

# Benin

<b>Status Index</b> (Democracy: 7.60 / Market economy: 4.93) <b>6.26</b>		<b>Management Index</b> <b>5.68</b>	
<b>HDI</b>	0.431	<b>Population</b>	7.9 mn
<b>GDP per capita (\$, PPP)</b>	1,115	<b>Population growth<sup>1</sup></b>	3.2 %
<b>Unemployment rate</b>	-	<b>Women in Parliament</b>	7.2 %
<b>UN Education Index</b>	0.41	<b>Poverty<sup>2</sup></b>	33.0 %
		<b>Gini Index</b>	-
Source: UNDP: Human Development Report 2005. Figures for 2003 unless otherwise indicated. <sup>1</sup> Annual growth between 1975 and 2003. <sup>2</sup> People living below the national poverty line (1990- 2002).			

## A. Executive summary

Benin's process of transformation defies conventional wisdom. Small and extremely poor, Benin has successfully initiated a unique democratic experiment, avoided political violence and extremism and has sustained an exceptional level of democracy fifteen years after the famous *Conference Nationale* of March 1990.

Exhibiting many strengths and few weaknesses, political transformation in Benin proves that political culture is as important as institutional design. Problems such as corruption, administrative inefficiency and centralization result because of the weak institutional context in which administrative, political and judicial decisions must be made. However, in contrast to similar contexts in the Republic of Congo and Madagascar, the restoration of a former dictator as Benin's elected president has helped strengthen the democratic system.

Because economic transformation in Benin is much more dependent upon favorable conditions, its record in this area is mixed. No longer operating under Marxist-Leninist principles, Benin has established the basic institutional framework of a market economy. The social dimensions of this process remain underdeveloped, as the country faces daunting levels of illiteracy, pervasive poverty and a lack of natural resources. Economic development depends on factors beyond the control of decision makers, including developments in Nigeria and cotton prices on the world market.

Benin's management performance must be evaluated within the context of the country's high level of difficulty. Given Benin's developed democratic culture, decision makers must convince the population of the need to institute radical reforms. The fate of the reformist Soglo administration (1991-1996) discourages the current Kérékou government (1996-) from choosing the favor of donor organizations over popular approval. Consequently, privatization, the democratization of local government and civil service reforms have stagnated.

**B. History and characteristics of transformation**

In recent years, Benin has pursued simultaneous political and economic transformation. Whereas Benin has made significant progress toward democratic consolidation and political transformation is considered a success by regional and continental standards, economic transformation has faltered and shows uneven development.

Benin's political development has been characterized by regime instability and a series of military interventions since independence in 1960. The last coup in October 1972 marked the onset of 17 years of military rule by Lieutenant (later: General) Mathieu Kérékou. He installed one of the few formally Marxist-Leninist regimes in sub-Saharan Africa. The end of material and ideological support from the Eastern Bloc led to the regime's rapid downfall. Composed of politicians and civil society leaders, the National Conference of 1990 voted overwhelmingly to reject the Marxist one-party state and to adopt a multiparty system. Benin thus became the trendsetter for radical democratization processes in Francophone Africa.

The first free and fair elections in 1991 ratified the new political order, i.e. the constitution of 1990. The prime minister of the transition government, Nicéphore Soglo won the presidency in a run-off against Kérékou. Soglo's administration established additional democratic institutions such as the Constitutional Court, the Independent Electoral Commission and the Audiovisual and Communications Regulation Authority. These new democratic institutions also survived Kérékou's surprise return to power in 1996 in which members of the anti-regime coalition crossed the floor in his support. Despite complaints by opponents of irregularities in the electoral process, Kérékou was re-elected as president in 2001. Kérékou's past as a Marxist military ruler has not seriously undermined Benin's democratic credentials. Parliamentary elections in 1999 pointed to an opposition comeback. Unlike some of his peers elsewhere in West Africa, Kérékou cannot count on the support of a single dominant party.

Benin's Marxist-Leninist rule nationalized industries and banks. Corruption and economic decline nonetheless took their toll; by the late 1980s, the government could no longer pay civil servants' salaries. With significant financial support from the donor community, the transition government ushered in economic reforms yielding initial success: the liberalization of trade, control of public expenditure and a strong commitment to macroeconomic growth were accompanied by sector investments for social infrastructure. Soglo's radical implementation of reforms likely cost him the presidency in 1996. Although Kérékou has left this strategy intact, economic reforms have stagnated under his rule.

