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AgCLIR BENIN

Agribusiness Commercial Legal and
Institutional Reform Assessment

AGENDA FOR ACTION

February 2014





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CONTENTS

EXECUTIVE SUMMARY	i
LIST OF ACRONYMS	iii
INTRODUCTION	I
VALUE CHAIN SUMMARIES	7
GETTING CREDIT	29
PAYING TAXES	40
COMPETING FAIRLY	47
ACCESSING MARKETING INFRASTRUCTURE	60
ENFORCING CONTRACTS	70
GENDER AND SOCIAL CONSIDERATIONS	79
SUMMARY OF RECOMMENDATIONS	90



EXECUTIVE SUMMARY

In June–July 2013, the Millennium Challenge Corporation (MCC) sponsored an Agribusiness Commercial Legal and Institutional Reform (AgCLIR) diagnostic in Benin as part of the first phase of due diligence in the evaluation and refinement of the proposed agribusiness enabling environment project under the second Compact for Benin (MCC Benin II Compact). The business enabling environment (BEE) topics and value chains that are the focus of this report were selected based on the activities described in the proposed project document (the Concept Paper) prepared by the *Unité de Coordination de la Formulation du Deuxième Programme et du Suivi des Réforme de MCA-Bénin* (UCF), which was submitted to MCC in April 2013. The AgCLIR assessment is designed to validate and further elaborate on the chief BEE obstacles facing agribusinesses in Benin. The resulting report lays out clear recommendations for reform activities to be undertaken by MCC and the UCF in the course of the MCC Benin II Compact. These recommendations take into account MCC's key investment criteria and the desire to achieve broad-based, sustainable impact while keeping within MCC's time and resource constraints.

Benin is blessed with a mix of agro-ecological zones that can support a variety of crops but suffers from a steady decline in its soil fertility and rapid deforestation.⁴ Agriculture in Benin is highly dependent on rainfall, and low levels of input use, mechanization, training, and organization among value chain actors result in the vast majority of agricultural products exiting Benin in a raw or semi-processed state. Agribusinesses in Benin operate in a difficult environment characterized by high rates of formal and informal taxation and distortive market dynamics that limit the ability to access credit and engage in long-term planning for business growth.

Two key overarching themes emerged over the course of the assessment, which form the basis for the recommendations at the end of this report: (1) the prevalence and heavy cost of informality and (2) the lack of effective vertical and horizontal organization along the value chain.

THE HEAVY COST OF INFORMALITY

Approximately 95 percent of Beninese businesses operate in the informal sector, and informal cross-border trade is estimated to represent up to 75 percent of Benin's GDP.⁵ This dynamic exacts a high cost on fiscal revenue. One study suggests that the formalization of just 5 percent of the informal economy could increase tax revenue by 4.3 percent.⁶ Businesses in the informal sector suffer as well, frequently finding it difficult to access the finance and services needed to take their operations to the next level. In Benin, this constraint is particularly burdensome on women, who make up the vast majority of informal agricultural processors and traders in all five value chains studied. The causes of informality are many, but businesses cite high rates of taxation and official corruption as chief motivations for hiding in the informal sector.

⁴ African Economic Outlook: Benin (2013).

⁵ UNCTAD, *Economic Development in Africa Report* (2013), available at http://unctad.org/en/PublicationsLibrary/aldcafrica2013_en.pdf.

⁶ CAPOD, *Problématique d'élargissement de l'assiette fiscale au Bénin: Analyse de la contribution des centres de gestion agréé* (2010).

LACK OF ORGANIZATION WITHIN THE VALUE CHAIN

One of the chief obstacles to agricultural sector growth is the dearth of effective commercial associations and cooperative business models, whether horizontal or vertical in nature. A common refrain heard from stakeholders throughout this assessment was that commodity chains in Benin are not organized, and that this lack of organization is why they do not function effectively. This repeated observation seemed, at least on a superficial level, to be at variance with another observation, namely, that there is a very large number of producer and trader associations, both commodity as well as territorially specific, across the agricultural sector. Associational density, however, does not equate with real organization or with the type of commercial collaboration needed to promote efficiency within the value chain. In fact, the only truly successful forms of private sector organization witnessed by the assessment team were attributable to associations that seem to exist solely for the purpose of augmenting anticompetitive behavior such as price collusion and market control. Poor organization increases transaction costs, limits access to finance, and prevents the application of quality standards and aggregation of supply needed to reach high-value markets. In the shea sector, for example, most women gatherers operate independently, which limits the amount they can collect as well as the price they can demand for their product.

The government's Marxist-Leninist past continues to permeate the legal framework and contribute to a top-down heavy-handed government approach to organizing agricultural sector actors that seems more focused on ensuring careful control of market dynamics and outcomes than on encouraging private sector growth. Horizontal and vertical linkages within the agricultural sector are further impeded by lack of access to good market information and low-cost dispute resolution mechanisms. These factors combine to create a culture of distrust between value chain actors that encourages highly individualistic approaches to doing business.



LIST OF ACRONYMS

AAFC	Agriculture and Agri-Food Canada
ABeNOR	<i>Agence Béninoise de Normalisation</i>
ABePEC	<i>Agence Béninoise pour la Promotion des Echanges Commerciaux</i>
ABSSA	Agency for Food Sanitary Security of Benin (<i>Agence Béninoise de Sécurité Sanitaire des Aliments</i>)
ADeX	<i>Association de Développement des Exportations</i>
AFACEB	Association of Business Women and Entrepreneurs in Benin
AFD	<i>Agence Française de Développement</i>
AgCLIR	Agribusiness Commercial Legal and Institutional Reform
AGOA	African Growth and Opportunity Act
AIC	Interprofessional Association for Cotton
AMAB	<i>Assurance Mutuelle d'Agricole du Bénin</i>
ANLC	<i>Autorité Nationale de la Lutte contre la Corruption</i>
AWEP	African Women's Entrepreneurship Program
BCEAO	<i>La Banque Centrale des Etats de l'Afrique de l'Ouest</i>
BDS	Business Development Support
BEE	Business-enabling environment
CAMeC	Arbitration, Mediation, and Reconciliation Center (<i>Centre d'Arbitrage, de Médiation et de Conciliation</i>)
CAMFP	<i>Centre des Arts et Métiers de la Femme de Parakou</i>
CARDER	<i>Centres Agricoles Régionaux pour le Développement Rural</i>
CCIB	Chamber of Commerce and Industry of Benin
CDIJ	Legal Information and Documentation Center (<i>Centre de Documentation et d'Information Juridiques</i>)
CEB	Benin Electric Company (<i>Communauté Electrique du Bénin</i>)
CeCPA	Communal Centre for Agricultural Production
CEDAW	Convention on the Elimination of All Forms of Discrimination against Women
CEDEAO	<i>Communauté Economique des Etats de l'Afrique de l'Ouest</i>
CEFACOM	<i>Le Centre de Formation, de Fabrication et d'Ajustage de la Construction Métallique</i>
CePEPE	<i>Centre de Promotion et d'Encadrement des Petites et Moyennes Entreprises</i>
CeRPA	<i>Centre Régional de Promotion Agricole</i>
CET	Common external tariff
CFA	<i>Franc Communauté Financière Africaine</i>
CGA	<i>Centres de Gestion Agrées</i>
CGI	<i>Code General des Impôts</i>
CIME	<i>Centre des Impôts des Moyennes Entreprises</i>
CIPB	Council of Private Investors in Benin (<i>Conseil des Investisseurs Privés au Bénin</i>)
CISG	United Nations Convention on Contracts for the International Sale of Goods
CIT	Corporate income tax
CLCAMS	<i>Caisse Locale de Crédit Agricole Mutuel</i>
CNPB	National Council of Employers (<i>Conseil National du Patronat du Bénin</i>)
CNTC	National Council of Cashew Processors
COBEMAG	<i>La Coopérative Béninoise du Matériel Agricole</i>
CoNEC	National Cashew Exporter Council
CPI	President's Council on Investment (<i>Conseil Présidentiel d'Investissement</i>)
CSFT-Benin	Tropical Fruit Drying Centre

CSIDC	Outlook Canada-Saskatchewan Irrigation Diversification Centre
CTB	Belgium Development Agency
DAGRI	Agricultural Directorate
DANA	Quality control directorate
DGAE	<i>Direction Générale des Affaires Economiques</i>
DGCE	<i>Direction Générale du Commerce Extérieur</i>
DGCI	<i>Direction Générale du Commerce Intérieur</i>
DGDDI	<i>Direction Générale des Domaines et Droits Indirects</i>
DGID	<i>Direction Générale des Impôts et des Domaines</i>
DGR	<i>Département de la Génie Rurale</i>
DMEF	<i>Développement des Microentreprises des Femmes</i>
DPQC	<i>Direction de la Promotion de Qualité et du Conditionnement des Produits</i>
DTP	Public Works Authority (<i>Direction des Travaux Publics</i>)
ECOWAS	Economic Community of West African States
ERSUMA	OHADA Regional School for Magistrates (<i>Ecole Régionale Supérieure de la Magistrature</i>)
FAIA	<i>Facilité d'Appui aux Investissements Agricoles</i>
FAO	Food and Agriculture Organization
FENAPAB	<i>Fédération Nationale des Producteurs d'Anacarde</i>
FENAPROVIB	<i>Fédération National des Producteurs de Vivriers au Bénin</i>
FFA	Free fatty acid
FFP	<i>Fonds à frais partagé</i>
FFS	Farmer field schools
FNAPA	National Federation of Agricultural Product Buyers (<i>Fédération Nationale des Acheteurs des Produits Agricoles</i>)
FNDA	National Fund for Agricultural Development (<i>Fonds National de Développement Agricole</i>)
FONAGA	<i>Fonds National de Garantie et d'Assistance aux Petites et Moyennes Entreprises</i>
FSA	<i>Faculté des Sciences Agronomiques</i>
GAPA	Association of Agricultural Products Buyers (<i>Groupement des Acheteurs des Produits Agricoles</i>)
GCPV	<i>Groupement des Commerçants des Produits Vivriers</i>
GDP	Gross domestic product
GEPT	Tropical products exporters group
GERME	<i>Centre de Promotion et d'Encadrement des Petites et Moyennes Entreprises</i>
GEW	Global Entrepreneurship Week
GIEs	<i>Groupements d'intérêt économique</i>
GIZ	German Society for International Cooperation
GoB	Government of Benin
GOWE	African Development Bank Growth-Oriented Women Entrepreneurs
GTF	<i>Groupe de Travail Fiscalité</i>
GUFE	<i>Guichet Unique de Formalisation des Entreprises</i>
HDI	Human Development Index
ICT	Information and communications technology
IFAD	International Fund for Agricultural Development
IFPRI	International Food Policy Research Institute
IFU	<i>Identifiant Fiscal Unique</i>
IITA	International Institute of Tropical Agriculture
ILO	International Labour Organization

