ducks, geese and guinea fowl of the species domestic us...	2	Broken rice	5
Caviar substitutes prepared from fish eggs	1	Crude sunflower seed or safflower oil	4.4
Birds' eggs, inshell, preserved or cooked	1	"Shelled beans ""Vigna spp., Phaseolus spp."", prepared or preserved otherwise than by vinegar..."	4
Meat and edible offal,salted, in brine, dried or smoked, an edible flours and meats of meat...	1	"Yogurt,whether or not flavoured or containing added sugar or other sweetening matter, fruits,..."	4
COTTON AND CLOTHES		Board of bagasse, bamboo or cereal straw particles or other ligneous materials, whether or ...	4
"Cotton-seed oil and its fractions, whether or not refined, but not chemically modif ied (excluding ..."	3,311	Fresh or dried almonds, shelled	3.8
Cotton seeds (excluding for sowing)	1,444	Flours and meal of oil seeds or oleaginous fruit (excluding soya and mstard)	4
Cotton, neither carded nor combed	659.8	Pasta, cooked or otherwise prepared (excluding stuffed)	4
Cotton seeds for sowing	184	Fresh or dried kola nuts "Cola spp.", whether or not shelled or peeled	4
Cotton, carded or combed	181	Bran, sharps and other resicues of wheat, whether or not in the form of pellets, derived from ...	3
Plain woven fabrics of cotton, containing>=85% cotton by weight and weighing > 100g to 200...	197	Fresh or dried brazil buts, shelled	3
Cotton waste (ecluding yarn waste ,thread waste and garnetted stock)	26	Wheat or mesfin flour	3.2
Knitted or crocheted bedspreads(excluding bedlinen, quilts and eiderdowns)	11	Fresh or dried pineapples	3
Woven fabrics of cotton, containing predominantly, but< 85% cotton by weight, other than those ...	6	Yams "Dioscorea spp.", fresh, chilled, frozen or dried, whether or not sliced or in the form...	1.2
Plain woven fabrics of cotton, containing>=85% cotton by weight and weighing <= 100g/m...	5	Groundnut seed, for sowing	1.1
Table linen of cotton (excluding knitted or crocheted)	1	Preparations of a kind used in animal feeding (excluding dog or cat food put up for retail...	2.2

Source: World Bank Group staff calculations based on International Trade Centre data.

APPENDIX B. BENIN'S AND GLOBAL EXPERIENCE WITH SPECIAL ECONOMIC ZONES

The private sector–driven special economic zone (SEZ) is a catalytic policy tool that Benin can effectively leverage to promote sustainable growth in the agribusiness space, including value-added processing. The recent creation and successes of the Investment Promotion Agency (Agence de Promotion des Investissements et Exportations; APIEx) have launched momentum for a successful implementation of a national strategy. APIEx, which promotes foreign direct investment and exports, serves as the single investment promotion center and conduit of information between foreign investors and the Beninese government. It is the technical body responsible for reviewing applications for approval under the Investment Code, which allows SEZ creation. APIEx is also the administrative authority for SEZs. There are currently three SEZs in Benin, but only one, located in southeastern Benin, is active.

As part of a broader initiative to develop SEZs with the objective of making Benin an industrial hub in agriprocessing, the government launched the development of Glo-Djigbé SEZ in February 2021. The site was officially handed over to the private sector Arise IIP group, in charge along with the Company for Investments and Promotion of Industry (Société d'Investissement et de Promotion de l'Industrie; SIPI-Benin), to develop and operate the SEZ. The installation will include six industrial units for cotton fiber processing, 29 industrial units for garment manufacturing, and 14 industrial units for cashew nuts processing. APIEx expects that the SEZ will contribute to increasing exports by US$5 billion to US$10 billion, boosting GDP by US$4 billion to US$7 billion, and creating 300,000–350,000 jobs within 10 years.

Zones are typically perceived as attractive by governments because of their assumed low cost for generating agglomeration effects, providing a suitable business environment to firms, and making it possible to pilot reforms that can eventually be rolled out to the general operating environment. Zones rely on dedicated, shared infrastructure and services to generate agglomeration effects to reduce costs by developing backward and forward linkages, specific labor pools, and technological spillovers. SEZs are a widely used development instrument—with an estimated 5,400 SEZs in 147 countries in 2018—but spillover effects do not occur automatically.[255]

Zones can give a boost to investment, exports, and jobs, but results vary greatly among zones. Through adequate infrastructure and best practice in management, zones can compensate to a certain degree for an adverse investment climate. In addition, SEZs can target anchor digital network providers to establish digital production-and-distribution platforms made up of private sellers and buyers of inputs, output, and financial products. In many countries, zone programs account for a major share of exports and can enable diversification and be a tool for employment generation, particularly for women entering the workforce. Worldwide, an estimated 90 million to 100 million people are directly employed in SEZs and free-zone programs.[256]

Experience points to key factors of success that should cover design issues, operations, and the development impact of SEZs.[257] As for design, SEZ programs should first aim to complement existing competitive advantages and build capabilities based on sustainable sources of competitiveness. They should be designed to ensure commercial viability and cost recovery. At the operational level, SEZ performance depends on an attractive business environment favorable to the private sector, including good infrastructure, an adequately skilled labor force, and efficient services. Maximizing SEZs' development impact starts with the establishment of clear goals for SEZ performance, economic contributions, labor rights, and the enforcement of established social and environmental standards. Clear goals are also a prerequisite for the development and implementation of effective monitoring and an evaluation mechanism. Finally, the coherence of different policy areas and synergy between different parts of government are key to achieving the desired impact.

