



The Republic of Benin came into being upon gaining political independence from France in 1960. It is a tiny country situated in West Africa. Lying in between Niger, Nigeria, Burkina Faso, and Togo, the country has a coastline of 121 km to the South, between Nigeria and Togo. The transition that began in 1990, from a single-party regime to a pluralist democracy, marked the end of two decades of a planned economy.

Economy

Benin is one of the least developed countries (LDCs) in the world because of limited natural resources and a poorly developed infrastructure. Agriculture accounts for about 35 percent of GDP, employs about 60 percent of the labour force, and generates a major share of foreign exchange earnings. Small farms produce 90 percent of agricultural output; production is dominated by food crops: corn, sorghum, cassava, beans, and rice; cash crops include cotton, palm oil, and peanuts; poultry and livestock output has not kept up with consumption.

The industrial sector contributes only about 15 percent to GDP and employs two percent of the work force. Low prices in recent years have kept down hard currency earnings from Benin's major exports of agricultural products and crude oil.

Competition Evolution and Environment

Benin is a trade centre and, thus, committed to maintaining a liberalised environment for trade. After discarding the socialist model in 1990, Benin has progressively liberalised its economy in recent years. In 1989, Benin launched an economic liberalisation programme. As a result, in recent years, Benin has moved towards a more open and liberal economy, through constitutional, legislative and administrative reforms and privatisation programmes, some of which are outlined below.

PROFILE	
Population:	6.7 million***
GDP (Current US\$):	3.5 billion***
Per Capita Income: (Current US\$)	440 (Atlas method)*** 1,070 (at PPP)**
Surface Area:	112.6 thousand sq. km
Life Expectancy:	50.7 years**
Literacy (%):	39.8 (of ages 15 and above)**
HDI Rank:	161***
Sources: - World Development Indicators Database, World Bank, 2004 - Human Development Report Statistics, UNDP, 2004 (**) For the year 2002 (***) For the year 2003	

The Government's objective was to create an environment favourable to the development of private initiatives. To that end, the following measures were taken:

- elimination of import licensing and import and export restrictions; and
- adaptation of Benin's laws and regulations to the new, highly liberal economic environment.

On May 15, 1997, the President of the Republic published the Government's Plan of Action, reflecting a policy aimed at creating a competitive and productive economy resting on the private sector.

The Government's general objectives in this respect are to:

- liberalise trade;
- support the private sector through the development of trade;

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- contain the increase in the price of mass consumption goods;
- promote the development of tourism and handicrafts; and
- promote the private sector by:
 - supporting existing enterprises and facilitating the creation and development of new enterprises;
 - streamlining the formalities involved in setting up enterprises;
 - creating an industrial free zone in Cotonou; and
 - creating an opportunity centre.

Regional Economic and Trade Arrangements

Benin's recent economic performance, commitment to structural reform, and efforts for closer integration in the world economy, raise hopes of further success in its steps to alleviate poverty and achieve sustainable growth, according to the Trade Policy Review of Benin by the WTO Secretariat, which also notes that consumer prices have fallen sharply to moderate levels.

Benin's economy has been opened to new economic operators in certain activities and also to regional trade, thus boosting competition. There have been major developments arising from Benin's undertakings within the West Africa Economic and Monetary Union (WAEMU), which is implementing a common trade policy amongst its members and has gradually liberalised intra-community trade. Since the full implementation of the Common External Tariff of the WAEMU, which slightly increased Benin's most-favoured-nation (MFN) tariff protection, has led to a rise in tax revenue from import duties.

However, trade policy has not been liberalised to the same degree in every sector of activity. Some sectors, in particular the agri-food industry, have been broadly exposed to international competition, whereas others remain protected by monopolies, exclusive trade rights and import prohibitions, notably in the service sectors. The Government's objective of encouraging investment and food product exports would necessitate a revision of the land tenure and trade legislation in force in these sectors, in order to facilitate land purchase and exports, in particular of food crop products.

Benin (amongst the poorest LDCs) is one of the countries promoting the sectoral initiative in favour of cotton at the WTO, which advocates the phasing out of domestic support for production and of export subsidies, and the introduction of a financial mechanism to offset any consequent losses. However, Benin's reforms have not yet enabled a reduction of its dependence on cotton exports.

Competition Policy & Law

There is no competition law in Benin. However, two laws on trade and regulation of prices are forthcoming. In 1990, Benin opted for a pluralist democratic regime and a policy of economic liberalisation. Development policies have focused primarily on macroeconomic stabilisation through three structural adjustment programmes (SAPs) under the auspices of the IMF and the World Bank. GDP has grown by an average of four percent in real terms, thanks to the cultivation of cotton. Public finances have been stabilised, and the primary balance reached 2.2 percent of GDP as of 1992, owing to a sustained effort to increase revenue, control spending, steadily reduce the budget deficit, and raise the rate of government investment. Domestic arrears were practically cleared, and the banking system was rebuilt.

Since Benin first appeared before the WTO Trade Policy Review Body (TPRB), the authorities have liberalised their trade policy, first of all in the context of the post-devaluation economic programme, and then in that of the WAEMU, as well as within the framework of SAPs.