IMF	International Monetary Fund
INRAB	National Institute for Agronomic Research in Benin <i>(Institut National de Recherche Agronomique du Benin)</i>
INSAE	<i>Institut national de la Statistique et de l'Analyse Economique</i>
IPTS	<i>Impôt progressif sur les traitements et salaires</i>
IRPP	<i>Impôt sur le revenu des personnes physiques</i>
JICA	Japan International Cooperation Agency
LARES	<i>Laboratoire d'Analyse Régionale et d'Expertise Sociale</i>
LOCs	Lines of credit
MAEP	Ministry of Agriculture, Livestock and Fisheries
MCC	Millennium Challenge Corporation
MDGI	Millennium Development Goals
MEF	Ministry of Economy and Finance
MFI	Microfinance institutions
MIS	Market information system
MISTOWA	Market Information Systems and Trade Organizations in West Africa
MJLDH	Ministry of Justice <i>(Le Ministère de la Justice, de la Législation et des Droits de L'Homme)</i>
MPs	Members of Parliament
NAFDAC	National Agency for Food and Drug Administration and Control
NGOs	Nongovernmental organizations
OECCA	<i>Ordre des Experts-Comptable et Comptables Agrées du Bénin</i>
OECD	Organisation for Economic Co-operation Development
OHADA	Organisation for the Harmonization of Business Law in Africa <i>(Organisation pour l'Harmonisation en Afrique du Droit des Affaires)</i>
ONASA	<i>Office National d'Appui à la Sécurité Alimentaire</i>
PADFA	Agricultural Value Chains Development Support Program
PDRT	Roots & Tubers Development Program
PMEs	Small- to medium-scale enterprises
PMIs	Small- to medium-scale industries
PNOPPA	National Platform for Peasant and Agricultural Producers' Organizations <i>(Plateforme National des Organisations Paysannes et Producteurs Agricoles)</i>
PPP	Public-private partnership
PSRSA	Rural Agriculture Strategic Plan
R&T	Roots and tubers
RIA	Regulatory impact assessments
SCPRC	Southern Crop Protection and Food Research Centre
SMEs	Small and medium enterprises
SODEMA	<i>Société de Développement du Maïs</i>
SONAPRA	<i>Société Nationale pour la Promotion Agricole</i>
SRC	Saskatoon Research Centre
TDL	<i>Taxe de développement local</i>
TIRP	Trade and Investment Reform Project
TIP	Trade and Investment Program
TFU	<i>Taxe foncier unique</i>
TPU	<i>Taxe professionnelle unique</i>
TVA	<i>Taxe sur la valeur ajoutée</i>
UCF	<i>Unité de Coordination de la Formulation</i>
UCOPROV	<i>Union Communal des Producteurs de Vivriers</i>

UCPs	<i>Unions Communales de Producteurs</i>
UCPAs	<i>Unions Communales des Producteurs d'Anacarde</i>
UEMOA	<i>Traite Modifie de l'Union Economique et Monetaire Ouest Africaine</i>
UNCDP	United Nations Capital Development Fund
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
URPs	<i>Union Regionale des Producteurs</i>
USAID	U.S. Agency for International Development
UVPAs	<i>Unions Villageoises des Producteurs d'Anacarde</i>
VAT	Value-added tax
VPS	<i>Versement patronal sur salaire</i>
WAEMU	West African Economic and Monetary Union
WATH	West Africa Trade Hub
WTO	World Trade Organization
ZFI	<i>Zone Franche Industrielle</i>



INTRODUCTION

This report addresses the legal, institutional, and social environment that governs businesses in Benin's agricultural sector. Through close examination of agricultural-related policies, laws, institutions, and social dynamics, it aims to inform strategies and decisions by the MCC and the Government of Benin (GoB) in the formation of the MCC Benin II Compact.

The diagnostic was undertaken as part of the first phase of due diligence on the agribusiness enabling environment project proposed by the Millennium Challenge Account partner entity in Benin, also known as the *Unité de Coordination de la Formulation du Deuxième Programme et du Suivi des Réforme de MCA-Bénin* (UCF). The UCF produced a draft program document in April 2013 (the Concept Paper) delineating four main areas for reform under the agribusiness enabling environment project for the MCC Benin II Compact. The AgCLIR Benin assessment was designed to validate and further elaborate on the chief BEE obstacles facing agribusinesses in Benin. The resulting report lays out clear recommendations for reform activities to be undertaken by MCC and the UCF in the course of the MCC Benin II Compact. These recommendations take into account MCC's key investment criteria and the desire to achieve broad, sustainable impact while keeping with MCC's time and resource constraints.

This report can also be used by other government institutions, donors, nongovernmental organizations (NGOs), the private sector, and others to better understand the agribusiness enabling environment in Benin and its role in the development of agricultural enterprises and economic growth generally. The findings and recommendations herein can serve as a foundation for agricultural policy development, a framework for donor interventions, a substantive resource for investors, and a catalyst for public-private dialogue and consensus building.

AGRICULTURE IN BENIN

Benin is blessed with a mix of agro-ecological zones that can support a variety of crops but suffers from a steady decline in its soil fertility and rapid deforestation. Agriculture in Benin is highly dependent on rainfall, and low levels of input use, mechanization, training, and organization among value chain actors result in the vast majority of agricultural products exiting Benin in a raw or semi-processed state. The agricultural sector contributes 35.9 percent of GDP, second only to the services

sector at more than 57.7 percent.⁴ To date, Benin has experienced neither the benefit nor the curse of a strong natural resources sector, and value-added industry remains in its infancy, contributing less than 10 percent to GDP.⁵

The agricultural sector plays a critical role in ensuring food security and providing livelihoods in Benin, with 70% of the population receiving their income from agriculture. Long dominated by cotton, the GoB now actively seeks to diversify the sector: Cotton accounts for 80 percent of exports and more than 40 percent of gross domestic product (GDP). The next most important agricultural export crops (cashew, pineapple, and palm oil) account for only 10 percent of exports combined.⁶ The agricultural sector employs 60 percent of Benin's population, most of them in rural areas. Women dominate the sector in various roles, constituting the vast majority of informal agricultural traders and processors. Formal agribusinesses, however, continue to be dominated by men. Cultural restrictions on access to land and women's mobility contribute to the small-scale, informal nature of most women's businesses.

Benin is a member of a number of regional and international trading blocks, including the World Trade Organization (WTO), the West African Economic and Monetary Union (WAEMU), and the Economic Community Of West African States (ECOWAS), and has harmonized its commercial laws through membership in the Organization for the Harmonization of Business Law in Africa (*Organisation pour l'Harmonisation en Afrique du Droit des Affaires* (OHADA)).

⁴ *CIA World Factbook: Benin*, available at <https://www.cia.gov/library/publications/the-world-factbook/geos/bn.html>. The size of the services sector is in part a reflection of the very large civil service in Benin, which puts substantial pressure on fiscal resources.

⁵ *African Economic Outlook: Benin* (2008). It should be noted that most regional exports are undocumented and not reflected in official statistics, thus obscuring the picture of the role of various crops in the economy.

⁶ A more detailed discussion of economic opportunities, key players, and the role of various crops in Benin's economy can be found in summaries of the five targeted value chains in this report.

The intended benefits of these agreements are clear: free movement of people and goods throughout West Africa (*libre circulation*) and a common legal and regulatory framework that together should dramatically reduce the cost of doing business. Yet these benefits have yet to come to full fruition in Benin due to a combination of corruption, widespread informality, and inadequate transportation infrastructure.

Politically, Benin has a strong history of continuous multiparty democracy since 1991, a rarity in Sub-Saharan Africa, yet the country still lags behind its neighbors on key development indicators. The 2012 UN Human Development Index ranks Benin 166 out of 186 countries, with deficits in the areas of health, education, poverty, and gender.⁷ Primary school enrollment rates have surged in recent years thanks to a strong focus on education by the GoB, although secondary school enrollment, particularly for girls, continues to lag behind.⁸ Improved education gives hope that given the right conditions, the next generation will be well positioned to contribute greatly to the development of the agricultural sector and the country as a whole.

This report examines the conditions and dynamics of agricultural activity in Benin to determine the obstacles and opportunities for private sector investment and broad-based sectoral growth. At heart, this report seeks to define why a greater number of higher-value agribusinesses have failed to take root in Benin, and how a stronger legal and institutional environment can contribute to economic growth, poverty reduction, and increased gender equality in the agricultural sector.

AgCLIR: A TOOL FOR UNDERSTANDING THE ENVIRONMENT FOR START-UP AND GROWTH OF AGRIBUSINESS

The AgCLIR diagnostic reviews the legal frameworks; numerous public, private, and nonprofit institutions; and social dynamics underlying conditions for reform in the agricultural sector. Based on its findings, a variety of recommendations are made. The underlying diagnostic exercise endeavors to take certain themes found in the World Bank's Doing Business initiative,⁹ which since 2002 has assisted countries in targeting where their regulatory environments may favor or interfere with economic growth, and investigates how these same issues, along with other key topics, affect the agricultural sector in a given country.

⁷ See <http://hdrstats.undp.org/en/countries/profiles/BEN.html>.

⁸ *African Economic Outlook: Benin* (2013).

⁹ See World Bank, *Doing Business 2013* (2012), and accompanying literature at www.DoingBusiness.org.

WORLD BANK DOING BUSINESS SCORES	2013	2012	CHANGE IN RANK
Doing Business Overall (183 countries surveyed)	175	176	+1
Starting a Business	153	155	+2
Dealing with Construction Permits	111	120	+9
Getting Electricity	141	133	-8
Employing Workers	NA	NA	NA
Registering Property	133	129	-4
Getting Credit	129	127	-2
Protecting Investors	158	155	-3
Paying Taxes	173	172	-1
Trading Across Borders	130	130	0
Enforcing Contracts	178	178	0
Resolving Insolvency	132	132	0

For each of the topics covered by the Doing Business reports, the World Bank considers key indicia of how the regulatory environment is "working," measured by such means as the number of procedures involved in achieving a goal (i.e., getting credit, enforcing a contract); the number of days it takes; and the costs of the procedures in relation to per-capita income. The World Bank gathers data from 183 countries and ranks each, thereby demonstrating how, to this limited degree, their respective environments compare to others throughout the world. AgCLIR supplements Doing Business by examining key components of the regulatory environment for agricultural enterprise in those developing countries, including Benin, whose economies and workforces are significantly based in agriculture.

In the most recent Doing Business report, issued for 2013, Benin ranked 175 out of 183 countries surveyed, a one-point improvement over its 2012 rank. As discussed above, the scope of this diagnostic was targeted to examine the key issues in Benin's agricultural economy as identified in the UCF Concept Paper. The analysis includes three topics that overlap with those examined by Doing Business—**Getting Credit**, **Paying Taxes**, and **Enforcing Contracts**—as well as the important regulatory issues of **Competing Fairly**, **Accessing Marketing Infrastructure**,¹⁰ and **Gender**

¹⁰ AgCLIR does not directly cover the World Bank's newest area of inquiry, Getting Electricity. However, electricity infrastructure was examined as part of the Accessing Marketing Infrastructure inquiry for purposes of AgCLIR Benin.

and Social Considerations. In addition, the team examined five priority value chains (pineapple, maize, cassava, cashew, and shea) to determine whether the legal and institutional framework has any differential impact on these products. The five value chains were selected by MCC and the UCF as having a high opportunity for economic growth and poverty reduction. The use of a value-chain lens was intended to frame and add nuance to the analysis, not to inform the design of a value-chain specific project.

From June 24 to July 8, 2013, a cross-disciplinary team of consultants convened in Benin to conduct interviews across the agricultural sector. The team met with more than 150 national and local officials; farmers and their associations; small, medium, and large agricultural enterprises; business associations; think tanks and other NGOs; educational and research institutions; the banking, lending, and investment community; donor representatives; and many others across the five priority value chains identified in the Concept Paper. Interviews took place in and around Cotonou, Allada, and Bohicon in the South and Parakou, Nikki, N'dali, Tchaourou, Tchatchou, Savé, Savalou, Glazoué, and Dassa in the North. The AgCLIR diagnostic culminated in a roundtable presentation and discussion in Cotonou on July 8, 2013, attended by more than 80 stakeholders. At the roundtable, team members introduced their preliminary observations, which were then subjected to feedback and elaboration from the participants. This input helped shape the final conclusions of the team, which are found in this report.