NOTES

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2 World Bank, *Accelerating the Growth Momentum*.

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11 Financial Times, Ltd, FDI Market's Investor Signals data, 2022

12 There are many mechanisms for productivity spillovers, which include horizontal, or intrasector, spillovers where knowledge and technology used by FDI firms are transferred to competing firms in the same sector, and vertical, or intersector, spillovers where transfer happens through the supply chain from foreign intermediate suppliers to domestic producers or, more commonly, from foreign-invested firms to domestic input suppliers. See C. Newman et al., "Technology Transfers, Foreign Investment and Productivity Spillovers," *European Economic Review* 76 (May 2015): 168–87.

13 Newman et al., "Technology Transfers."

14 Economic fitness is both a measure of a country's diversification and its ability to produce complex goods on a globally competitive basis, based on a country's level of available endowments and productive knowledge. Countries with the highest levels of economic fitness have capabilities to produce a diverse portfolio of products, to upgrade into ever-increasing complex goods, to have more predictable long-term growth, and to attain a good competitive position relative to other countries.

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33 ND-GAIN measures a country's exposure, sensitivity, and capacity to adapt to the negative effects of climate change for 192 countries. It considers six dimensions: food, water, health, ecosystem service, human habitat, and infrastructure.

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53 International Monetary Fund (IMF), Financial Access Survey, (Washington, DC: IMF, 2020)

54 World Bank, Benin Financial Sector Review: Stability for a Better Inclusion, (Washington, D.C.: World Bank, 2018)

55 As of May 2020, 916 guarantees, corresponding to CFAF 104 billion (1.2 percent of GDP) of underlying collateral, had been formalized, according to the IMF.

56 CwA (G20 Compact with Africa), "Benin: 2021 Reform Matrix," 2021.

57 International Monetary Fund (IMF), "Benin: Sixth Review under the Extended Credit Facility Arrangement, and Request for Augmentation of Access," press release, staff report, and statement by the executive director for Benin (Washington, DC: IMF, 2020).

58 World Bank, Benin Financial Sector Review: Stability for a Better Inclusion, (Washington, D.C.: World Bank, 2018)

59 International Monetary Fund (IMF), "Benin: Sixth Review under the Extended Credit Facility Arrangement, and Request for Augmentation of Access," press release, staff report, and statement by the executive director for Benin (Washington, DC: IMF, 2020).

60 The Organization for the Harmonization of Business Law in Africa (Organisation pour l'Harmonisation en Afrique du Droit des Affaires; OHADA) counts 17 member states including Benin. The Insolvency Act included a pre-insolvency conciliation regime, the adoption of the United Nations Commission on International Trade Law Model Law on Cross Border Insolvency, the development of a modern reorganization regime, and an improved regulation of insolvency practitioners. See IFC, *Benin Country Opportunity Spotlight* (Washington, DC: IFC, 2020).

61 World Bank, Enterprise Survey, 2016.

62 World Bank Group. 2020. Benin Digital Economy Diagnostic Report. Washington DC : World Bank. Licence : Attribution Creative Commons CC BY 3.0 IGO

63 World Bank, Benin Financial Sector Review: Stability for a Better Inclusion, (Washington, D.C.: World Bank, 2018)

64 The report proposes a roadmap with actions to relieve the identified constraints to the development of the financing landscape, including balancing the trade-off between public borrowing and the development of financial markets, mobilizing domestic savings for MSME financing, and strengthening development cooperation. Government of Benin, Evaluation of Benin's Development Financing, 2020.

65 World Bank Group. 2020. Benin Digital Economy Diagnostic Report. Washington DC : World Bank. Licence : Attribution Creative Commons CC BY 3.0 IGO

66 World Bank, Project Appraisal Document on a Proposed Scale-up Window (SUW) Credit to the Republic of Benin for a Benin Electricity Access Scale-up (BEAS) Project, Report No: PAD4332, (Washington, DC: World Bank, 2021)

67 Per 2016 estimates, Benin, which is part of the West African Power Pool, imported the largest share of energy consumption in Africa (World Factbook website, cia.gov). In contrast, Côte d'Ivoire and Senegal did not import any electricity while Mali imported only 27 percent of electricity consumed.