## C. Assessment

### 1. Democracy

Democracy is firmly established in Benin fourteen years after the first free and fair elections of the *renouveau démocratique*. Elections have become a normal feature of political life; elites and the general population accept the logic of democratic politics. The primary challenges to further consolidation of the democratic system include developing more responsive and accountable administrative structures, developing an efficient judicial infrastructure in rural areas (particularly at the local level), and establishing a more stable party system.

#### 1.1. Stateness

The state's monopoly on the use of force is established nationwide. There are no Beninese political-military organizations active within or beyond its national borders. There are however, recurrent reports of isolated episodes of banditry in the remote northern provinces. Inefficient security forces cannot guarantee public safety and order and vigilante groups have taken power into their own hands. The government disbanded one of the largest militias in 2002, but little has changed since.

In stark contrast to other West African coastal states, there are no problems in defining citizenship and who qualifies as a citizen. There is no ethnic, religious or cultural discrimination. As some communities settle across the border in Nigeria, Niger and Togo, the effective administration of citizenship rights causes minor problems. However, generally speaking, family members split across borders face no difficulties with regard to citizenship.

The separation of church and state is guaranteed by the secular 1990 constitution, and religious or ethnic extremists command little political influence. Although politics is defined along ethno-regional cleavages, a fundamental and national sense of solidarity does exist.

The state's basic administrative structure functions throughout the entire territory of the country. Political and judicial decision-making in the countryside is, however, to some extent deficient and the allocation of public goods not very efficient. It remains unclear whether decentralization policies fundamentally alter this state of affairs through capacity-building and civic education. The decentralization process has yet to effect change in the delivery of public goods, since inefficient practices at the top were simply decentralized or transferred in most cases.

## **1.2. Political participation**

All political offices are determined through free and fair elections. The quality of independent electoral administration—generally reputable—has come under scrutiny following the latest presidential (2001), parliamentary (2003) and local (2002) polls, especially with regard to the late publication of electoral results and complaints about related organizational issues. Local elections in one constituency of the capital city Cotonou had to be repeated after serious shortcomings had been revealed. This episode highlights both electoral process deficiencies and the political system's capacity for correcting them. International observers declared national elections as clean and fair. Efforts to create a permanent and reliable computerized voters' roll remain rudimentary as political actors fail to agree on the legal framework.

The government maintains the effective power to govern. The army, once a major power-player (seven military coups between 1960 and 1972, military rule between 1972 and 1989), has receded to the barracks and is unlikely to re-emerge on the political scene. The only veto player, if at all, is the Nigerian federal government, which actually restricts the implementation of national policies. Repeated incursions of Nigerian security forces in 2003 and 2004 across the border into the administrative capital, Porto-Novo, to recover stolen vehicles and clamp down on the smuggling of gas, provoked the indignation of the Beninese press and parties. Nigeria unilaterally closed the border, forcing the Beninese government to intensify the common fight against illegal border trade and trans-border banditry.

Benin is characterized by a multitude of social and political associations. There are 129 political parties and numerous non-governmental associations that act without significant intervention by the authorities. In 2004, an NGO calling for a massive campaign against the envisaged constitutional amendment (to allow Kérékou another term in office) was intimidated and pressured by the government to remove its posters from the capital city.

State and numerous private media (11 independent daily newspapers, 34 radio stations and 5 television channels) operate freely and the regulation of the media sector combines both a stable institution and a voluntary body of journalistic self-control. In a recent survey of the French organization 'Reporters sans Frontières', Benin received high marks, ranking 29 out of 146. This ranking placed Benin second best on the African continent behind South Africa, but ahead of the United States and Italy. It also ranks 71 out of 193 countries ("free," value 30) in Freedom House's Global Press Freedom Survey 2004. Fears of increased repression emerged in the second half of 2004, when two journalists were arrested and jailed for six months for libel, but eventually released on appeal. Apparently a temporary development, these events are unlikely to lead to a crackdown on Benin's press freedom.