THE AgCLIR TEAM

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- Fernande Honfo, Consultant, EAT/Fintrac (Shea and Cashew Value Chains)

SUMMARY OF FINDINGS

GETTING CREDIT

One of the primary constraints facing established as well as start-up agribusinesses is lack of access to credit for short-term working capital and medium-term capital investment. Credit is difficult to access for agribusinesses all along the target value chains, from producers and producer groups seeking to finance equipment, storage, and other infrastructure to processors seeking to expand their operations with upgraded equipment and expanded working capital. Banks are very risk-averse and are generally unwilling to take the risks involved in lending to agricultural enterprises. When banks and other formal financial institutions do engage in agricultural lending, it is only to registered producer groups and well-established agribusinesses and subject to very high collateralization requirements requiring title to real property or, if land title is not available, a lien on equipment and insurance for perishable crops, a personal guarantor, and/or a significant bank deposit.

Effectively addressing the present barriers to agribusinesses seeking formal credit in Benin will require a well-coordinated package of credit facilitation and technical interventions, including loan guarantee funds adapted to working with agricultural risks, as well as concerted efforts to bring financial institutions and key agricultural players closer together in terms of understanding risk and the alternatives for sharing risk. To be successful in generating expanded access to credit for agribusinesses, these reforms must be paired with delivery of technical assistance to farmers in producer groups, associations, and cooperatives to help them formalize their activities to better meet their inputs needs, improve their capacity to deliver products on time and meet quality and/or quantity expectations, and work with buyers and processors on the basis of formal buyer contracts.

PAYING TAXES

Taxation is an essential instrument of the state to enable the investments in health, education, infrastructure, and social services necessary to achieve long-term economic growth and development. Short-term funding from development partners and/or natural resources simply cannot match the benefits of a healthy, well-functioning system of tax revenue in terms of sustainability, transparency, and democracy promotion. To be successful, however, a tax system must have the participation of the people. While harsh penalties and effective methods for tracking tax evaders may encourage the participation of some, full broad-based participation can only be achieved through the establishment and implementation of a system that is fair, transparent, and provides clear benefits in return.

In Benin, as in many developing countries, a large informal economy evades formal taxation leaving only a small base of the largest companies to provide the bulk of all government tax revenue. The tax system is characterized by high rates and the routine auditing and adjustment of tax liabilities by the authorities (*redressements*) that frequently have little or no basis in the law. According to 2013 World Bank *Doing Business* report, the effective total tax rate in Benin is 66 percent, one of the highest in all of Sub-Saharan Africa and well above the 48.2 percent average among WAEMU member states.¹¹ True tax reform will require simplifying tax rates and procedures, expanding the tax base, and raising taxpayer awareness of their rights, responsibilities, and the benefits of participation in the tax system, as well as a fundamental shift within the mentality of the General Directorate of Taxation and Property (*Direction Générale des Impôts et des Domaines* (DGID)).

COMPETING FAIRLY

Benin's Marxist-Leninist past is felt in nearly all aspects of competition and market regulation in Benin's agricultural sector. The government places heavy restrictions on commercial relationships at various levels of the value chain, and the legal framework enables the state to meddle in and control nearly all aspects of the organization and management of cooperatives. Producers and other agribusinesses also lack access to essential inputs, which are tightly controlled by the government. At the same time, there is virtually no regulation of anticompetitive behavior between private parties, such as collusion on pricing and the division of market share between intermediaries. The situation is compounded by a complex system of overlapping laws and regulations, many dating back to independence, that conflict with one another and with Benin's obligations under regional treaties, allowing for arbitrary application of the law by regulators.

Not surprisingly, these challenges limit commercial activity and drive economic actors into the informal sector. End consumers and poor rural producers, particularly the women gatherers who dominate the shea sector, are particularly affected by these policies, as intermediaries and other business partners further up the chain restrict competition to extract excess benefit from commercial transactions. The legal and institutional framework governing agricultural markets in Benin requires a fundamental overhaul if the full potential of the sector is to be realized, but reforms will face substantial opposition from

¹¹ See <http://www.doingbusiness.org/data> for specific data sets. Among OHADA members, only Comoros imposes a higher rate, although at 217.9% in 2012, the calculation according to the Doing Business methodology is clearly somewhat distorted.

entrenched interests in the public and private sectors. Moreover, the government will need assistance in the establishment and development of effective regulatory institutions that are critical to promoting and protecting open, competitive markets for agricultural inputs and outputs.

ACCESSING MARKETING INFRASTRUCTURE

The characterization of Benin's system of managing agribusiness-related information and infrastructure is essentially one of dualism. On one hand, the state centrally manages most aspects of large-scale infrastructure pertinent to agribusiness, including the collection and diffusion of market information. On the other hand, a large array of agricultural businesses, associations, and service providers operate in a poorly structured and often informal business environment.¹² Apart from a thin layer of export activity and other agribusiness processing outside the state-run cotton sector—primarily in shea, cashews, and pineapple—where some industrial agribusiness organization, infrastructure investment, and logistics do function, the general picture for agricultural markets and infrastructure in Benin is one of a fragmented and underserved set of actors, needs, and initiatives. As is the case across West Africa, agricultural production in Benin remains a small-holder-dominated sector across most commodities, which increases the difficulty of coordination between producers and other market actors.

ENFORCING CONTRACTS

Globally, Benin ranks at 178 out of 183 countries in the 2013 World Bank ranking of ease of enforcing contracts.¹³ The World Bank survey found that it on average takes 795 days to enforce a contract and costs 65 percent of the cost of the claim. While the legal framework supporting business transactions is sound, contracts that do not have a guarantee are challenging to enforce. There is a backlog in the courts in Cotonou, and the high cost of enforcement is often prohibitive or the defaulting party insolvent. For a large segment of the agricultural business sector, contract enforcement is only attainable through personal negotiations or threats from the police. Hence, there is a need to strengthen existing local institutions or local customs to offer mediation and other alternative legal services to settle disputes and foster greater trust and adherence to contractual obligations. In addition,

¹² Recent estimates, such as the *Recensement Général des Entreprises* (general census of business firms) conducted in 2010, estimate that just under 96% of all enterprises in Benin operate informally. One must be careful, however, in assuming that this means that all such businesses entirely escape paying taxes, as a number of taxes and user fees are collected at different stages of the production, transit, and marketing process.

¹³ See World Bank, *Doing Business 2013*, available at <http://www.doingbusiness.org>.

greater access to information about past transactions and setting up a facilitation process would enable businesses to screen their trading partners better and therefore reduce their risk.

GENDER AND SOCIAL CONSIDERATIONS

This section of the report addresses two target groups—gender and youth, both identified as marginalized groups in the agricultural sector. Seventy percent of Benin's population lives in rural communities and anywhere from 60 to 80 percent work in the agricultural sector. An estimated 1.5 to 2 million women¹⁴ could have involvement in various components of the sector. According to a representative of the University of Parakou, northern Benin is the most productive agricultural region in the country and is expected to lead the development of agricultural sector entrepreneurship, especially in the area of processing. As a result, there are many merits to supporting the roles of both women and youth in revenue generating activities in Benin's agricultural sector. The GoB and the donor community are currently supporting these target groups in the sector; however, efforts appear to be fragmented and the potential for sustainability is restricted to the level of financial support. Additional efforts are required to enhance support measures, particularly for women in associations and groups and unemployed young women, as well as to realign support for their specific developmental needs.

HOW THIS REPORT IS STRUCTURED

VALUE CHAIN SUMMARIES

This report includes analysis across five priority value chains identified by MCC and the UCF: pineapple, maize, cassava, cashew, and shea. Each value chain summary describes the relevance of the each value chain to the Beninese economy, the key players throughout the value chain, and the dynamics that impact value chain efficiency. The relationships between key players for each value chain are delineated through use of a value chain map.

AgCLIR CHAPTERS

Each AgCLIR chapter in this report is structured the same way. Following an introduction, each has four substantive sections (Legal Framework, Implementing Institutions, Supporting Institutions, and Social Dynamics), which are followed by recommendations.

Legal Framework. The chapters first examine Benin's formal policies, laws, and regulations that serve as the structural basis for the country's ability to achieve and sustain market-based development in the agricultural sector. They discuss the following questions: With respect to key components of the business environment, what is the government's policy? How accessible is the law, not only to elite, well-informed groups, but also to less sophisticated actors, rural constituencies, or foreign investors? How clear are the laws, and how closely do they reflect emerging global standards? How well does law respond to commercial realities faced by stakeholders in the agricultural sector? What inconsistencies or gaps are present in the legal framework? This section examines key laws and regulations that apply throughout the economy and additional laws and regulations underpinning the agricultural sector specifically.

Implementing Institutions. Next, the chapters examine those institutions that hold primary responsibility for implementing and enforcing the legal framework. These institutions include government ministries, authorities, and registries, or, in certain cases, private institutions such as banks and credit bureaus. In addition, courts are examined with respect to their effectiveness in addressing disputes that arise in the agricultural sector. Again, the diagnostic seeks to uncover how these implementing institutions function not merely with respect to mainstream business interests in the capital but also in rural areas and agricultural communities.

Supporting Institutions. The chapters then look closely at those organizations, individuals, or activities without which the agricultural sector in Benin cannot be fully developed. Examples include business and professional associations, educational institutions, research and extension resources, the media, and donors. The relative awareness of law and practice on the part of each institution is examined, along with the specific ways in which institutions increase public and professional awareness, work to improve economic performance, and otherwise serve their constituencies.

Social Dynamics. As the final point of analysis, the chapters discuss key issues that impact the environment for growth in the agricultural sector. Roadblocks to reform, in particular, are considered, including those entities that may be undermining change. This discussion also identifies significant opportunities for bolstering the environment for agricultural enterprise—such as champions of reform or regional initiatives—as well as matters of access to opportunity and formal institutions. Social dynamics also concern such important matters of gender, human capacity, and public health, each of which may have a

¹⁴ Author's calculation based on the estimate population in 2012 of 9.6 million, sex ratio of 1:1 for ages 15–64; 70% living in rural areas; 60–80% in agricultural sector (www.indexmundi.com/benin/demographics).

significant bearing on how the business environment truly functions. Indeed, often a full understanding of legal and institutional issues cannot be achieved without a nuanced consideration of a country's social dynamics.

Recommendations. Based on the extensive knowledge and analysis set forth in this report, a series of recommendations are set forth at the end. These are drawn from the key findings in each chapter and reflect current reform capacities, opportunities, and evidence of will to reform. Some of the recommendations within the chapters may overlap—that is, some may be consolidated into a single reform initiative covering two or more topics—and all turn on the priorities and preferences as enunciated by Benin's government itself. The recommendations in this report are intended to serve, among other functions, as a threshold list for donor coordination of immediate initiatives, and to inform strategies for improved program design.

SUMMARY OF RECOMMENDATIONS

The final chapter of the report contains tables describing in greater depth each of the recommendations contained in the AgCLIR chapters, including how the recommendation fits with MCC's key investment criteria. This chapter also includes a summary of the recommendations, showing key thematic activity areas and the overlap and interdependence among them.



VALUE CHAIN SUMMARIES

PINEAPPLE

Pineapple is one of the main tropical fruits in the world and the second most important tropical fruit after banana in West Africa.¹⁵ In Benin, pineapple is the main crop grown in the South, centered in the Atlantic region where climatic conditions are favorable. The production of pineapple allows producers to have a profit equivalent to five times the profit from citrus or oil palm tree plantation.¹⁶ Figure 1 shows the pineapple production and harvested area trends from 1990 to 2010 in Benin. It is clear that production amounts and the area cultivated are increasing, demonstrating the importance of pineapple not only for producers but also for other actors in the chain, such as traders, processors, and exporters. The volume of pineapple produced in Benin is expected to increase from 222,000 tons in 2009 to 600,000 tons in 2015.¹⁷

However, an increase in production alone is insufficient to raise the incomes of smallholder producers if these farmers and their upstream business partners do not have access to a ready market for their output.