68 Additional capacity includes (a) the 120 MW public gas-fired plant financed by the Islamic Development Bank commissioned in July 2019; (b) another 146 MW gas public plant under preparation following the unsuccessful development of an independent power producer; (c) smaller plants of 50 MW with private investment, located at Maria Gléta 2 to operate on gas; and (d) 203 MW in renewable energy.

69 World Bank, Project Appraisal Document on a Proposed Scale-up Window (SUW) Credit to the Republic of Benin for a Benin Electricity Access Scale-up (BEAS) Project, Report No: PAD4332, (Washington, DC: World Bank, 2021)

70 The Maria Gléta plant is a new generation facility near Cotonou that opened in 2019 and operates on natural gas, thus keeping emissions at a low level, while ensuring fuel flexibility through a dual-fuel capability. At the time of opening, it increased the country's power supply by 50 percent.

71 The Ministry of Energy has started implementing its national policy for the development of renewable energies with the signing of a contract with a private company to install 15,000 solar-powered public lights and the development of the hydro project of Dogobis of 128 MW. Support for solar generation is materializing with Millennium Challenge Corporation (MCC) and French Development Agency committing to invest in 75 MW of solar photovoltaics, of which 50 MW will be privately financed. The projects include a 25 MW Defissol solar plant funded by AFD and a 50 MW solar plant supported by MCC.

72 However, further solar energy generation could be constrained by the ability to integrate the plants into the network and load fluctuations.

73 The digitization of land archives also enables the land and state administration to provide certain services remotely. A land management web application has been designed and allows for the registration of new land titles, the editing of land titles in a secure format, and the management of different land management procedures (transfers, mortgages, and other registrations on land titles). This application makes it easier to search and provide online services to applicants. Moreover, all of Benin's land title archives have been fully digitized in an operational database since 2017.

74 This status is designed for micro and small businesses, and registering is easy and free of charge and takes only one business day. With support from the WBG, the e- registration platform was installed at the Single Window for the Formalization of Enterprises that streamlined the business registration process. A complementary e-regulation system was launched with the objective of improving access to information on applicable business regulations.

75 APIEx serves as the single investment promotion center and conduit of information between the foreign investor and the Beninese government. This office was welcomed by investors seeking better services and investment facilitation. APIEx has also been entrusted with additional responsibilities including management of the special economic zones and development of PPPs. APIEx was created in 2014 and its status was updated in 2016.

76 Benin does not have an agency that reviews transactions for competition-related concerns. In principle, competition is regulated at the community and national levels. The competence of community competition authorities covers anticompetitive understandings, abuse of a dominant position, state support, and other practices attributable to member states. Areas not regulated at the WAEMU level fall within the competence of national authorities.

77 The WBG supported the establishment of the commercial courts in 2016—Cotonou Commercial Court and Porto-Novo Commercial Court of Appeal. The courts became fully staffed and operational, and they have contributed to reducing the time needed for the resolution of commercial disputes and an increased recovery of debts. These reforms have significantly increased the efficiency of commercial justice and improved the perception of the private sector. The reform in commercial justice has been consistent with recent efforts to strengthen the legislative and regulatory framework for the modernization of justice in Benin through law no. 2020-08 of 23 April 2020 and the Interministerial decree of April 1, 2020, on the organization and functioning of the electronic directory for movable securities, the business registry (RCCM), and court orders of the Commercial Court as well as the introduction of simplified procedures such as execution procedures and digitization of the Commercial Court. Despite these important reforms, there are many more challenges remaining for commercial justice in Benin.

78 The 2017 law sets a maximum limit of three to nine months' salary to be paid to an employee in case of abusive termination of employment or layoffs. If fired on legitimate grounds, but short of being caught doing something unlawful, an employee with a minimum of one year on the job is entitled to receive two months' salary as severance pay. The law also allows for multiple renewals of limited time contracts; previously, a limited duration contract could only be renewed twice, and upon a third renewal was considered an employment contract with indefinite duration (US State Department, "Investment Climate Statements: Benin," Washington, DC, 2018, at https://www.state.gov/reports/2018-investment-climate-statements/benin/).

79 The Index of Economic Freedom (IEF) focuses on four key aspects of the economic and entrepreneurial environment over which governments typically exercise policy control: (a) rule of law, (b) government size, (c) regulatory efficiency, and (d) market openness. In assessing conditions in these four categories, the index measures 12 specific components of economic freedom, each of which is graded on a scale from 0 to 100. Scores on these 12 components of economic freedom, which are calculated from a number of subvariables, are equally weighted and averaged to produce an overall economic freedom score for each economy. Terry Miller, Anthony B. Kim, and James M. Roberts, 2022 Index of Economic Freedom (Washington, DC: Heritage Foundation, 2022).