Since the beginning of 2003, the policy on competition in the domestic market has been governed by WAEMU regulations, which cover anticompetitive practices and State aid. The authorities only apply these provisions in part, because they do not have sufficient capacity to implement them in full.

However, the Ministry of Industry, Trade and Employment promotes competition in certain ways. The Mission¹ of the Ministry of Industry, Trade and Employment Promotion is stated as follows:

- to initiate, organise, plan and ensure the execution of the Government's policy in the fields of industry, trade and employment promotion. The overall objective of the minister is to intensify resources processing and extend markets in order to generate employment;

At the operational level, the Ministry's functions' aim at:

- improving the performance of existing industries and facilitating the establishment and development of new competitive companies by making the environment conducive for industrial companies, in particular, the small and medium-sized companies and industries in particular, and supporting the enhancement of local resources;
- facilitating the development of national and international trade exchanges by making the environment properly conducive and, reinforcing the operational capacities of the businesses actions; and

¹ <http://www.gouv.bj/en/ministeres/micpe/index.php>

- creating suitable and enabling conditions for the attainment of full-employment, by improving the unemployment and underemployment reduction programmes.

The Main Challenges:

In the short and medium term, the Ministry of Industry, Trade and Employment Promotion shall take up the main challenges as follows:

- Investment must be facilitated with a stress on the emergence of competitive companies, mainly the small and medium-sized companies and industries;
- The conditions of exercise of trade activities, as well as the position of Benin in the sub-regional and international markets must be improved; and
- The training and absorption capacities of the job seekers must be strengthened and increased.

Sectoral Regulation

Energy Sector

Benin's policy in the field of energy reflects a determination to achieve energy self-sufficiency and to electrify the entire country at the lowest possible cost. To that end, the Government plans to:

- supply all of the provincial capitals with electricity by building thermal power stations; linking them to the grid interconnecting certain provincial capitals and urban centres; and electrifying certain towns through solar energy;
- rehabilitate and extend the electricity grid in the cities;
- increase electricity generation capacity by building the Adjarala dam, interconnecting the NEPA (Nigeria) grid with the CEB (Benin-Togo) grid, and constructing a gas-driven thermal power station.

Financial Services

The reorganisation of Beninese financial services is one of the prerequisites to development of the private sector.

This is why the modernisation of the banking sector is one of the Government's continuing priorities and hence, the restructuring of the Beninese banking sector that was initiated at the beginning of 1990s. Since then, five trade banks have been authorised to set up. These banks account for 90 percent of savings in the formal sector, and are able to meet development-financing needs.

Transport and Communications Sector

In the transport and communications sectors, the Government's objective is to ensure the maintenance and rehabilitation of infrastructure and access to a transport and communications network. To that end, the Government is taking measures to:

- develop the road network by restoring the earth and paved roads and asphaltting the trunk roads, and by building a third bridge in the city of Cotonou;

- improve the competitiveness of the autonomous port of Cotonou by building a container terminal;
- modernise the airport facilities through the restoration of the freight and passenger terminals of Cotonou and the secondary airfields;
- revitalise the railway network by restoring railway lines, modernising the equipment of the *Organisation Commune Bénin-Niger des Chemins de Fer* (OCBN) and putting the coastal railway lines into service.

In the telecommunications sector, the objective is to boost the efficiency of the national telephone network and reduce telecommunication service costs for Beninese enterprises.

Consumer Protection²

In Benin, the first consumers' association was created in the 1990s, and the number of associations has been increasing since 2001, when the Government started funding them. The two most important associations are '*Que Choisir*' (What to choose) and '*Ligue pour la Défense des Consommateurs*' (Consumer Defense League). These two consumer associations are members of the National Codex Committee. They are in permanent contact with the Codex Contact Point in Benin. They participate in every National Committee meeting; general technical training; sensitisation and communication events on the radio and television. On request, they also assist, as observers, in food sanitary controls of markets and supermarkets. The consumers' associations in Benin are very effective and deserve to be supported and helped to better fulfil their role.

Concluding Observations and Future Scenario

Benin is relentlessly pursuing its economic liberalisation programme. In accordance with that programme, and with a view to creating an institutional environment more favourable to the development of business, a certain number of reforms are currently under way, including the revision of the *Labour Code, the Mining Code, the Commercial Code, the Civil Procedures Code and the Administrative Code*.

The introduction of a centre for business formalities (single window) aims at boosting private sector development.

Benin has taken specific action as most production and trade activities have been privatised, including banks, non-life insurance, petroleum production and hotels. Port activities have also been de-monopolised. While private operators have been authorised for mobile telephony, further reforms in the telecommunications sector are in the offing. Private investment is being sought in the areas of life insurance, petrol distribution, cement and sugar production. Technical assistance is needed to bind Benin's legislation under the WTO Services negotiations, which are currently under way. There is no restriction in foreign

² africa.rights.apc.org/research_reports/benin.pdf

investment in the hotel sector, and tourism has been made a priority development sector, with certain state-owned hotels already having been privatised.

Trade liberalisation alone is not enough and Benin will need to put in place a competition and consumer policy, after commissioning studies in the country and involvement

of stakeholders. It remains commendable, however, that Benin has made phenomenal progress towards a market economy after decades of central planning. Specific legislation and institutions need to be created for the proper functioning of the market economy from a regulatory point of view.