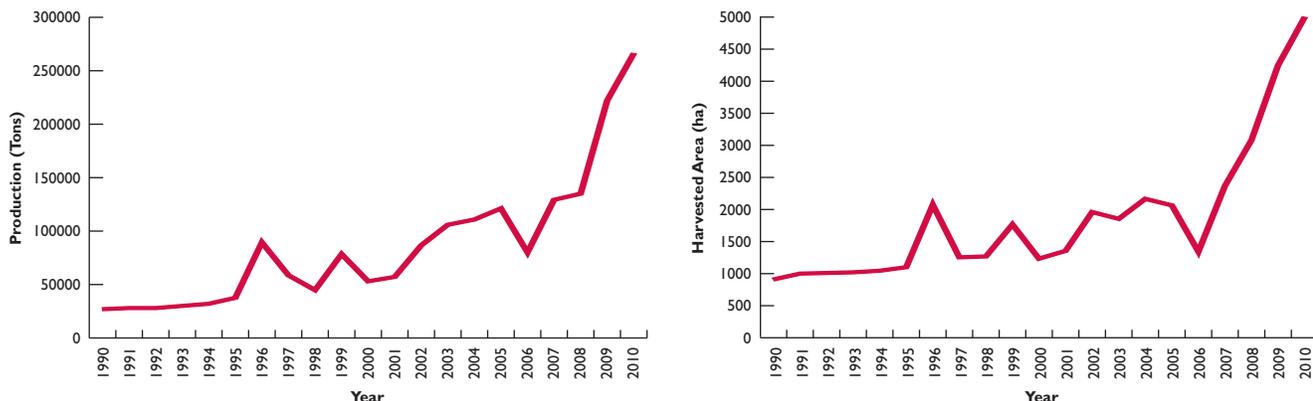
Actors throughout the pineapple value chain face many constraints that create bottlenecks and limit the sustainable effectiveness and efficiency of the market. These constraints include: (1) the lack of appropriate financial support (low market access and high interest rates); (2) a high-quality standards on international markets, which act as a barrier for unsophisticated producers; and (3) a lack of adequate transport facilities, resulting in the frequent overloading of fruit in trucks and cars and leading to high levels of damage to the fruit. In addition, the pineapple chain is characterized by high transaction costs and weak levels of trust among actors, giving rise to conflicts between buyers and sellers. Finally, producers have poor access to quality and market information for both inputs and products. Consequently, the majority of fresh pineapple is sold either on national or regional markets. The few farmers who do participate in international markets are engaged in outgrowing schemes, a vertical marketing structure that provides them with the support needed to adhere to international quality standards.

¹⁵ FAO, Statistical databases, available at <http://faostat.fao.org/DesktopDefault.aspx?PageID=567&lang=fr#ancor> (December 31, 2010).

¹⁶ A. Tidjani-Serpos, *Contribution de la production d'ananas à l'amélioration des conditions de vie des producteurs: Cas des communes d'Abomey-Calavi et d'Allada dans le Département de l'Atlantique (Sud-BENIN)*. Thèse d'Ingénieur Agronome, Université d'Abomey-Calavi. Bénin (2004), 116.

¹⁷ Ministère de l'Agriculture, de l'Élevage et de la Pêche (MAEP), *Plan Stratégique de Relance du Secteur Agricole (PSRSA)*, Cotonou, Benin (2010), 112.

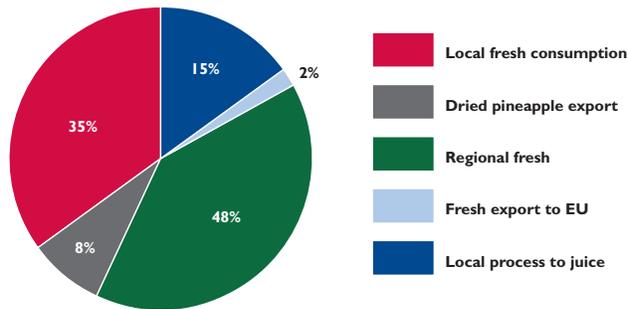
FIGURE 1: A TREND OF PINEAPPLE PRODUCTION (LEFT) AND HARVESTED AREA (RIGHT) FROM 1990 TO 2010 IN BENIN



Source: FAO (2013).

There are five main supply chains for pineapple in Benin: the domestic fresh chain, the domestic juice chain, the regional fresh chain, the international fresh chain, and the processed pineapple chain for all outlets (Figures 2 and 3).¹⁸

FIGURE 2: FRESH AND PROCESSED PINEAPPLE MARKETS SHARE (BY VOLUME)



Source: B. Agbo, G. Agbota, E. Sissinto, & O. Akele, Atelier de validation de la stratégie et de l'évaluation de plan d'action de la filière ananas au Bénin Working Paper Cotonou (2008), 119.

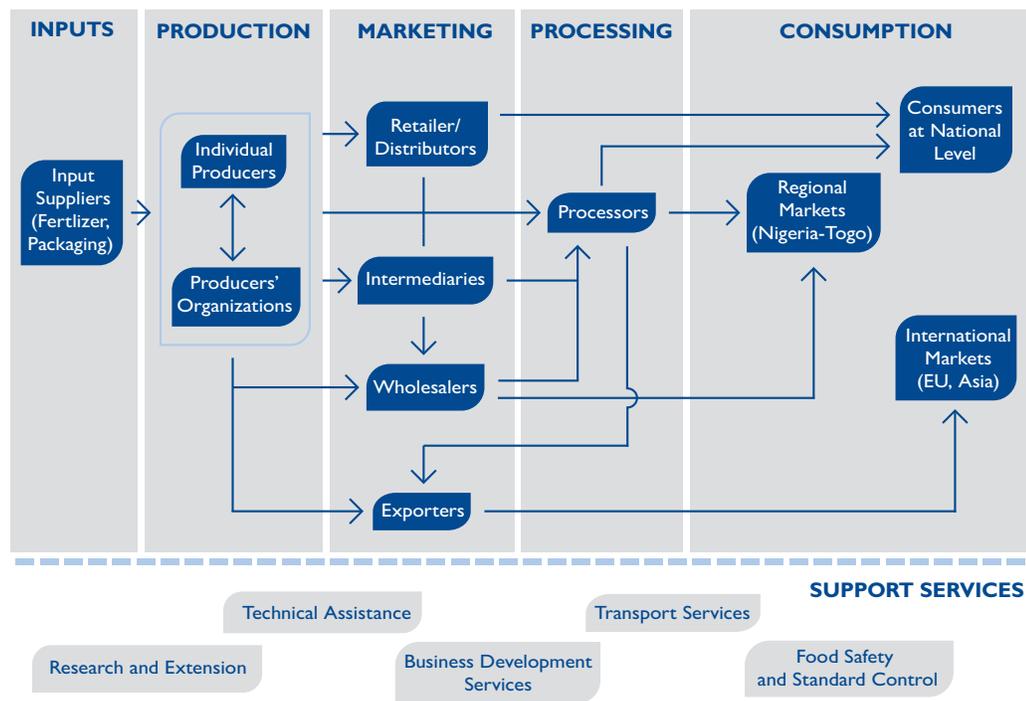
¹⁸ D.D.A.A. Arinloye, *Governance, marketing and innovations in Beninese pineapple supply chains: a survey of smallholder farmers in South Benin* (Management Studies & Food and Quality Design, Wageningen University, 2013).

Domestic fresh consumption. This marketing channel is one of the major outlets in Benin, absorbing about 35 percent of production in 2010. The produce is sold at urban (Dantokpa in Cotonou) as well as rural (Glo-Djigbé, Sékou, Sèhouè, Zinvié, Ouègbo, Zè, etc.) markets.

The regional market for fresh pineapple. The supply of pineapples in Benin exceeds national demand. Therefore, producers need to find other marketing channels to sell their surplus. Although there are no official statistics on the quantity of pineapples exported to neighboring countries, the regional market (mostly informal sales to neighboring countries) is estimated to account for 40 percent of national production.

Juice from fresh pineapple. Pineapple juice is produced in traditional and semi-industrial processing factories and packed in 0.25 or 0.33 liter bottles. This market channel is not well developed and is dominated by individual producers or producers' associations. The juice is mainly sold on the domestic market and not exported to Europe. This channel consumes almost 15 percent of national production, which increases the domestic consumption of fresh pineapples by up to 50 percent.

FIGURE 3: PINEAPPLE VALUE CHAIN



Fresh pineapple exports. The international market (beyond West Africa) accounts for about 2 percent of total production. This market includes EU countries (France, Belgium, Luxembourg, Italy, Germany, the Netherlands, etc.), Asian countries (United Arab Emirates and Saudi Arabia), and North African countries (Algeria and Libya). Exports, either by air or by sea, are problematic. Until 2008, plane freight cost 518 €/tonne on KLM/Air France and 609 €/ton on DHL. By boat, the freight cost is 380 €/ton, less expensive than by plane, but it is necessary to ship quite large batches. International exports require a wide range of additional inputs (boxes, bags, and other packaging materials) to ensure that the perishable fruit is effectively conserved.

Dried pineapple and marmalade export chain. This market channel is not well developed. The major destinations are France, Switzerland, Belgium, and Austria. The Tropical Fruit Drying Centre (CSFT-Benin) is the main factory that supplies dried pineapple export from Benin, including pineapple marmalade and syrup.

KEY PLAYERS

The number of actors (direct and indirect) in the pineapple value chain is estimated at 20,000.¹⁹ Direct actors include producers, intermediaries, wholesalers, retailers, processors, exporters, and consumers. Indirect actors include input suppliers and support services that play a significant role in the chain.

Input suppliers. Input suppliers are at the first step in the value chain. They provide producers with inputs needed to produce pineapple, including planting material, fertilizers, carbide of calcium (a chemical product used to induce flowering in pineapple), and Ethephon (a chemical product used to facilitate uniform ripening and to change the skin of the pineapple fruit from green to yellow). The most common input suppliers are the national agricultural extension service, *Centres Agricoles Régionaux pour le Développement Rural* (CARDER); CeCPA (Communal Centre for Agricultural Production), a public organization aiming at providing technical assistance to producers; and small shops run by producers' organizations or large producers. These private sector shops source their supplies from the CeCPA, buying a huge quantity and then reselling it when stocks run out at the CeCPA.

The total number of input suppliers, including CARDER and the CeCPA, is estimated at no more than 30. Most private shops, although owned by producers (who are generally men),

are run by women. Demand for inputs frequently outstrips supply, and producers find it very difficult to obtain essential inputs during the rainy seasons.

Producers. The major pineapple production zone is the southern part of the country in the Atlantic region with 98 percent of the country's production.²⁰ Although Beninese rural populations are generally poorer than those living in cities, the Atlantic region is considered to be a rather well-off region. In 2009, there were approximately 10,000 pineapple growers in Benin, of which 70 percent are small producers (farming 0–1 ha), 25 percent are medium producers (1–5 has), and 5 percent are big producers (> 5 has).²¹ Women represent less than 20 percent of all pineapple producers, in part due to inheritance customs that limit their access to land title.

The producer's role is to grow the pineapple and make it available to wholesalers, retailers, processors, and other stakeholders. Two pineapple varieties are cultivated in Benin: Smooth Cayenne and Sugarloaf. Sugarloaf is mainly cultivated for the local and regional market, whereas Smooth Cayenne is cultivated for export. The pineapple production cycle lasts 15 to 18 months. The main challenges faced by pineapple producers are the (1) nonavailability of planting materials (mainly for Smooth Cayenne), (2) the heterogeneity of planting materials, (3) the nonavailability of fertilizers (mainly the sulphate of potash K_2SO_4) and other inputs,²² (4) the high susceptibility of Smooth Cayenne to the Wilt disease, and (5) the Ethephon residue²³ that remains on the fruit after its application at harvest time, which often exceeds the limits allowed in international export markets. In addition, the long production cycle makes it difficult for pineapple producers to access to credit.