80 Corruption erodes economic freedom by introducing insecurity and coercion into economic relations. Of greatest concern is the systemic corruption of public institutions and decision-making by such practices as bribery, extortion, nepotism, cronyism, patronage, embezzlement, and graft. The indicator synthetizes this kind of issue (Miller, Kim, and Roberts, *2022 Index of Economic Freedom*, 455–6).

81 The property rights component assesses the extent to which a country's legal framework allows individuals to acquire, hold, and use private property and the extent to which these rights are secured by clear laws that the government enforces effectively (Miller, Kim, and Roberts, *2022 Index of Economic Freedom*, 455).

82 The business freedom component measures the extent to which a country's regulatory and infrastructure environments constrain the efficient operation of businesses (Miller, Kim, and Roberts, *2022 Index of Economic Freedom*, 459).

83 In practice, most countries impose a variety of restrictions on investment. Some have different rules for foreign and domestic investment. Some restrict access to foreign exchange. Some impose restrictions on payments, transfers, and capital transactions. In some, certain industries are closed to foreign investment. The subindex measures this kind of issue (Miller, Kim, and Roberts, *2022 Index of Economic Freedom*, 463).

84 Financial freedom is an indicator of banking efficiency as well as a measure of independence from government control and interference in the financial sector. State ownership of banks and other financial institutions, such as insurers and capital markets, reduces competition and generally lowers the level of access to credit (Miller, Kim, and Roberts, *2022 Index of Economic Freedom*, 464).

85 Well-functioning legal frameworks are essential for protecting the rights of all citizens against unlawful acts by others, including governments and powerful private parties. Judicial effectiveness requires efficient and fair judicial systems to ensure that laws are fully respected and appropriate legal actions are taken against violations. The indicator measures the degree of judicial effectiveness in a country (Miller, Kim, and Roberts, *2022 Index of Economic Freedom*, 456).

86 World Economic Forum, *Global Competitiveness Report* (Davos: World Economic Forum, 2019).

87 Transparency International, Corruption Perceptions Index, 2022, https://www.transparency.org/en/cpi/2022.

88 Bertelsmann Stiftung, "BTI 2020 Country Report – Benin" (Gütersloh, Germany: Bertelsmann Stiftung, 2020). BTI is the Bertlesmann Stiftung Transformation Index.

89 International Trade Centre (ITC), Promoting SME Competitiveness in Benin – COVID 19: An Inclusive Path Towards Resilience. (ITC, Geneva, 2020).

90 The Beninese Food Safety Agency (ABSSA), Central Laboratory for Food Safety (LCSSA), and Departmental Directorate of Agriculture, Livestock, and Fisheries (Direction Départmentale de l'Agriculture; DDAEP) are the main structures of the food safety system in Benin. They perform the main functions in the process of monitoring contaminants in food, controlling and issuing health certificates, and providing marketing authorizations. ABSSA has a legal and regulatory existence with a clearly defined mission and qualified personnel, allowing it to carry out its mission. A recent Executive Order 2022-451 of July 2022 merges ABSSA and LCSSA into a single entity. The ABSAA capacity assessment showed that there are some areas of weakness or prerequisites that need to be addressed. Capacity building is necessary and ongoing for better support to agricultural value chain actors targeting export markets. In this context, the WBG's agricultural competitiveness and export diversification project is providing technical and financial assistance to ABSSA and DDAEP for capacity building, the acquisition of various equipment (rolling stock, control equipment, laboratory equipment, software, and so on), and support in obtaining ISO 17020 accreditation.

91 ITC, *Promoting SME Competitiveness in Benin – COVID 19*.

92 For instance, under a pilot project in 2014, 10 sites were selected in four different communes across the country and were packaged into four transactions that could easily be managed as a single contract. Three private operators were selected for four lots. The concession agreements were signed between the government of Benin and the private operators for a period of eight years with an obligation of cofinancing some of the infrastructure and installing 1,071 new private connections. The project mobilized approximately US$1 million in capital expenditures, of which US$277,000 was financed by the private operators. The balance was provided by the public budget through a grant from the Dutch Development Cooperation.

93 Bertelsmann Stiftung, "BTI 2020 Country Report – Benin."

94 Benin adopted Law No. 2016 24 on June 28, 2017, which set up the legal framework of the PPP. Five decrees have been implemented: Decree No. 2018 028 of January 31, 2018, related to the ad hoc commissions in charge of PPP procurement procedures; Decree No. 2018 156 of May 2, 2018, creating the "Cellule d'appui aux PPP" (PPP Unit); Decree No. 2018 039 of January 31, 2018, related to the control and regulation of PPP procurement and operations; Decree No. 2018 424 of September 19, 2018, which set up a PPP catalogue for the whole country; and Decree No. 2018 360 of July 31, 2018, which defines the tax regime applicable to PPP contracts. Pursuant to the PPP law, delegations of public service are now governed by the PPP law instead of the Public Procurement Code.