### **1.3. Rule of law**

Separation of powers is not only constitutionally mandated, but implemented in practice. Benin has a pure presidential system, and until early 2004, the president rarely had control of parliament. Parliament thus became a major political battlefield. Parliamentarians are proud of their constitutional prerogatives, but their effective oversight of the executive branch is restricted by the lack of political will, resources and information. Since the 2003 elections, the presidential movement (*mouvance présidentielle*) has controlled parliament and its five permanent commissions. Due to ‘crossing the floor’ practices, the opposition has been reduced to 15 seats (out of 83). Judicial review by the Constitutional Court is a cornerstone of the political system and an effective check on government action.

Formally, the judiciary is institutionally distinct and operates independently, but its role is seriously hampered by insufficient territorial and functional penetration and by corruption, with more than one half of the country’s magistrates involved in financial scandals. The latest trial, which began in February 2004, includes 27 judges and 45 court clerks and secretaries, who allegedly made false claims for expenses with the complicity of officials at the ministry. The affair affected as many as 12 of Benin’s 13 district courts. There are, however, efficient mechanisms for judicial review of legislative and executive acts, i.e. the political aspect of the judiciary works much better than the regular judicial sector, which has yet to deal with the heavy backlog of court cases pending throughout the country.

In recent years, there have been several legal proceedings against corrupt officeholders in the administration and judiciary. The arrest of an international car thief in October 2003 revealed a network of corruption and protection operating across Benin’s police, customs department, interior, defense and finance ministries, and judiciaries. The scandal has led to a large-scale sacking of officials. However, the top hierarchy both within government ministries and the police (inter alia the director general of the national police service) have not been dismissed, but transferred to other functions within the governmental apparatus. Several specialized agencies have been created with the explicit purpose to trace corruption and to “clean up the political process” (*cellule de moralisation de la vie publique*). In December 2003, the government also signed the United Nations’ Convention against corruption.

Civil liberties are generally guaranteed, but the legal procedures to seek redress for violations often exist on paper only, and the poor level of literacy in the countryside makes the effective use of these rights difficult. A July 2004 report by the Federation Internationale des Droits de l’Homme (FIDH) denounced corruption, torture and lack of resources as factors undermining the country’s judicial system. According to the FIDH, torture is used frequently with suspects

detained before trial, and most cases of torture go unpunished. The report was dismissed by the government, but remained a heavy blow for Benin, which aspires to be seen as a model of political governance in the region.

#### **1.4. Stability of democratic institutions**

The democratic institutions in the country perform their functions, at least at the national level. Local and regional tiers of government are still characterized by counterproductive frictions between appointed district governors and elected councils and mayors. The overall performance of the administrative and judicial system is not always efficient, for the reasons also cited above.

Elites do accept democratic institutions. Benin's peaceful change of government and democratic experience since 1991 continue to serve as sources of national pride. Attempts by some political forces to propose constitutional revisions in order to allow President Kérékou another term in office were rejected even by key Kérékou supporters such as A. Tevoedjere or former President Zinsou.

#### **1.5. Political and social integration**

Since the re-introduction of multiparty rule in 1990, the party system has been characterized by a low degree of institutionalization and high fragmentation. However, the number of parties represented in Parliament was reduced from 20 to 12 with the 2003 elections. Fragmentation is countered by moderate polarization, as programmatic differences are few and crossing-the-floor frequent, and by decreasing voter volatility, especially in the South, where Renaissance du Benin and PRD have maintained a relatively stable voter base throughout the decade and strong, although clientelistic, roots in society. Generally, voting behavior follows ethnic patterns, thus reducing the potential for volatility. Although the government has modified the party law to reduce the number of political parties (129 in 2002) by increasing the necessary qualifications, there are still more than 80 legal political parties.

The topography of interest groups is relatively close-knit. Rural and urban social interests do translate into the party system and explain the astonishingly high number of political parties. More recently, the political system, especially at the local level, has been marked by the ascendance of young successful businessmen without social roots in the respective context (*Sans Profession Fixe* SPF). An outgrowth of the country's Marxist-Leninist past, trade unions remain very strong and brought the economy to a halt several times during the last decade (October-November 2003 and again in November 2004). The NGO sector is highly dependent upon foreign capital.

Given the lack of survey data (an Afrobarometer survey is underway), the population's attitudes toward democracy cannot be adequately evaluated. However, voter turnout is high and the general population accepts democratic institutions and is proud of the *acquis democratique*. Despite this general acceptance of the logic of democratic rules, vote buying exists, as does a widespread sense of instrumentalism among voters.