Two main producers' organizations, REPAB (pineapple producers' networks in Benin) and ARPA (a regional association of pineapple producers), provide technical assistance to members. Membership is restricted to landowners; given the low rates of land ownership among women, they are effectively excluded from these networks.

¹⁹ World Bank Group, "Making a difference for entrepreneurs in Benin," *Doing Business 2011* (2001), 71.

²⁰ Daniel & Martin, 2008.

²¹ Dohou, 2008.

²² Fassinou Hotegni et al., 2012.

²³ Ethephon is a chemical product used generally two weeks before the expected harvest time to change the color of the pineapple skin. When this chemical product is applied, it leaves some residue on the fruit. For export, the maximum limit of Ethephon residue in the fruit should not exceed 2mg/kg of fruit.

Intermediaries. The number of intermediaries in the pineapple value chains is estimated at 300,²⁴ mostly men. These individuals are scattered throughout the pineapple production zone without any organizational structure. They operate solely as service providers—to assure the connection between the buyers (wholesalers, processors, and others) and the producers—and do not engage directly in the purchase and sale of pineapple.

Wholesalers and retailers. Wholesalers and retailers are located at urban (e.g., Dantokpa in Cotonou) and rural (Glo-Djigbé, Sékou, Sèhouè, Zinvié, Ouègbo, Zè) markets. Wholesalers and retailers are 90 percent women. The number of wholesalers is estimated at 1,000 whereas the number of retailers may be five times that amount. The role of these two actors in the chain is to collect pineapple from producers and make the fruit available to other customers or consumers. The main challenges faced by wholesalers and retailers are the same: lack of storage facilities, leading to a huge loss of pineapple.

Pineapple price is determined by the harvesting period as well as the quality. There are two periods: the period of abundance from March to July and the scarcity period from August to December. The fruit is subject to certain minimum quality requirements, which relate to the degree of maturity, the absence of damage on the skin, and a minimum size.

Exporters. There are two major fresh pineapple exporters to international markets outside the West Africa region (one woman and one man). These exporters have vertically integrated their activities with specific producers and export their pineapple (Smooth Cayenne) by air to various countries, including France (Regis market), Belgium, and the Netherlands. The main challenges they face are a lack of boxes for export and a limitation on the volume of pineapple that can be exported by air. In addition, the high heterogeneity in quality and size of fresh pineapple leads to a huge reduction in the expected export volume as the pineapple must be of a consistent size to be packed in the boxes.

Processors. Like wholesalers and retailers, 90 percent of processors are women. Their role is to process pineapple into different products such as juice, marmalade, and syrup. The main challenges processors face are the (1) stagnation of substances in processed juice and the (2) variability in produced juice due to the high heterogeneity in fruit quality produced in the field.

Support services. Service providers include (1) Helvetas, a Swiss organization that provides technical assistance to pineapple producers wishing to explore organic pineapple production; (2) the International Institute of Tropical Agriculture (IITA), which provides technical assistance and Farmer Field Schools (FFS) participatory research with producers in partnership with national agricultural research and extension systems; (3) the National Research Institute in Benin (INRAB), which performs research on pineapple and advises the CARDER and CeCPA based on research findings; (4) the Agricultural Value Chains Development Support Program (PADFA), which aims to provide pineapple producers with planting material; (5) the CARDER and CeCPA (as described above); and (6) the food security and standard control service (ABeNOR) and food safety agency (ABSSA). In general, the lack of sufficient scientific research on pineapple in Benin remains the most important bottleneck for the effectiveness of these service providers.

Transporters also play an important role in linking farmers to markets. Large farmers, wholesalers, processing units, and exporters often have their own trucks to collect and carry their products, whereas medium-size farmers and retailers rent trucks (*bachées*) and taxis.

VALUE CHAIN DYNAMICS

Access to finance. For pineapple farmers, limited access to finance constricts their ability to improve production through the use of improved inputs, production methods, and farm equipment. The finance market is characterized by short-term, high-interest loans that are incompatible with the medium- and long-term resources farmers need. A small number of contract farming arrangements have taken root in the pineapple sector, in which exporters provide inputs and technical assistance to producers in exchange for the promise of delivery of their future harvests. This type of integration increases efficiency in the chain and plays a significant role in helping small producers access inputs and training in an environment where these services are otherwise lacking.

Export promotion challenges. One of the two main varieties of pineapple grown in Benin, Sugarloaf, has traditionally been viewed as having limited marketability beyond local markets. The high sugar concentration lowers its shelf life as compared to the Smooth Cayenne variety, and the green color of its skin when ripe was not considered appealing to foreign consumers. In recent years, marketing efforts have begun to pay off, and Sugarloaf is now exported to a small number of EU and Asian markets.

²⁴ V.N. Fassinou Hotegni, W.J.M. Lommen, J.F.A.J.v.d.Vorst, E.K. Agbossou, and P.C. Struik, P.C., "Analysis of pineapple production systems in Benin," *Acta Horticulturae* 928 (2012), 47–58.

MAIZE

Maize is critical to more than 300 million of Africa's most vulnerable people and is the most important cereal crop in Africa. With rice and wheat, it is one of the three most important cereal crops in the world.²⁵ In Benin, maize is a versatile crop, growing across a range of agro-ecological zones in southern, central, and northern regions. It forms an important part of the food and feed system and contributes significantly to food security and income generation for rural households. Maize serves as both a subsistence food and as a cash crop to meet the growing demand for maize flour from urban consumers and from the food processing, beer brewing, and animal feed industries.

The maize value chain, like much of the agricultural sector, is affected by technological and organizational issues, including low productivity and low use of farm inputs, poor infrastructure, lack of rural finance, and poorly developed output markets. The major constraints affecting growth of the maize subsector include low soil fertility, unreliable rainfall, pest infestation, poor infrastructure, marketing and policy bottlenecks, and low profitability attributed to a combination of low yields and poor marketing strategies.

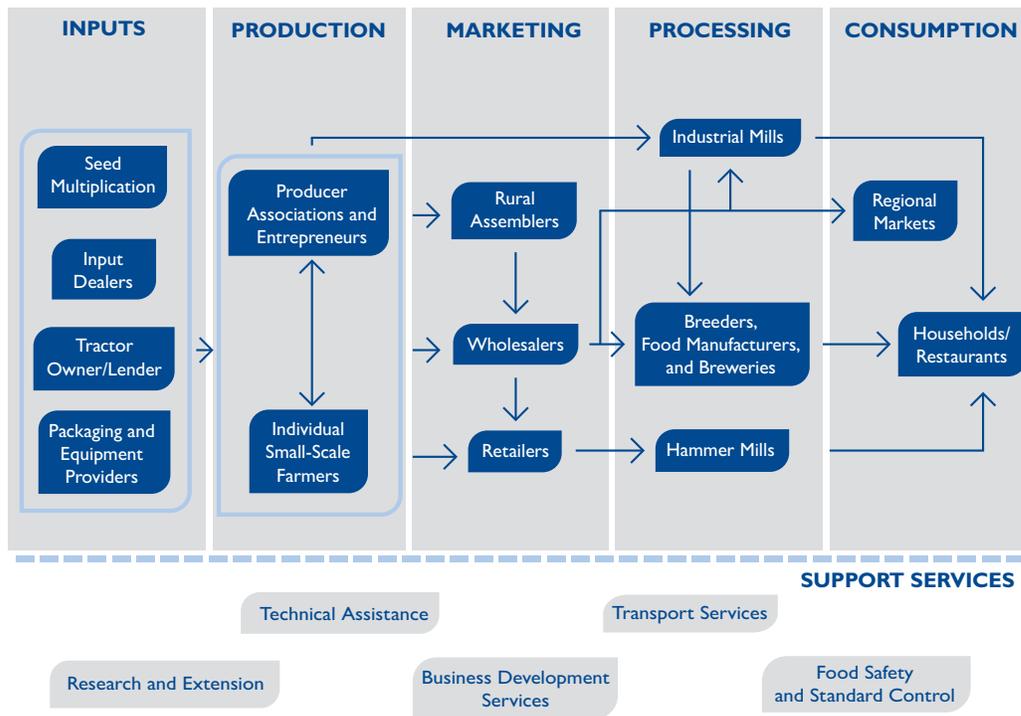
As a product moves from the producer to the consumer, a number of transformations and transactions take place along a chain of interrelated activities, and value is added successively at each stage of the chain. The value chain approach is not well developed in Benin, and actors throughout the maize value chain have expressed the need to improve vertical and horizontal linkages between key players to coordinate better access to inputs and markets.

MAIZE VALUE CHAIN MAP

Figure 4 shows the value chain for maize, the key players, the flow of products and value-added processes. Two main groups of actors are identified in this chain: direct and indirect actors. Direct actors are composed of maize producers, processors (including the animal feed manufacturers), marketing intermediaries (collectors, wholesalers, and retailers), exporters, and, downstream in the chain, consumers. The indirect actors are composed of suppliers of specific inputs (seed, fertilizer, and packaging suppliers) and technical and financial support service providers.

²⁵ IITA, 2009.

FIGURE 4: MAIZE VALUE CHAIN MAP



KEY PLAYERS

Input suppliers. Improved maize seed is available from the National Institute for Agronomic Research in Benin (*Institut National de Recherche Agronomique du Bénin* (INRAB)) and the *Société Nationale pour la Promotion Agricole* (SONAPRA), but demand for improved seed is low in Benin due to the predominant practice of using farm-saved seed from the previous harvest. A small number of private input dealers purchase seeds and fertilizers from SONAPRA or INRAB or import them from neighboring countries (like Nigeria and Ghana) for resale on the Beninese market. As for pineapple, the most common input suppliers of fertilizer are the CARDER, the Communal Centre for Agricultural Production (CeCPA), and privately operated shops owned by producers' organizations or large producers that stock inputs in bulk from CeCPA and resell them to producers when government stocks run low. These shops are generally owned by men but run by women. Inputs are frequently in short supply during the rainy season when demand is highest.

Producers. There are more than 700,000 small-scale farming households engaged in maize production throughout the country. The main family plot is typically worked by both the husband and wife, although the wife may provide much of the labor force, particularly at harvest time. The wife often tends her own smaller plot as well, as a source of income and additional food for the family. Maize takes 40 to 70 percent of total farmland and accounts for one third of total cereal production in Benin. In countries such as Benin where per-capita maize consumption is high, farmers keep much of their maize for household consumption, storing it in their houses or in traditional granaries, and sell the rest of the harvest to local traders for cash. According to a small farmer survey conducted by the International Food Policy Research Institute (IFPRI) in collaboration with the Beninese *Laboratoire d'Analyse Régionale et d'Expertise Sociale* (LARES), maize is cultivated by 89 percent of the farm households in Benin who sell 46 percent of their crop as a marketable surplus.²⁶ The majority of the maize production is by smallholders, who produce 1 to 2MT of maize per cropping season. With good fertilization and mechanization, the yield can be as high as 5MT/ha. Improved adoption of good agricultural practices in maize production is being recorded, especially in the northern part of the country. In the cotton-growing areas, many farmers have shifted from sorghum to maize to take advantage of the positive response of maize to the cotton fertilizers they already use.

Farmers cultivate individually or work through producers' organizations. Despite the dominance of farm-saved seed usage, improved varieties are being increasingly adopted as a result of better diffusion of these varieties. Farmers use a wide range of criteria in selecting their seeds, such as grain yield, grain size, color, taste, flour quantity and quality, and maturity period as well as the cost and availability of seeds. The chief constraints associated with maize production include drought, shortage of rainfall, capital scarcity (lack of cash for purchasing or hiring farm inputs such as seed or labor), labor scarcity, and pests and diseases. Other constraints relate to crop management; poor infrastructure (i.e., lack of roads in many areas, poor roads that are impassable during the rainy season, and lack of public transport vehicles); inadequate extension services; low availability of inputs and equipment; soil fertility depletion; and a lack of or poor markets (low output prices, price fluctuations, and delayed payment for marketed crops).