95 International Monetary Fund (IMF), "Benin: Sixth Review under the Extended Credit Facility Arrangement, and Request for Augmentation of Access," press release, staff report, and statement by the executive director for Benin (Washington, DC: IMF, 2020).

96 World Bank, ECOWAS Region Infrastructure Sector Assessment (InfraSAP), forthcoming.

97 TeleGeography's Global Internet Geography Research Service database, 2021

98 In September 2021, the government of Benin announced the deployment of 690 km of fiber optics, financed by a loan of about US$40 million by China. Though details of the project have not been disclosed, the fiber optic backbone will cover several rural regions and 10 urban areas.

99 International Telecommunication Union, 2019 ICT Price basket at https://www.itu.int/net4/ITU-D/ipb/

100 Licensing fees include a license application fee, an annual spectrum management fee, and an annual frequency utilization fee. Moreover, telecom operators are subject to several taxes based on the volume of data, voice, and text traffic: a 10 percent sector-specific tax on turnover, interconnection charges, and a telecom development tax. According to a recent 2021 academic study focused on 25 African countries, the overall taxes and fees for the ICT sector in Benin are above average (G. Rota-Graziosi and F. Sawadogo, "The Tax Burden on Mobile Network Operators in Africa," *Études et Documents*, no. 4, CERDI, 2021).

101 World Bank Group. 2020. Benin Digital Economy Diagnostic Report. Washington DC : World Bank. Licence : Attribution Creative Commons CC BY 3.0 IGO

102 The equipment of the fixed retail operator for voice and internet services, Benin Telecom Service, was transferred to a private internet service provider. The assets of the wholesale infrastructure provider, Benin Telecom Infrastructure (BTI), and of the liquidated mobile operator, Libercom, were transferred in 2018 to Société Béninoise d'Infrastructures Numérique (SBIN). Decree 2018-552 was issued December 12, 2018. According to public information and interviews, SBIN has a backbone of approximately 2,000 km of fiber, to which is added a metropolitan network of approximately 450 km of fiber, two submarine cable landing points (SAT3 and ACE), and a data center currently under construction.

103 Government of Benin, Minutes of the Council of Ministers of March 24, 2021.

104 Autorité de Régulation des Communications Electroniques et de la Poste (ARCEP), Decision 2020-309, October 23, 2020.

105 World Bank Group. 2020. Benin Digital Economy Diagnostic Report. Washington DC : World Bank. Licence : Attribution Creative Commons CC BY 3.0 IGO.

106 These submarine cable projects would require regulatory reforms because of SBIN de facto dominance on both international cable landing and the fiber territorial assets.

107 Michael Minges, "Exploring the Relationship between Broadband and Economic Growth" (background paper for the *World Development Report 2016: Digital Dividends*, World Bank, Washington, DC, 2015).

108 Data source: BCEAO (Central Bank of West African States), "Status of Mobile Money in WAEMU," 2019.

109 National Institute of Statistics and Economic Analysis (Institut National de la Statistique et de l'Analyse Economique; INStaD), December 3, 2019, retrieved August 18, 2021, from https://insae.bj/statistiques/statistiques-economiques.

110 World Bank (2022). Accelerating the Growth Momentum and Creating Better Jobs, Country Economic Memorandum 2.0., Washington D.C.: World Bank.

111 ITC, *Promoting SME Competitiveness in Benin – COVID 19*

112 S. A. Altman and P. Bastian, *DHL Global Connectedness Index 2020* (New York: New York University Stern School of Business, 2020).

113 Port activity is critical not only to the private sector but also the public sector, because it accounts on average for 80–85 percent of the country's customs tax and 40 percent of total tax revenues. World Bank, *Accelerating the Growth Momentum*.

114 AfDB (African Development Bank), Benin Data Portal, 2018; Ministère du Plan et du Développement (MPD), Rapport sur les Indicateurs des Objectifs de Développement Durable du Benin, 2019 edition (Cotonou: MPD, 2020).

115 World Food Programme, *Benin Logistics Capacity Assessment* (Rome: World Food Programme, 2018).

116 The plan includes the renewal of existing quays on the northern part to access deeper water, the reorganization of existing space into more efficient spatial development, and the construction of a new terminal on the sea (20 ha) dedicated to bulk and conventional products. The managers of the port anticipate the need for handling capacity on products like rice and cement by 2025. In 2021, the Port of Antwerp International published its *Plan Directeur Du Port de Cotonou*.

117 Interviews conducted in November 2021 revealed that shipping a 20-foot container from Asia to Africa costs about €12,000 compared with €2,000–€2,500 before the pandemic. In a context of (temporary) limited container availability, shipping companies optimize their use by favoring shipments to Europe, where unloading takes 2–4 days. In Africa, it takes 14–20 days, putting access to containers under stress in the region.