Social self-organization and the creation of social capital are strong, yet these organizations rarely cross the main linguistic and ethnic barriers: social capital is bonded rather than bridged. The high number of military takeovers since independence notwithstanding, Benin has traditionally resolved conflicts peacefully without political violence. Trust among the different populations is arguably one of the keys to this success.

## **2. Market economy**

Benin's record is rather typical for the mixed success of Bretton Woods macroeconomic policies in the socioeconomic contexts of least developed countries. Benin has followed IMF programs for more than a decade. Good macroeconomic indicators and sound policies do not automatically lead to broad-based social development, and the reform of policies is easier to implement than the reform of institutions. Most farmers did not benefit from the partial privatization of the cotton sector, and the public perception of a market economy is generally negative (as measured by strikes and public opinion). Civil service reform has stalled.

### **2.1. Level of socioeconomic development**

As one of the world's least developed countries (ranked 161st of 177 on the Human Development Index), Benin shows quantitatively and qualitatively extensive social marginalization that is structurally ingrained. Almost all relevant indicators (poverty, gender, education) point to severe problems, although social indicators have improved in recent years. The United Nations estimates adult illiteracy at 48% for men and 76% for women for the period 2000-2005. A considerable percentage of the population engages in a subsistence economy and informal trade activities. Religion and ethnicity have no socioeconomic relevance. Altogether, Benin lacks the socioeconomic prerequisites for adequate freedom of choice.

## **2.2. Organization of the market and competition**

The basic institutional framework for market competition has been increasingly strengthened over the last 15 years. Although the government generally does not intervene in the economic process, there is resistance to the further privatization of companies. The privatization of the cotton sector was managed so inefficiently that most growers prefer a return to a fully public and centralized marketing board system. Benin's considerable informal sector results not from an ill-fitting institutional framework, but rather from the historical incentives provided by Benin's border with Nigeria and its different trade and currency regime, and the successive economic crises faced since the mid-980s.

Benin's considerable informal sector results not from an ill-fitting institutional framework, but rather from the historical incentives provided by Benin's border with Nigeria and its different trade and currency regime, and the successive economic crises faced since the mid-1980s. Benin ranks only 128th of 151 countries ("mostly unfree") on the Index of Economic Freedom 2005.

The formation of monopolies and oligopolies is regulated only occasionally. No clear and comprehensive legal provisions exist. Privatization has led to the creation of oligopolies.

Foreign trade is largely liberalized according to UEMOA rules and Benin has the lowest barriers to capital and external investments among West African states. Foreign trade of goods and services accounted for 47% of GDP in 2002, indicating an open economy.

The financial sector has developed considerably, is relatively differentiated and oriented in principle to international standards. The sector is characterized by short- and medium-term loans, reflecting the predominance of trade and transit activities and the lack of an efficient loan recovery mechanism for long-term investment projects. Private banks dominate the financial scene. Microfinance institutions are also taking an increasing role in financing small and medium-sized enterprises. Supervision of the banking sector is relatively efficient.

## **2.3. Currency and price stability**

As a member of the CFA franc monetary union, Benin cannot pursue an independent policy on currency and foreign exchange rates. The currency is pegged to the euro (formerly pegged to the French franc), and the BEAC is fully independent. With some exceptions, such as a spurt of inflation after the CFA franc was devalued in 1994, this has led to relatively low inflation (consistently below 5% since 2000; 1.5% in 2003).

In close collaboration with Bretton Woods institutions, the government has worked hard to maintain a rigid policy with regard to public expenditure. Reducing the budget deficit is one of the government's core missions. However, the payroll of civil servants has repeatedly created problems and Benin's dependence on custom duties may lead to sharp drops in receipts. Although a correspondent 'culture' may have emerged among policy makers there are no institutional safeguards except for the targets set by the regional integration schemes. The government's good performance has been rewarded by the PRGF (2001-2004), although negotiations over a new program have dragged on for nearly a year since. In December 2003, Benin became the sixth Sub-Saharan African country to be awarded an international sovereign credit rating by Standard & Poor's (S&P). Benin was given a B+ long-term and B short-term sovereign rating. Positive factors cited by S&P include the government's prudent fiscal stance.