Maize production benefits from support from farmer-based organizations such as the *Société de Développement du Maïs* (SODEMA), the *Fédération Nationale des Producteurs de Vivriers au Bénin* (FENAPROVIB), the *Union Communal des Producteurs de Vivriers* (UCOPROV), and the *Union Régionale des Producteurs* (URP). These farmers' associations help members in accessing inputs, market information, and loans from micro-finance institutions (MFIs).

Collectors. Sometimes referred to as rural assemblers, collectors are both men and women. There is no data on their exact number, but they play an important role in collecting maize surpluses from smallholder producers for resale to a wholesaler. In Benin, the rural assemblers are local traders who know the local producers. They typically go to villages with hired pickup trucks and buy surpluses from farmers, which could be several sacks or even up to 1MT. These assemblers are mostly independent operators who assemble and transport maize for sale in secondary or urban markets, or are commissioned to purchase maize for one or more wholesalers or brokers. Collectors who work on commission may also be provided with money and bags as well as instructions concerning prices, quantities, quality, timing, and trucking. Some maize farmers who have the means will work around the assembler and take their surpluses directly to the market by renting a vehicle or sharing a taxi to sell even a few sacks directly.

Wholesalers. While rural assemblers are important intermediaries in the maize trade, farmers sometimes cut out these middlemen by selling directly to wholesalers. Wholesale traders store maize for five to six months and then capitalize on

²⁶ Benin: small farmer survey, 1998 (2004). Washington, D.C.: International Food Policy Research Institute (IFPRI), available at <http://www.ifpri.org/dataset/benin>.

higher prices to retailers, processors, or exporters during the lean season. Information on prices, demand and supply from other markets, and other information relevant to their businesses are obtained through personal networks as most wholesalers lack the tools and new technologies to quickly access market information via computer. The *Office National d'Appui à la Sécurité Alimentaire* (ONASA) and German Society for International Cooperation (GIZ) prompted the creation of trade associations in the southern and central (RECOPROV-Benin) and northern parts of the country (*Groupement des Commerçants des Produits Vivriers* (GCPV)) to improve access to market information. However, these structures failed to work, due to a lack of trust collaboration and information sharing between traders associations and among their members.

Retailers. Retailers include roadside sellers, rural or urban markets, and supermarkets. Retailers most often purchase from local wholesalers or brokers, although they may also purchase directly from local producers, and producers themselves may work occasionally as retailer by having a family member sell alongside the road. Some retailers are also rural assemblers (collectors), making trips to production zones to buy a few sacks for their store or roadside stand. The majority of maize retailers are women, who often supplement their retail maize sales by selling more than one grain or agricultural product, notably rice, millet, sorghum, or sesame. Retailers typically have a small amount of working capital to purchase stocks and sell only a few tons of cereals per month.

Exporters. Cross-border trade is largely informal in Benin, and it is difficult to accurately estimate the quantities of exported maize. Niger appears to be the largest importer in the sub-region,²⁷ followed by Togo, Nigeria, Cameroon, and Gabon.

Processors. Maize is processed into a wide variety of products, including various flours, a fermented pasta known as "Mawè", maize germ, and grits. There are three types of millers serving the maize sector. The most common are the hammer millers. These individuals are exclusively men, locally referred to as *meunier*, who process maize into powder or flour for household or restaurant use. They operate throughout the country, in villages, towns, and markets. A typical daily task for many Beninese is to buy maize for the evening meal from a retailer in the market, which is then taken to the mill operator who grinds it into flour. The widespread reliance on the

hammer mill over the last 50 years is one of the most significant labor-saving trends. While yams for fufu (and foutou) are still pounded by women, the use of maize flour as a primary starchy staple saves them time and energy. The hammer-milling method is widespread due to contributions from the state, NGOs, and the private sector through partial grants and cheap credit.

Other categories of maize processors include agro-processing units ranging from artisanal to semi-industrial to modern industrial-scale mills for maize-based food products such as poultry feed. Breweries (mainly SOBEBRA) also consume a significant quantity of maize, but there is no data on the estimate of this quantity.²⁸ In general, artisanal, semi-industrial, and modern processing units are dominated by women. Artisanal milling is the most dominant form of maize processing in Benin based on the number of processors, but the amount of maize processed is often quite small. Semi-industrial millers use mechanized equipment and modern production techniques, but still on a modest scale. There are a growing number of small businesses at this level; their processed products include biscuits, enriched infant food, and maize meals notably fortified with flour/semolina, as well as couscous, grits for breweries and human consumption, and feed for poultry/dairy production. Maize constitutes about 60 percent of the raw materials used, and the quantity of maize processed in a year ranges from 70MT to 240MT. Industrial millers, formal private enterprises that are often linked to multinational groups, generally produce the same products as semi-industrial millers but on a larger scale.

Consumers. White maize is preferred for human consumption and dairy production, while yellow maize is preferred for the cattle/beef and poultry feed industry, as well as for couscous. Tasks related to cooking and food preparation are usually assigned to women who are the predominant consumers of maize and maize products in local markets.

Support services. The support services for maize are roughly the same as those for pineapple, including a variety of public and private service providers such as IITA, INRAB, PADFA, CARDER, CeCPA, and ABSSA. In addition, the Agricultural Directorate (DAGRI) is involved in setting national agricultural policy. See the pineapple summary for more information on these institutions.

²⁷ G.L. Houanmenou and B. Houenou, *Commerce et concurrence transfrontalières: transparence du commerce transfrontalier et analyse des coûts de transaction* (2011).

²⁸ For example, one large mill that consumes 30,000 tons of maize per year processes 97 percent of the raw product into flour and 3 percent into grits, the ingredient used by breweries.

Transporters and storage. Storage and transport are important components at each point of the maize value chain. Transporters are very important because they allow stakeholders to connect the product from one place to another to make it available to consumers. While large farmers, wholesalers, processing units, and exporters have their own trucks, smaller businesses and farmers must pay for these services. Transporters are faced with poor roads and trucks as well as the ongoing threat of *tracasseries* along the route.

VALUE CHAIN DYNAMICS

This section will attempt to summarize some of the key constraints at different levels of the value chain. These issues will be grouped as production, processing, and trading constraints.

Poor access to inputs and labor. Due to limited financial resources, farmers have poor access to agricultural inputs such as fertilizer, improved seeds, maize herbicides, and farm labor, resulting in lower productivity. As discussed in more detail below in the chapter on Getting Credit, credit markets are largely informal as bank interest rates are high and collateral requirements are stringent. Even with funds, farmers have reported a shortage of fertilizers partly due to the irregularity of supply and the distance to supply points. The unavailability of agro-inputs creates inefficiency in production by reducing the yield potential, compounded by farmers' poor understanding of proper application techniques (e.g., amounts below recommended rates, inappropriate timing of application, and use of formulations not appropriate or recommended for maize such as those intended for cotton). In addition, production is labor intensive and lacking in mechanization, and farmers report increasing difficulties in finding farm workers and/or hiring casual laborers during the planting, weeding, and harvesting periods. This situation is mostly explained by the fact that farm workers are rare, and youths tend to migrate from rural areas to town in search of a better life.

Irregularity of supply. Benin's maize sector is mainly rain-fed and characterized by low levels of mechanization, inadequate storage facilities, and poor post-harvest management practices, resulting in irregular harvests and high post-harvest losses. The lack of a steady maize supply creates inconsistencies in the supply to buyers and impacts the competitiveness of products. Encouraging direct linkages between producers and processors could reduce these problems. Since most farmers are not able to produce collateral, they have little access to formal credit from financial institutions that could otherwise help to finance their maize production and post-harvest storage. Forward contracts with producers for pre-determined quantities of maize at guaranteed prices in return for inputs (e.g., seed and fertilizer), credit, and access to appropriate storage could improve the regularity of supply and increase efficiency in the value chain as a whole.

The use of nonstandard weights and measures. Maize traders normally use tins, buckets, or bags, measured in terms of volume, when purchasing from farmers, and in the process they frequently underestimate the number of kilograms purchased. When they sell, they sell by weight (kg) and benefit from the additional kilos they obtained from the farmers. The small quantities produced by small-scale farmers do not allow them to be viable business partners for larger buyers, so they miss out on the opportunity for a better bargain. Standardized trade units and measures and an up-to-date market information system would increase transparency in the pricing formula and empower small-scale producers to negotiate a better deal.

Lack of proper storage. Access to adequate maize storage facilities is rare and/or nonexistent in Benin. Existing storage facilities at the farm level are rudimentary and often dispersed (in fields or within household compounds), resulting in high post-harvest losses (estimated at over 10 percent). Limited on-farm storage plus pressing needs for cash force farmers to market their produce immediately after harvest when prices are relatively low compared to off-season periods.

The burden and benefit of post-harvest handling and storage of maize has shifted from farmers to rural assembling agents and traders. Farmers therefore receive less for their produce compared to the terminal market prices, in part attributable to compensation for transport, loading/off-loading, storage, handling, insurance, and other marketing costs that are incorporated into market prices.

Limited availability of market information. The maize marketing chain currently involves a number of speculative traders who dominate the market and collude to drive down farmgate prices. Market information is an important tool for improving transparency in market transactions and enabling farmers to maximize the return on their investment. Information on commodity price, demand, availability, quality, and general market behavior is lacking.

Access to finance. Lack of sufficient working capital during the peak marketing season constrains the production, processing, and commercial activities of actors throughout the chain. Most farmers, traders, and millers operate with their own capital, which limits their trade volume and may encourage traders to rotate their stocks quickly so as to maximize turnover and access to their own working capital.

CASSAVA

Due to increased production, a versatile set of processed end products, and the importance of cassava products to domestic and international markets, cassava is becoming increasingly important to the Beninese economy.²⁹ In Benin, cassava and cassava-based products are part of the main staple foods. According to the 2010 Benin Rural Agriculture Strategic Plan (PSRSA), cassava and yams are the most important staple crops after maize. Thus 68 percent of arable lands in Benin are suitable for cassava. Cassava represents 56 percent of the area and total production of roots and tubers (R&T).³⁰ Its production has increased rapidly in recent years from 489,360 MT in 1980 to nearly 3,600,000 MT in 2011.³¹ The average annual growth rate was estimated at more than 10.5 percent per year, ranking Benin among the top three fresh cassava producers in West Africa.³²

Cassava is mostly cultivated and consumed in rural and peri-urban areas. It grows in all regions of the country, except the coastal line of Cotonou. These regions include the Western-Atacora area, the Central cotton area, which includes Northern-Zou and Southern-Borgou, the Southern-Borgou staple crop area, and the area with extremely fertile yet deteriorated soils in the south of the country. Combined, these areas have a very high poverty rate, estimated at 73 percent. They also represent 72 percent of the territory, 64 percent of the total population, and 47 percent of the rural population.

Based on food consumption patterns in the last decade, cassava appears as the second source of carbohydrates in Benin after maize. This crop has the double advantage of being both food and a cash crop. The importance of cassava has led to the establishment of a number of projects and programs for the promotion of R&T crops. The actions of these various projects have included diversifying the use of cassava in food processing for manufacture of bread flour, starch, and drink (alcohol and syrup cassava).³³ This has resulted in a renewed interest in this product. Research on processing equipment and technologies for conservation of cassava has also made significant progress. Despite this progress, the control of improved production and processing technologies remains an important challenge and the regional demand for products derived from cassava also remains unsatisfied.

Cassava is processed into a wide variety of products, including cooked or dried cassava, various flours (*gari* and *lafun*), and starch for industrial use. Cassava leaves are rich in protein (25 percent) and tubers in energy (33 percent), justifying its role in food and nutritional insecurity alleviation. According to stakeholders' perceptions,³⁴ cassava is not only strategically important as a food for nutritional security but also plays important role in pro-poor economic development.