118 ITC, P*romoting SME Competitiveness in Benin – COVID 19.*

119 Afrobarometer data (2016–18) reported that 62.1 percent of Beninese think that the government is very or fairly bad at maintaining roads and bridges, against 41 percent in Ghana and 44.9 percent in Togo. (Afrobarometer, Online Data Analysis Tool, retrieved from Afrobarometer website, 2019, https://afrobarometer.org/online-data-analysis/analyse-online.)

120 INStaD, Transport and Public Works National Road Network, open data portal, 2021, accessed December 5, 2022, https://benin.opendataforafrica.org/hpoqoqc/transport-et-travaux-public-r%C3%A9seau-routier-national.

121 Total costs of transport typically represent an important share of the value of final goods produced in Benin, especially for SMEs. Besides direct logistics costs, the total costs need to account for the cost of delays, vehicle operating costs, risk of accidents, and harvest losses and security.

122 Examples are Porto-Novo-Seme Kpodji highway, north bypass of Cotonou, and the new cotton road Nikki-kalale-Segbana.

123 The company's name was Organisation Commune Benin-Niger des Chemins de Fer et des Transport (OCBN).

124 The concession requires the maintenance of existing tracks and the construction of new infrastructure, including a link to the subregional interconnection project AFRICARAIL and the long-standing project to connect Benin's central line with Niamey. It includes the rehabilitation of the existing 438-km line connecting Cotonou to Parakou and a 625-km extension from Parakou to Niamey, at an estimated cost of US$1.2–2.0 billion. (World Bank, 2021). World Bank, *Accelerating the Growth Momentum*.

125 Note that a benchmarking exercise conducted by Cotonou airport showed that freight charges at Cotonou airport were the sixth most expensive out of 14 West and Central African countries' airports (Cotonou Aeroport, Etude Comparative de la Redevance Fret).

126 World Bank, *Accelerating the Growth Momentum*.

127 International Finance Corporation (IFC), Handshake – Air & Sea PPPs, IFC's quarterly journal on public-private partnerships, (Washington, DC: IFC, 2012)

128 World Bank, Accelerating the Growth Momentum.

129 African Development Bank (AfDB), African Economic Outlook (Abidjan: AfDB, 2020).

130 ITC, Promoting SME Competitiveness in Benin – COVID 19

131 World Bank, Benin Learning Poverty Brief (Human Capital Project, World Bank, Washington, DC, 2019).

132 Annual statistics of the Ministry of Preprimary and Primary Education, and the Ministry of Secondary Education and Technical and Vocational Education and Training (TVET) of Benin.

133 Framework law on technical and vocational education and training.

134 Katherine M. Caves et al., "Meeting in the Middle: TVET Programs' Education–Employment Linkage at Different Stages of Development," Social Sciences 10: 220 (2021).

135 The analysis of economic fitness aimed to understand the state of Benin's production capacity and identify value chains with latent potential. It also aimed to review existing analyses of some selected sectors in terms of their relative performance (contribution to aggregate output, employment, and exports) and potential for expansion.

136 World Bank, A Rapid Review of the Opportunities for the Horticulture Industry in Benin, World Bank, (Washington DC, 2018)

137 It builds on the success of the first PAG (2016–21), which created more than 169,000 jobs; strengthened food security (with food-crop production covering 182 percent of needs in 2019 from 156 percent in 2015); and reinforced the performance of high-value products (pineapple, cashews, and vegetables) and the emergence of new ones (soybeans and shea). During the five-year period, the government made investments of about CFAF 600 billion (more than US$1 billion) to support the sector. Traditionally, most government support for agriculture has been concentrated in a small number of subsectors, including cotton and cashew nuts.

138 Flagship projects focus on high-value sectors (cashews, pineapples, vegetables); conventional sectors (maize, rice, cassava); aquaculture; meat, milk, and table eggs; and the irrigation development program.

139 Ministry of Agriculture, Livestock, and Fisheries (MAEP), National Census of Agriculture, Summary of Main Results, Cotonou, 2021.

140 In the major cotton basin, the area of a farm averages 6.8 ha in Borgou and 5.8 ha in Alibori. In Collines and Donga, where cashew nuts are produced, the average farm area is 5.4 ha and 4.1 ha, respectively.

141 National Institute of Statistics and Economic Analysis (Institut National de la Statistique et de l'Analyse Economique; INStaD), December 3, 2019, retrieved August 18, 2021, from https://insae.bj/statistiques/statistiques-economiques.

142 MAEP, National Census of Agriculture.

143 This situation has led the government to initiate a series of actions, including (a) the deployment of 641 tractors at subsidized cost (CFAF 4 billion value) and the reparation of 250 others; (b) the launch of the digitalization of agricultural transactions and public administration; (c) and the creation of a state-owned company in charge of the modernization of the sector. This assistance has enabled the in-country repair of existing agricultural machinery and the documentation of tractors through a tracking system. Today, a reliable database on tractor usage time and other key parameters is available.