#### **2.4. Private property**

Property rights are adequately defined but cannot be considered satisfactorily safeguarded due to shortcomings in the rule of law, especially corruption and institutional pluralism, and a lack of favorable cultural contexts (Benin has been marked for most of her history by both French-educated elites and Marxist-inspired economic policies). Benin scores only 4.0 on the Index of Economic Freedoms with regard to its property rights environment.

While some sectors are dominated by private companies, the further privatization of parastatals in the strategic electricity, water, telecommunications and cotton sectors made only limited progress in 2003 and 2004. Concerns have been raised over the transparency of divestments, such as the 1999 sale of 55% of the national petroleum distribution company Sonacop to the president's close friend and political supporter. Private companies are not seen as the primary engines of economic production and further delays with privatization seem likely in view of the program's unpopularity with trade unions and the vested interests of politicians and bureaucrats.

#### **2.5. Welfare regime**

General policies to avert and alleviate social risks are minimal, health spending is deficient for broad segments of the population, but the government made considerable progress with the publication and IMF-approval of the much delayed poverty reduction strategy paper in March 2003. Only the employees in the formal sector can rely on pension funds. Social safety nets are more efficiently managed by NGOs, and traditional clan and family structures, but their contribution to poverty reduction is not measurable.

There are no specific institutions to compensate for gross social disparities. Religious or ethnic groups are not systematically discriminated with regard to job opportunities. Women have limited access to public office (although the Constitutional Court has been headed by female presidents since its inception) and the bulk of ordinary women lack access to educational institutions. National and international NGOs have started to fight the increase in child-trafficking, which affects mostly young girls.

## **2.6. Economic performance**

The economy has maintained strong growth (as measured by GDP) over a sustained period. This growth has been accompanied and made possible by low inflation, control of public expenditure and debt, and sound macroeconomic management. This good performance remains however, almost entirely dependent upon variables beyond the control of the government, i.e. the development of cotton prices on the world market, strong support by the donor community, and the policies of Benin's giant neighbor, Nigeria (especially with regard to import goods such as rice, oil, meat and fish). Its stronger stance against cross-border smuggling of oil and imported goods and a more rigid policy of import control resulted automatically in lower Beninese growth rates (3.0% in 2004 down from 6.0% in 2002). Effects on employment are unknown.

## **2.7. Sustainability**

Ecologically compatible growth receives sporadic consideration and has a rudimentary framework. However, the absence of a meaningful industrial sector or mineral resource extraction made government intervention less urgent. Nevertheless, due to the de facto unrestricted and widespread import of secondhand engines from Europe, Cotonou is deemed to have the highest air pollution level of any capital in West Africa. In the absence of an urban transport policy, moto-taxis called Zomidjan have mushroomed.

Benin's record on institutions for education, training and research is very poor, although some progress has been made in recent years, particularly with regard to private schools. As relevant indicators illustrate, even lower levels of institutions for education, training, research and development remain functionally inadequate, although some progress in primary education has been achieved in recent years. This sober statement is even more astonishing given the image of Benin as 'Quartier Latin de l'Afrique'. Universities and Schools have seen a number of *années blanches* due to continuous strikes by both teachers and students.

### **3. Management**

Given the positive trend of institutional reforms during the 1990s, the governance performance of the Kérékou administration is rather mixed. Although it has remained a reliable partner with external actors and within regional organizations, the momentum of economic reform has been lost and structural reforms in the areas of privatization, civil-service-pay and decentralization have not proceeded. Little damage has resulted politically, but the uncertainty about Kérékou's candidacy has blocked a much needed impetus and energy for the democratization of local government.

#### **3.1. Level of difficulty**

The structural constraints on governance are high. The most important constraints include: extreme poverty (see above), a deficient education system, a lack of administrative infrastructure (see above), and the dependency on international economic developments (cotton market, Nigeria). Political obstacles were largely removed with the electoral victory of the presidents' supporters in March 2003, creating an easy majority for the government in parliament.

Traditions of civil society are moderate by African standards. Even Benin's past Marxist regimes allowed for the operation of rural development associations, albeit largely controlled by the state, and the democratic era has ushered in the growth of a plethora of civic and developmental associations. However, most of these actors are poorly institutionalized and lack the resources to develop a continuous presence. The Beninese population has a culture of participating in public life.