²⁹ The most notable of these projects was the IFAD-funded *Programme de developpement des racines et tubercules* (PDRT) from 2001-2008, which aimed to improve output and productivity along the value chain from production, through processing, marketing, and consumption.

³⁰ L.O. Sanni, O.O. Onadipe, P. Ilona, M.D. Mussagy, A. Abass, and A.G.O. Dixon, *Successes and challenges of cassava enterprises in West Africa: a case study of Nigeria, Bénin, and Sierra Leone* (IITA, Ibadan, Nigeria, 2009), 19.

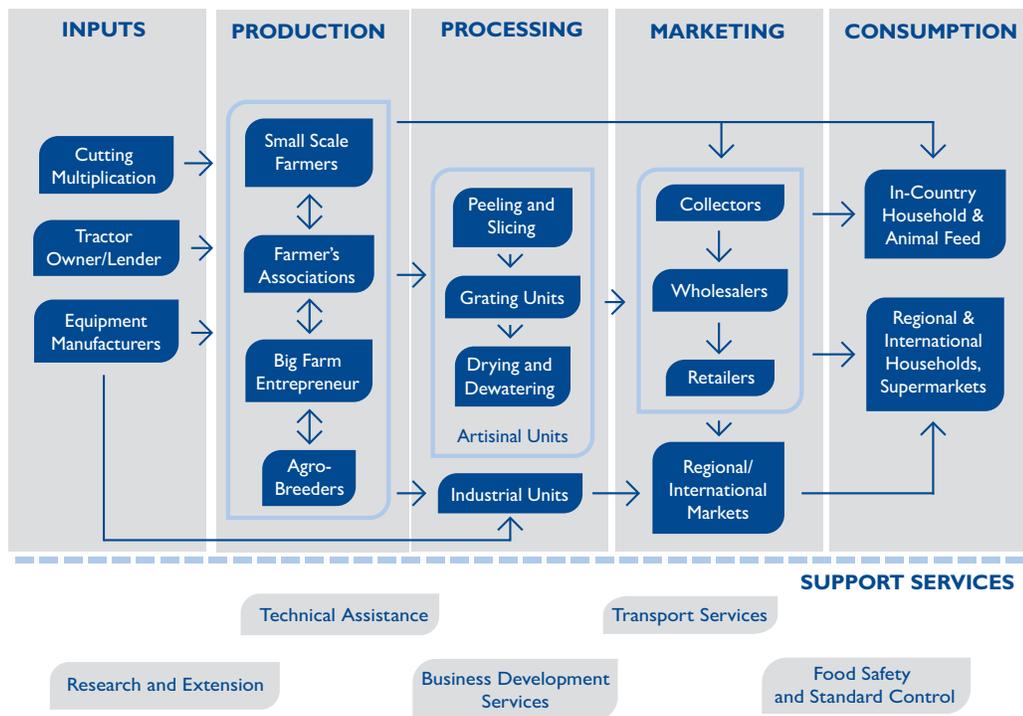
²⁹ Adjanohoun (2004).

³⁰ PDRT (2007).

³¹ MAEP (2008); FOASTAT, 2013.

³² Sanni et al. (2009).

FIGURE 5: CASSAVA VALUE CHAIN MAP



CASSAVA VALUE CHAIN MAP

The cassava value chain in Figure 5 begins with input providers and fresh cassava production for two destinations: cooked in household for direct consumption, or processed by traditional, semi-industrial units. The outlets of processed products are rural and urban households, institutions (offices and administrations), and export (regional and international) markets.

KEY PLAYERS

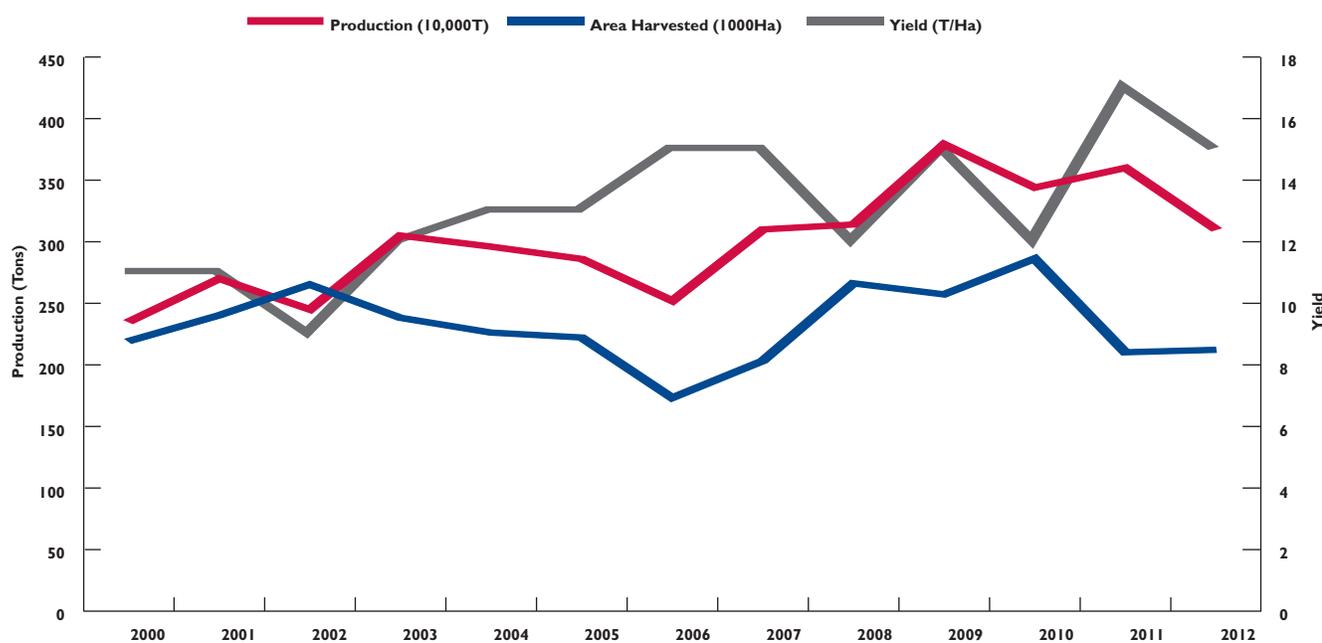
In the cassava value chain, the actors are mainly producers, processors (including animal feed manufacturers), marketing intermediaries (collectors, wholesalers, and retailers), and consumers.

Input Suppliers. The production segment begins at input supply to farmers, who are trained in participatory research projects. In most cases, farmers use cuttings of previous production years. According to PDRT, the cutting market is developed by farmers themselves, and through PDRT implementation, farmers were trained to produce certified cuttings for producers with the support of INRAB, IITA, universities, the CARDER, and development projects (PDRT, PADS, PDFM, etc.).

Producers. Farmers are both men and women (with a predominance of men) and are organized into associations and federations to facilitate their access to basic inputs, training, and credit. Cassava is produced throughout the country, except in a few locations in the north of Benin and the region of Littoral (Cotonou). The major production zones are in the south and the center of the country. The production level and yield of cassava are presented in Figure 6. Data shows that the production and yield are globally increasing from year to year. Constraints at the production level are mostly related to the lack of tools and equipment for agricultural mechanization and insufficient resilience and adaptive capacities to mitigate climate change effects. Other unsolved issues are related to low soil fertility, the unavailability varieties specific to the soils and agro-ecological zones of Benin, diseases, pests, weeds, the unavailability of high quality cuttings, and the insufficient quantity of processed products.

Processors. Cassava processing is mainly performed by women. There are two kind of processing: traditional and industrial. Traditional processing produces different products including *gari*, dry cassava, and *lafun*. The industrial or semi-industrial processing is mainly led by formal enterprises. Bread flour, starch, and drinks (alcohol and syrup) are the main

FIGURE 6: CASSAVA PRODUCTION AND YIELD AND EXPORT



Source: FAOSTAT, 2013.

products processed. The artisanal character of the equipment used, compliance with norms and standards, and good processing and conservation practices are pending issues. Although cassava roots keep well underground, this method of storage remains inefficient as it prevents the land from being used for other productive purposes. The roots can turn woody, lose flavor, and in some cases become infected with pathogens. Peeling represents the most labor-intensive operation, which remains nonmechanized and is traditionally done by women and children. The low level of industrial processing reduces the volume and quality of cassava derivatives.

Traders. Fresh cassava is mostly marketed at the national level either for household consumption or to processing units. Women are the primary marketers of both fresh and processed cassava. Fresh cassava roots are sold at different levels using the following types of measurement units:

Sales in piles: Sales in piles of different sizes take place at roadside markets. Piles cost 50–100 *Franc Communauté Financière Africaine* (CFA) and are mostly purchased by consumers for household consumption.

Sales in fields: Cassava is sold at farmgate using measurement units based on local plot sizes such as *alakpa* or *kanti* (equivalent of 400 m²) and *Glebo* (135 m²). One *alakpa* costs between CFA 12,000 and 15,000 depending on the variety and yield.

Sales in baskets: Fresh cassava is also sold by the basket along the streets, in markets, or in processing areas.

Sales in trucks: A truck, which also be used as a measurement unit for selling fresh cassava, is typically only utilized by men. In general, women farmers do not sell their fresh cassava except in emergency situations.

There are four main marketing channels for processed cassava in Benin: (1) the primary collection markets, (2) the secondary markets for consolidation or distribution, (3) the border markets, and (4) the consumer markets at the national, regional, and international levels.³⁵

³⁵ *Food Security Atlas of Benin* (2001).

The most important cassava derivatives are *gari*, chips and *lafun* (flour), and *Tapioca* (dried starch grains), with *gari* representing 69 percent of total processed fresh cassava. *Gari* is exported to Niger (through the Malanville market in the North), Nigeria, Central Africa, Gabon, Congo, and Equatorial Guinea. Benin exports a very small quantity of *gari* to European countries.

Intermediaries or collectors. The collectors in the cassava value chain are mainly men. Though there is no data on their exact number, these actors play crucial role in assuring the connection between the buyers (wholesalers, processors, and others) and the producers. They work closely with producers by negotiating the fresh cassava for buyers. They create value by improving product accessibility and ensuring timely delivery to upstream actors (e.g., buyers, wholesalers, and processing units) along the value chain.

Exporters. Processed cassava products are exported to regional and European markets by formal enterprises specialized in processing, but also by individual exporters for products such as *gari* and dry cassava. There are new opportunities in the international market for industrial products such as starch, alcohol, tapioca, and cassava flour. The cross-border trade in *gari* and tapioca is significant among the coastal West African countries of Benin, Côte d'Ivoire, Ghana, Nigeria, and Togo.

Exports are done both by men and women in associations. The internal and international flows of cassava products is shown below in Table 1.

Support service providers. In addition to the previous main actors, there are some supporting institutions that play a significant role in the cassava value chain. These are the research and advisory service providers and development projects (CARDER, PADFA, DICAF NGOs, PADSA, PDRT, DAGRI, and PDFM), the education and research service providers (IITA, INRAB, and universities), and service providers (transporters, CEFACOM (*Le Centre de Formation, de Fabrication et d'Ajustage de la Construction Métallique*), MFIs, and COBEMAG (*La Coopérative Béninoise du Matériel Agricole*)).

Consumers. The consumption of fresh cassava per capita is estimated to be 53 kg/year in the northern and central regions of Benin and 88 kg to 113 kg per year in the southern region.³⁶ Cassava is consumed in various forms: boiled cassava, and processed products such as *gari*, dry cassava, flour, starch, and alcohols. The main consumers are at the local and national levels (households in the rural and urban areas) and regional or European households and enterprises.

³⁶ ONASA et al (1995).