144 Price data provided by the World Food Organization show that the price per ton at the producer level for cassava and yams is low compared with prices for tomatoes, okra, and other perishable crops.

145 MAEP, National Census of Agriculture.

146 World Bank, *A Rapid Review of the Opportunities for the Horticulture Industry in Benin*

147 Direction de la Statistique Agricole (DSA-Bénin), *Recensement National de l'Agriculture 2019*, vol. 4, rapport synthèse, Octobre 2021.

148 Government of Benin, "Etat de Mise en Œuvre du PAG : Agriculture, Élevage et Pêche."

149 Government of Benin, "Etat de Mise en Œuvre du PAG : Agriculture, Élevage et Pêche."

150 Government of Netherlands, Climate Change Profile: Benin, The Hague, Netherlands, 2019.

151 Climate Analytics, Sectoral Climate Change Vulnerability Study in Benin Sector: Agriculture, Scientific Support Project for National Adaptation Plan Processes, January 2019.

152 Benin is the fourth-largest exporter of cashew nuts, and production covers an estimated 2 percent of the area favorable to very favorable to its cultivation. Cashew nuts are a PAG Flagship Project and thus benefit from support for installation of new plantations with certified seedlings, the bringing up to standards of the old plantations, and an increase in processing. The Special Economic Zone of Glo-Djigbé is expected to add processing units of up to 100,000 tons per year through contracts with the Netherlands and Türkiye to the existing capacity of 53,000 tons. This addition will contribute to achieving the government's target of 50 percent of processed nuts against an actual 19 percent in 2019 and 5 percent in 2020. However, some stakeholders have pointed out that cashew planting is more profitable than processing is.

153 United Nations Conference on Trade and Development (UNCTAD), "Pineapple," INFOCOMM Commodity Profile, 2016.

154 IFC, "Deep Dive on Côte d'Ivoire's Horticultural Sector" (internal document, IFC, Washington, DC, September 30, 2021).

155 European Union (EU), "Pineapple Value Chain Analysis in Benin," *Value Chain Analysis for Development* 22 (March 2020).

156 Five communes of the Atlantic Department alone concentrate 97 percent of the national production, according to the statistics of the Direction de la Statistique Agricole (DSA-Bénin) in 2015.

157 In 2020, Benin's exports were nearly all destined to Europe, an achievement. Europe imports 40 percent of the US$2.3 billion trade in pineapples, according to the United Nations Comtrade database in 2019. Benin's exports to Europe increased by almost six times between 2000 and 2014, reaching between 400,000 and 500,000 tons a year, but in 2017 the government instituted a voluntary ban on exports to the EU because of high pesticide levels found in its fruit.

158 EU, "Pineapple Value Chain Analysis."

159 MAEP (Ministry of Agriculture, Livestock, and Fisheries), *Programme National de Développement de la Filière Karité*, 2019.

160 Benin has a significant population of about 6.5 million productive shea trees.

161 Food and Agriculture Organization of the United Nations, FAOSTAT database, 2020.

162 Transparency Market, Global demand for shea butter is projected to increase at 5.2 percent annually by 2028, March 2019.

163 The shea butter market crosses industries, including cosmetics and personal care, food, and medicines. Shea butter has become a prime additive in soaps, lotions, shampoos, and creams because of its skin healing and moisturizing properties. The growing food industry is looking for low-fat products for which shea butter and oil are excellent substitutes for palm oil and cocoa oil.

164 Trade data may also reflect flows of soybean products from elsewhere exported through Benin (Government of Benin, *Programme National de Développement de la Filière Soja du Bénin*, PNDF-Soja, 2019–21).

165 Government of Benin, "Etat de Mise en Œuvre du PAG: Agriculture, Élevage et Pêche," 2020.

166 Government of Benin, *Programme National de Développement de la Filière Palmier à Huile au Bénin*, *PNDF-Palmier à Huile*, 2020.

167 The product diversification indicator estimates supply using the product space methodology, which establishes links between products based on how frequently they coincide in countries' export baskets. It assumes that products that are often exported together rely on similar capabilities for their production. Supply is combined with the target market's demand and market access conditions to ensure that feasible products for the exporter also have favorable chances of export success.

168 Lagos State, Ogun State, Oyo State, Kwara State, Niger State, and Kebbi State in Nigeria.

169 Benin is one of the 12 states that have signed the AfCFTA agreement without having ratified it, deposited the instruments of ratification, or drafted the national strategy document for implementing the agreement.

170 Dia & Lapres, A Rapid Review of the Opportunities for the Horticulture Industry in Benin, 2018.

171 World Bank, "Project Appraisal Document on a Proposed IDA Scale-Up Facility Credit to the Republic of Benin for an Agriculture Competitiveness and Export Diversification Project," PAD3329, 2020.

172 Ofio, A. C. (2008). Etude sur les flux des produits maraîchers au Bénin

173 ACED (2018) Le marché des produits maraichers au Sud-Bénin. Centre d'Actions pour l'Environnement et le Développement Durable.