As in nearly all other African countries, the society is divided along ethnic, regional and religious cleavages that structure political and social processes. The conflicts between these groups have traditionally been managed peacefully and political actors aiming to capitalize on ethnic or religious sentiments have been absent from the political landscape during the last 15 years. A poor country, social conflicts are ubiquitous in Benin, but are rarely manifest in the political process. The groups most vocal in pressing social issues (such as state company workers and teachers) are not necessarily those who suffer most (i.e. the rural poor), but who lack a voice.

**Profile of the Political System**

Regime type:	<i>Democracy</i>	Constraints to executive authority:	2
System of government:	<i>Presidential</i>	Latest parliamentary election:	30.03.2003
		Effective number of parties:	4.8
1. Head of State:	<i>Mathieu Kérékou</i>	Cabinet duration:	05/01-06/03
		Parties in government:	4
2. Head of State:	<i>Mathieu Kérékou</i>	Cabinet duration:	06/03-02-05
		Parties in government:	6
3. Head of State:	<i>Mathieu Kérékou</i>	Cabinet duration:	02/05- present
		Parties in government:	6
		Number of ministries:	21
		Number of ministers:	21
<p>Source: BTI team, based upon information by country analysts, situation in July 2005. Constraints to executive authority (1-6 max.) measures the institutional constraints posed by a federal or decentralized state, a second parliamentary chamber, referenda, constitutional and judicial review and the rigidity of the constitution. Effective number of parties denotes the number of parties represented in the legislature, taking into consideration their relative weight (Laakso/Taagepera index) = <math>1 / (\sum p_i^2)</math>; <math>p_i</math> is the share of parliamentary mandates controlled by party <math>i</math>. Number of ministries/ ministers denotes the situation on 1 January 2005.</p>			

**3.2. Steering capability**

The normative points of reference do not paint a well-balanced picture. Compared to the more recent past, the current political leadership seems less able to prioritize and organize its policies according to strategic aims beyond immediate concerns of political competition.

There is great speculation about money accumulated by all political actors for the 2006 presidential elections. The president has refused to openly state his commitment to the current constitutional provisions, although this should be interpreted as an attempt to remain the master of his game and avoid a premature lame-duck status rather than the president reneging on democratic beliefs.

The commitment to economic reforms during 2003-04 is questionable given the government's record of privatization. The overall strategy here is to comply partially with donor conditions. In the crucial area of cross-border smuggling, the government failed to develop any strategy until the Nigerian government forced the president to act. The strategies formulated have been ad hoc and implemented erratically.

Decentralization policy comprised the bulk of political reform in the last two years. The government failed to implement it effectively after the opposition parties gained control of both the political-administrative capital Porto-Novo and the economic capital Cotonou by February 2003. The government proved unable to resolve conflicts between the appointed governors and the newly elected councils—even in places like Parakou, where the mayor is a member of the

president's party—and to enact the decrees necessary to shift resources to the autonomous municipalities effectively. The battle over the control of revenues collected from the Dantokpa market in Cotonou (a local council resource, according to the act) has yet to end.

The zeal for economic reform has likewise faltered. The government has failed to rigorously pursue reforms in the civil service pay structure—a pledge made to donor institutions long ago—and privatization of the airport and electricity, water and cotton sectors, as they are key sources of embezzlement and corruption for government officials. In the case of civil service reforms, the government faces strong resistance from all political parties (including the governing parties) and the trade unions.

The political leadership shows little flexibility in learning with regard to the goal of a socially responsible market economy. The whole notion of policy innovation assumes, however, a degree of ownership of economic policies, which is absent in the case of this government. In this case, flexibility means steering a course between internal demands and external requests. The government has proved largely successful over the last two years in doing so. Still, the net result is not pro-active policy innovation but reactive policy blockage and adaptation.

### **3.3. Resource efficiency**

The government uses only some of the available resources efficiently. The organization of government is dictated purely by political motivations. It took three months to form the government following the parliamentary elections of March 2003, as all ethnic and political interests had to be accommodated. While cabinet has been reshuffled once (in February 2005), much of the high-level government staff has long-term experience, although this applies to political experience rather than technical skills in running administration. However, public sector human resources are not administered efficiently, as evidenced by the decentralization process and the blockage of the modernization of public administration.

Budget resources have been used efficiently, as measured by relatively balanced state budgets (note: donors covered the deficit), a manageable level of state debt and innovative auditing systems.

