

Benin

After weak growth in 2010, Benin has no choice but to intensify economic, structural and institutional reforms so as to improve its growth projections for 2011 and for 2012 and to increase its chances of achieving the Millennium Development Goals (MDGs).

Human development is still poor in Benin; poverty is a major concern and inequalities within the population are marked.

In addition to its traditional partners, five emerging countries are operating in Benin, mainly in the area of economic and social infrastructure.

Benin's economy is characterised by a labour market dominated by the informal sector which involves about 95% of the working population and plays a major role in income generation. In 2010, activity was slowed down by low agricultural and cotton production, reduced public investment and floods. The cost of these unanticipated factors is evaluated at 0.8 economic growth points. An estimated 8% of the Beninese population, nearly one-third of which lives off agricultural activities, was directly affected. Growth in gross domestic product (GDP) in 2010, which was initially expected to be around 3%, is now estimated at 2.1% in a context of control over inflation, compared to 2.7% in 2009. Projections for 2011 are banking on 2.5% growth, driven by trade with Nigeria, agricultural production and the pursuance of major public projects in the form of road infrastructure, general construction work and agricultural development.

Macroeconomic policy is implemented on the basis of agreements related to the Extended Credit Facility concluded with the International Monetary Fund (IMF) in June 2010, which is backed by other development partners in the form of financial and technical support for budget execution. Fiscal policy has been characterised since 2006 by a significant increase in public expenditure. The lethargy observed in the implementation of reforms, however, has prevented tax revenues from following the same upward trend. In the 2007-10 period, tax revenues increased on average by 12%, whereas expenditure increased by nearly 20%, with a peak between 2007 and 2008 due to rises in wages and investment expenditure.

In 2010, the balance of the state's financial operations showed a deficit down from 4.2% in 2009 to 2.6%. Budget execution has been projected to produce an overall deficit of 2.5% in 2011. External accounts currently show a deficit (estimated at 7% of GDP in 2010), explained in particular by a low level of grants. The country's current-account balance is projected to worsen in 2011 to 8%, mainly as a result of a deteriorating trade balance and declining net services and public and private transfers, which will continue to suffer from the impact of the international economic crisis.

These past few years, Benin has established new partnerships with emerging countries such as India, Saudi Arabia, Abu Dhabi, Kuwait and China. The partnership with China is by far the biggest in terms of volume of trade and number of sectors of activity.

In the political arena, preparation of the presidential and legislative elections scheduled for March and April 2011, coupled with claims from professional interest groups, disrupted the functioning of the administration and certain institutions in 2010.

Benin's human development otherwise remains poor, with an overall Human Development Index (HDI) of 0.435 in 2010, which ranks it 134th out of 169 countries. Benin's HDI has, however, risen since 1975 when it stood at 0.312, thanks to efforts in education and health. Notwithstanding, poverty is still a major concern, with highly marked inequalities within the population. In 2009, monetary poverty affected 35.2% of the population versus 33.3% in 2007. The proportion affected by non-monetary poverty, on the other hand, declined from 39.7% in 2007 to 30.9% in 2009. This means that, while intensifying reforms and pursuing efforts to reduce non-monetary poverty further, focus needs to be placed on structural reforms and income-generating activities. The government needs to accelerate and intensify economic, structural and institutional reforms in order to improve on the current 2.5% and 3.5% growth projections for 2011 and 2012 respectively.

Table 1: Macroeconomic indicators

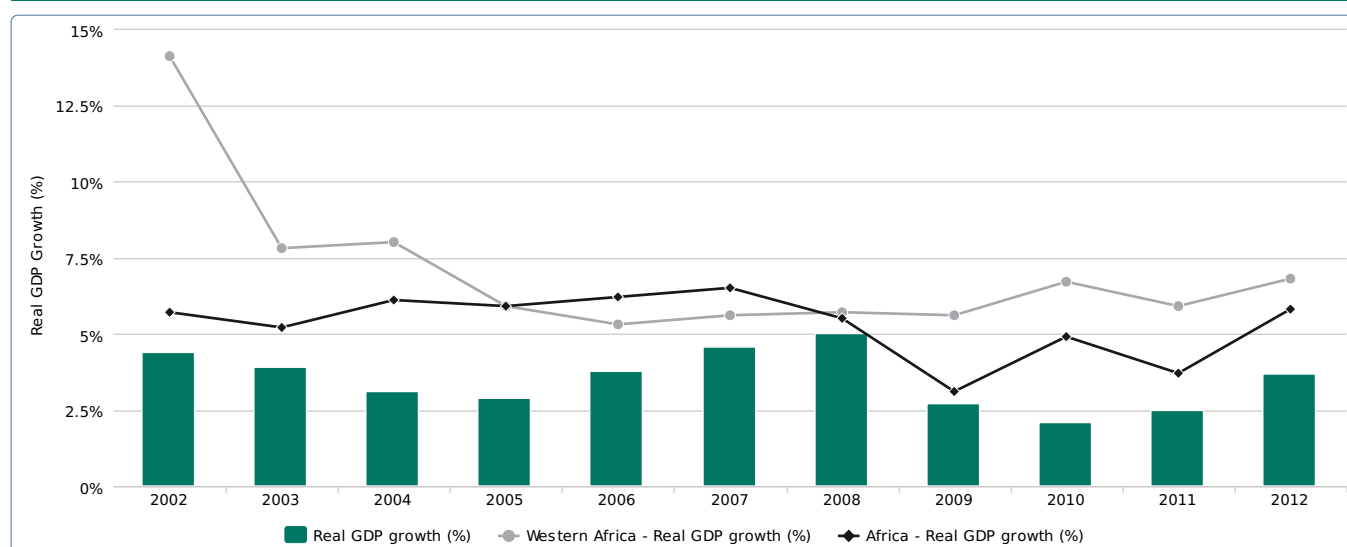
	2009	2010	2011	2012
Real GDP growth	2.7	2.1	2.5	3.7
CPI inflation	2.2	2.1	2.2	2.9
Budget balance % GDP	-4.2	-2.6	-2.5	-1.6
Current account % GDP	-7.7	-7.1	-8.2	-7.6

Source: National authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink  <http://dx.doi.org/10.1787/888932406156>

Figure 1: Real GDP growth (W)



Source: IMF and local authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink  <http://dx.doi.org/10.1787/888932403800>