174 The RCA is based on past data that reflect current competitive advantages and may incorporate market distortions rather than the market-based competitive potential of the Beninese agricultural sector. RCA is a good indicator for determining a country's relative advantage as evidenced by trade flows. However, RCA is backward looking and can be affected by distortions.

175 However, in May 2017, the national platform of stakeholders in the beekeeping sector in Benin was launched to professionalize and organize beekeepers. It aims to improve the health and productivity of bees, pollination services, and access to markets for bee products.

176 V. Houngue and G. M. A. Nonvide, "Estimation and Determinants of Efficiency Among Rice Farmers in Benin" Cogent Food and Agriculture 6, no. 1 (2020).

177 Ministry of Agriculture, Livestock, and Fisheries (MAEP), Stratégie Nationale de Développement la Riziculture-deuxième génération (SNDR 2) 2019-2025, 2019.

178 Ministry of Agriculture, Livestock, and Fisheries (MAEP), National Census of Agriculture, Summary of Main Results, Cotonou, 2021.

179 The constraints that hinder the development of the animal production subsector include (a) poor supply and distribution of animal inputs and veterinary products. Which leads to high mortality rates; (b) insufficient supply of animal feed; (c) poor command of improved breeding techniques and low milk productivity of cows; and (d) increased pressure on natural resources (land, water, pasture, and so on) in particular during the dry season. Aquaculture faces specific constraints related to (a) poor supply of inputs, (b) weak institutional framework and knowledge related to water body systems and reservoirs, (c) unsustainable practices to maintain the quality of water and conservation of biodiversity, and (d) inadequate techniques of conservation.

180 MAEP, Indicateurs Macroéconomiques et Statistiques Annuelles 2020.

181 ORANA is a company that specializes in the production and processing of oranges. Orana groups about 46 cooperatives with 7,435 producers in the department of Zou.

182 The indicators include supplying seed, registering fertilizer, securing water, registering machinery, protecting plant health, sustaining livestock, trading food, and accessing finance.

183 World Bank, "Project Appraisal Document on a Proposed IDA Scale-Up Facility Credit to the Republic of Benin for an Agriculture Competitiveness and Export Diversification Project," PAD3329, 2020.

184 Food and Agriculture Organization of the United Nations, FAOSTAT database,2021.

185 MAEP (Ministry of Agriculture, Livestock, and Fisheries), *Indicateurs Macroéconomiques et Statistiques Annuelles*, 2020.

186 World Bank, "Project Appraisal Document on a Proposed IDA Scale-Up Facility Credit to the Republic of Benin for an Agriculture Competitiveness and Export Diversification Project," PAD3329, 2020.

187 The instruments include a line of credit, a guarantee, cash deposited as collateral, and interest rate subsidies.

188 Government of Benin, Financing of agricultural projects: The Director General of the FNDA makes a mid-term assessment, Report, 30 July 2021.

189 Law No. 2017-02 of May 3, 2017, on leasing. Leasing is applicable to both professional and nonprofessional leasing, or to equipment leasing and real estate leasing.

190 There is only one public structure called the Agency for the Management of Official Vehicle Logistics, which leases new vehicles from vehicle dealers in return for the payment of a rent, with the possibility for the last user (a civil servant) to buy the vehicle at the end of the five years.

191 MAEP, National Census of Agriculture.

192 Note that the input market is also characterized by cross-border trade that is poorly documented and accounted for in official statistics.

193 Dalberg, "Etude des Opportunités de Marché pour la Production Commerciale de l'Ananas au Benin" (IDH Sustainable Trade Initiative and Grow Africa, Utrecht, the Netherlands, April 2018).

194 Decree No. 2018-175 of May 16, 2018, on the creation, attributions, organization, and operation of the National Committee for the Approval and Quality Control of Fertilizers in the Republic of Benin; Decree No. 2018-171 of May 16, 2018, on the creation, attributions, organization, and operation of the National Committee for Management of Pesticides; and Decree No. 2018-174 of May 16, 2018, on the creation, attributions, organization, and functioning of the National Committee for Plant Seeds in the Republic of Benin. Benin thus imports fertilizer through a national tender launched yearly by the authorities. Besides a projected increase in global prices for fertilizer resulting from the invasion of Ukraine by the Russian Federation, Benin's sourcing of fertilizers is not dependent on Russia, which won the tender once in six years (in 2020). In 2021, Moroccan Group OCP won the tender. At the organizational level, the government approved 40 cashew tree nurserymen to serve as bridgeheads in the supply of quality seedlings.v.

195 World Bank, *Enabling the Business of Agriculture 2019* (Washington, DC: World Bank, 2019).

196 MAEP, National Census of Agriculture.

197 The seed company Jinukunja in Dassa-zoumè in the hills is the only private actor specialized in the construction of a complete facility for the treatment and conditioning of seeds.

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