The government fails somewhat in coordinating conflicting objectives and interests. In the economic sphere, coordination efforts have been strengthened by policy support from donor organizations. Coordination of political affairs follows mostly informal and personal styles but lacks coherence, as seen in the border crisis with Nigeria and the attempt to build a stable presidential party alliance in parliament and for the upcoming 2006 presidential elections.

Diversion of funds is a severe problem in Benin and deters foreign investment. State resources are distributed on the basis of patronage networks, and corruption is a fundamental characteristic of the political system. In March 2004, the head of the main anti-corruption agency declared 95% of government corrupt. According to the Corruption Perception Index (Benin ranks 77th of 145, with an average value of 3.2, only six Sub-Saharan African states received better scores), corruption is endemic, but probably not as rampant as perceived by the local public. Still, attempts to stem the tide of dishonesty, such as the creation of special commissions and judicial prosecution of embezzlers, have so far failed in significantly improving officeholders' and public administration integrity, as Beninese salaries are low and there is no appropriate result-oriented payroll system.

### **3.4. Consensus-building**

As highlighted previously, there is a broad consensus among all relevant actors concerning the consolidation of democratic institutions in Benin. However, it is questionable whether key political actors want to build a market economy. While illegal smuggling across the border provides livelihood for part of the population, all key political actors hesitate to support privatization and substantial civil service reform.

Although the final verdict remains open, without dramatic change, the president's loyalty to the current constitution will prove that democratic actors have long since successfully and permanently co-opted all veto actors. The president himself, originally the main veto player, was converted during the 1990s.

The political leadership is able to manage successfully the ethnic and religious heterogeneity of the country. In stark contrast to neighboring countries, national unity is not an empty phrase in Benin. The roots of this success however, lie not in specific policies of the current government, but in the overall policy stance of all governments since 1991 and the country's political culture.

Although no governmental policy can make any meaningful impact on the fabric of society within a time span of two years, there is no evidence for the effective promotion of social capital by respective policies in the period under investigation.

Most efforts to include civil society, as with the formulation of the PRSP, result from external pressure. There are few institutional mechanisms for the systematic accommodation of civil society interests within the decision-making process.

Although there was a kind of concentration camp during the first Kérékou rule, no relevant political actor in the country would see any need for reconciliation. The National Conference in March 1990 ended this authoritarian period of Benin's history. Kérékou was forced to resign from his office and granted amnesty for his rule. The issue was settled and Kérékou re-admitted to politics along with his previous comrades. There is no way to assess the current leadership with regard to this issue.

### **3.5. International cooperation**

Relations with international donors are good. Subject to certain limitations, the government is willing to cooperate with external supporters and actors. Given its dependence on foreign assistance, Benin has limited choice in accepting or refusing international cooperation, although China has become its most important trading partner. Cooperation with donors is limited to the economic sector; foreign observers no longer see a need to observe elections in Benin or monitor political developments. Relations with the IMF and the World Bank have been positive. Benin became the eighth country to reach the completion point under the enhanced Heavily Indebted Poor Countries initiative in 2003. During the period under review, the government no longer used this intervention to facilitate policy learning and improvement.

The government is widely considered a credible and stable partner by foreign governments, international organizations and the 'non-governmental community', as it has honored its international commitments. Benin was elected in January 2004 to the United Nations Security Council as a non-permanent member for two years. The government's economic policy credentials were enhanced with the allocation of sovereign ratings from two international credit rating agencies in 2003 and 2004: S&P and Fitch Ratings (see above).

Benin has been a strong supporter of the WAEMU regional convergence schemes (regional economic body), and fulfills the required primary criteria of the planned West African Economic Union, as only one of two states (together with Senegal). Due to its limited economic and political weight, Benin lacks the power to become a driving force of increased integration. It strongly supports ECOWAS and the African Union and a mini-summit of the AU was held in Cotonou in 2003. Benin's normally good relations with Nigeria have been increasingly strained over the last two years when in August 2003, Nigeria's President Obasanjo announced a border closure, citing the Beninese authorities' failure to suppress cross-border crime. The ban was lifted within a week after the Beninese government complied with Nigerian requests and extradited 44 suspects.

## **4. Trend of development**

During the period covered by this study, Benin has overall made no substantial progress in terms of democratic and economic transformation. With regard to democracy, Benin's high standards have generally been maintained while economic developments show a slight deterioration, which must be attributed to both negative external factors and the Kérékou government's poor management.

### **4.1. Democratic development**

The political system in Benin meets the minimum requirements for a democracy under the rule of law, but displays some deficiencies, especially with regard to social and political integration.

Stateness, political participation and the rule of law have maintained their former democratic level. Major shortcomings persist in the area of rule of law and the development of a viable party system. The 2006 presidential elections will be a litmus test for the consolidation of the democratic regime, as the two main protagonists of the last 15 years, Soglo and Kérékou, will be barred from running again (Kérékou because of two consecutive terms and age limit, Soglo because of age limit) and new leaders will occupy the country's top office. The institutional stability of the political system has not changed significantly. The government has failed to deepen democracy by implementing democracy on the local level consistently. While the fight against corruption has dominated the papers, the willingness of rulers to sanction key government allies has remained very limited.

### **4.2. Market economy development**

Benin has made no substantial progress toward a socially responsible market economy.

As one of the poorest countries in the world, Benin's level of development has fluctuated slightly during the past five years. HDI increased overall by 0.025 from 1995 (0.381) to 2000 (0.406) and reached 0.421 in 2002.

The institutional framework has not changed significantly. All major legal provisions (except civil service reorganization) were enacted before 2001. Severe shortcomings persist in the enforcement of some of these rules, such as privatization and local government.

Economic development has improved quantitatively. Improvement does not apply to qualitative developments, because Benin's high growth rates decreased slightly in 2003 and 2004, and the fragile quality of economic development was revealed

by turbulence in the cotton sector and the strike in the public sector. Structural reforms such as the promotion of the private sector via tax, foreign trade and investment regime reforms have lagged behind.

#### Development of macroeconomic fundamentals (2000–04)

	2000 <sup>a</sup>	2001 <sup>a</sup>	2002 <sup>a</sup>	2003 <sup>a</sup>	2004 <sup>b</sup>
Growth of GDP in %	5.8	5.0	6.0	4.8	3.0
Exports of goods fob (\$ millions)	392.4	373.5	448.2	555.6	672.1
Imports of goods fob (\$ millions)	516.1	553.0	677.3	744.2	865.5
Inflation in % (CPI)	4.2	4.0	2.5	1.5	2.6
Investment in % of GDP <sup>c</sup>	n/a	n/a	n/a	20.6	17.6
Government Revenue in % of GDP <sup>c</sup>	16.6	16.2	16.9	n/a	N/a
Unemployment in %	n/a	n/a	N/a	n/a	N/a
Government balance as % of GDP	N/a	n/a	n/a	-4.5	-5.5
Current account balance, in \$ millions	-111.0	-160.5	-158.5	-97.9	-109.7

Source: EIU Country Report January 2005; EIU Country Profile 2004; a. actual; b. estimates; c. excluding grants African Development Indicators 2004

#### D. Strategic perspective

Benin will continue as a showcase of democracy in Francophone West Africa, but further stagnate economically.

The presidential elections in 2006 will be decisive for further political developments. Should Kérékou against all odds decide to try for a third term, the outcome of a respective struggle will be a crucial test for democracy in Benin. As the president lacks the necessary 80% of support in parliament, and the required supplementary legislation for organizing referendums has not been voted upon during Kérékou's ten-year rule, it is highly unlikely that he will risk spoiling his image of the converted, benign democrat. He is thus likely to step down as provided for by the constitution. It is unclear whether one of the repeated losers of the last fifteen years - Amoussou and Houngbedji – will succeed or a new face will emerge.

A qualitative leap in the consolidation of democracy is contingent upon socioeconomic contexts, as the current state of development stymies a strong democratic political culture and a sense of civic identity.

Transforming the economic system further poses the greater challenge. Kérékou has never shown serious interest in economic questions, nor does he possess the training. The international community will welcome any successor, who will however, need time to gain standing in Benin's volatile politics. Donors will further support institutional reforms, as the economic underpinnings of transformation remain fragile. The cotton sector is highly dependent upon world market prices, and strong action is urgently needed to fight corruption and illegal trade from the top.

Unless the unthinkable occurs, political transformation will not require foreign intervention or support. The donor community should continue to work closely with the new government in keeping economic reforms on track and developing a broader-based path toward sustainable economic and social development.