TABLE 1: INTERNAL AND INTERNATIONAL FLOWS OF CASSAVA PRODUCTS

INTERNAL FLOWS	INTERNATIONAL FLOWS
<ul style="list-style-type: none"> • South North axis: Centre Benin to Malanville • North South axis: Collines to Abomey, Bohicon and Cotonou • East-West axis: Kétou, Pobè, Adja-ouèrè, Ikpinlè, Sakété, Apro-Missrété, Ouando to Cotonou • West East axis: Mono to Cotonou 	<p>Inflows</p> <ul style="list-style-type: none"> • Togo to Mono (Aplahoué, Azovè and Comè) and to Atlantique (Cotonou) <p>Outflows</p> <ul style="list-style-type: none"> • Border market Malanville to Niger • Cotonou Airport to Central Africa and Europe • Cotonou port to Central Africa: Gabon, Congo, Equatorial Guinea

VALUE CHAIN DYNAMICS

National gari market. The functioning of the national market for *gari* differs substantially from that of other food products. Several factors are at the basis of such specificity: (1) the presence of the product on the market throughout the year in amounts generally corresponding to the needs of each period, (2) the possibility of choice for consumers from a very wide ranging quality of *gari*, unlike that offered by other food products, and (3) as a consequence of the first two characteristics, the marketing of *gari* has never given rise to any form of anti-competitive behavior between value chain actors, and the market remains relatively free.

The market for *gari*, the main product derived from cassava in Benin, is one of the most dynamic of all food products, as players' strategies change with the changes in volumes sold throughout the year. In contrast to cereals, which are sold at subsidized prices through the *boutiques témoins* system (as described further in the chapter on Competing Fairly), the marketing of *gari* is left to private actors.

Lack of capacity. Farmers and processors reported the need for capacity building, especially for the associations of women processors who are at the forefront of cassava processing. Poor business plans and market record keeping, poor quality end products, and high production costs result in low access to credit and storage facilities. Linkages are needed with other important stakeholders (agricultural research, MFIs, quality standards organizations, and equipment fabricators). In addition, effective strategies are needed for stakeholders to share their experiences with those of other countries of the sub region who are engaged in the processing of cassava. Up-to-date market information, currently unavailable, is critical to create a network among the stakeholders.

Substitution. There is relatively easy access to alternative products through importation, e.g., starch. The industries using starch reported that they found it easier to import cornstarch than to search for cassava starch.

CASHEW

Cashew cultivation has become a subject of widespread interest for development agencies, governments, and advocates of sustainable economic and environmental development. As a resilient and drought-resistant tree that is adaptable to poor soil conditions, cashew offers environmental benefits in the fight to combat deforestation and soil erosion, especially in Sub-Saharan Africa. Most important, its cultivation and exploitation are

regarded as economically promising for rural producers, traders, and industrial processors in terms of employment generated and value added to emerging economies.

Benin is the world's eleventh largest producer of raw cashew nuts, which represent the second export cash crop after cotton. The cultivation area has increased from 10,000 ha of cashew orchards in 1990 to 190,000 ha in 2008, with a corresponding increase in exports.³⁷ In 2011, the total cashew export from Benin was about 140,000 tons and contributed of 4 percent to GDP.³⁸ The cashew sector employs around 200,000 people including 180,000 small-scale farmers. Cashew is largely cultivated as a complement to food crops. The dry season coincides with the start of the cashew harvest and trading, thus farmers can sell cashew and reinvest the profit into the household's food security.

Although cashew cultivation is one of the most important areas of agricultural development in Benin, other than the forestry office distributing seedlings to farmers, little has been done in terms formally promoting the crop. More important, around 95 percent of harvested raw nuts are sold for export to India, Pakistan, Vietnam, and Singapore; thus 5 percent or less of production is left for local processing.³⁹ The chain from producer to exporter suffers from speculation and severe price fluctuations. There is a lack of synergy between elements in the value chain that often results in lower prices for producers. Additionally, variability in the quality of the product (which is often mixed with Nigerian nuts), embryonic processing methods, and the ignorance of traceability and quality norms constrain growth of the sector.⁴⁰

Several recent initiatives endeavor to develop the commercial organization of the crop in an effort to increase the economic returns to producers and other local participants. These efforts have focused on improving technology via the introduction of improved varieties and new planting techniques, as well as assisting farmers in forming associations to improve market linkages with buyers of raw nuts. The GoB has also provided generous tax incentives that exempt local processors from import and export taxes for the first 10 to 15 years of operation in a bid to capture higher value-added and generate employment at the local level.

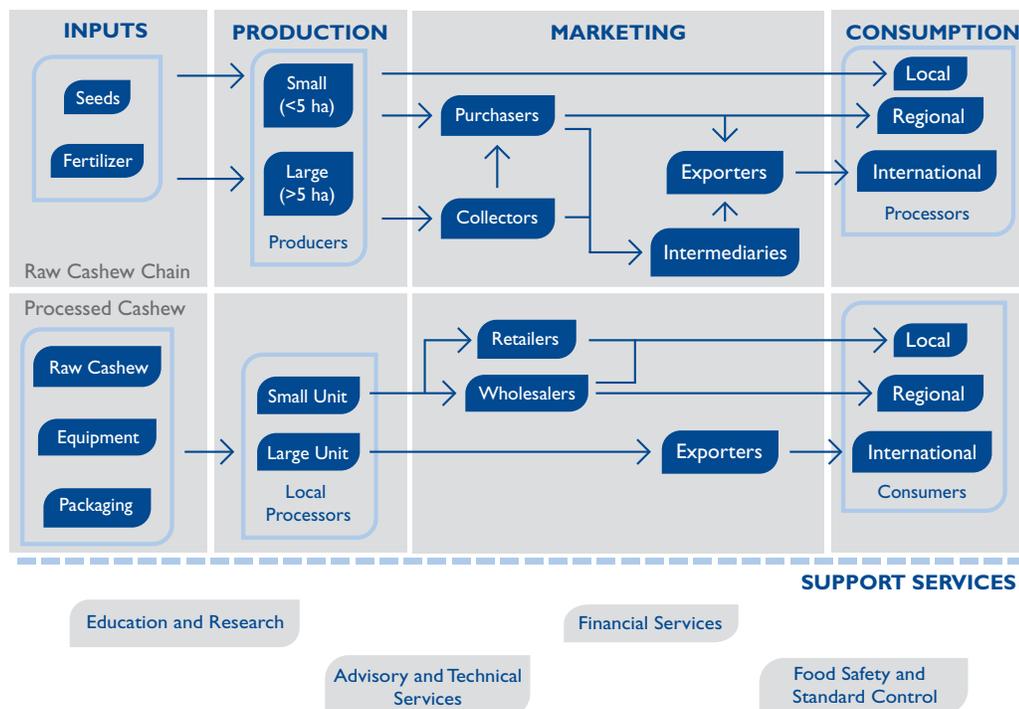
³⁷ A. Tandjiekpon, "Analyse de la chaîne de Valeur du Secteur Anacarde au Bénin," Initiative du cajou Africain (ICA) (2010).

³⁸ Agrihub, *Cashew increases household food security in Benin* (Agri-ProFocus, September 6, 2012).

³⁹ African Cashew initiative, *Analysis of Benin Cashew Sector Value Chain* (2010).

⁴⁰ MAEP, "Stratégie de Relance de la Filière Anacarde au Bénin," *Document de référence 2007–2011* (2006).

FIGURE 7: CASHEW VALUE CHAIN MAP



CASHEW VALUE CHAIN MAP

In Benin, there are two main marketing channels within the cashew sector: raw cashew nuts and processed kernels. Figure 7 shows the cashew value chain map.

KEY PLAYERS FOR CHANNEL I: RAW CASHEW NUTS

Inputs suppliers. The cashew seed supply chain (see Figure 7) is poorly developed due to a low level of demand. Farmers mostly source seed from their own existing trees, and only about 30 percent of existing plantations were established from purchased seed.⁴¹ No specific fertilizers are used for cashew cultivation; producers generally use cotton fertilizers provided via government or private distributors.

Producers of cashew nuts. The total number of cashew producers in Benin is estimated at 200,000, 95 percent of whom are men.⁴² Cashew producers exploit around 190,000 ha of land in combination with other crops. More than 85 percent of cashew producers are smallholders with less than 5 ha, who frequently grow cashew alongside maize, sorghum, groundnuts, cotton, yams, and/or millet, particularly in the first five years

of tree development to diversify income when the cashew yield is low to nonexistent.⁴³ The harvest is done from January to May by the entire household, including the producers' wives and children. After harvest, the fresh nuts are dried, packed in jute bags, and stored or sold directly to purchasers, collectors, and processors. A minimum price is set annually by the GoB, but a higher price may be negotiated by the producer and the buyer during the exchange. The farmgate price generally varies throughout the year from CFA 200 to CFA 460 per kg of raw nuts.

At the village level, 95 to 98 percent of cashew producers belong to cashew producers' associations, the UVPAs (*Unions villageoises des producteurs d'anacarde*), and in each town there are communal associations called UCPAs (*Unions communales des producteurs d'anacarde*). The UVPAs and UCPAs are in turn federated into the national-level FENAPAB (*Federation nationale des producteurs d'anacarde*), which promotes cashew production and represents producers' interests in dialogues with the GoB. At times, the UVPA or UCPA will collect the cashew nuts directly from producers to control quality and organize trading relationships. These associations need to be

⁴¹ L. Fanou, *Analyse des chaînes de valeurs ajoutées d'anacarde au Bénin* (Projet STDF 48, IITA, Benin, 2010), 44.

⁴² MAEP, *Plan stratégique de relance du secteur agricole au Bénin: Orientations stratégiques et Plan d'action* (2008), 113.

⁴³ A. Tandjiékpon, Y. Shouvelier Y. et al., *Inventaire et caractérisation des plantations d'anacardier dans les départements de l'Atacora et la Donga: Résultats & Analyses. Volume 1 et 2* (PAMRAD-ProCGRN, 2008), 190; A. Matthes, E. Videgla, B. Agbo, O. Akele, D. Sohinto, *Atelier de validation de la stratégie et d'élaboration de plans d'action de la filière anacarde au Bénin* (Cotonou, Dassa, 2008).

encouraged, as they enable producers to better negotiate prices. However, individual sales remain the dominant form of market transaction.

Traders. Traders of raw cashew nuts include collectors, purchasers, and intermediaries.

Collectors. Collectors are individuals or associations of cashew producers. They play an essential role in the primary collection of raw nuts and are found at village and district level. They are not formally licensed as traders and are typically part of an informal network. Collectors are the largest category of trader in the marketing chain and may work directly with purchasers or intermediaries who sometimes pre-finance their purchases.

Purchasers. Purchasers are individuals (around 80 percent of whom are men) or enterprises that buy raw nuts from collectors and sometimes from producers associations and sell them to intermediaries or directly to exporters. Purchasers work at the regional level, and around 70 percent of them are formally licensed.⁴⁴ Most of them belong to the Association of Agricultural Product Purchasers (Groupement des acheteurs des produits agricoles (GAPA)). GAPA requires members to pay an annual membership fee as well as CFA 10,000 per truck of goods transported. High-volume purchasers can pay a second annual fee of CFA 50,000 to obtain a *laissez passer*, which reduces the per-truck fee to CFA 5,000. In addition, purchasers must pay local authorities a local development tax based on the volume transported (an average of CFA 30,000 per truck). While GAPA exists at departmental level, about 90 percent of purchasers belong to the national-level federation FNAPA (Fédération nationale des acheteurs des produits agricoles). FNAPA exerts heavy regulatory control on traders, both in conjunction with and independent of the government, such as through preventing collectors from working simultaneously with many purchasers or intermediaries and intervening in the setting of the minimum producer price.⁴⁵

Intermediaries. Intermediaries or brokers (only men) work for the exporters as employees or on commission (CFA 25–55/kg of raw nuts). Generally, they gain cash

advance from the exporters to buy raw nuts. This kind of tiered network allows exporters to cover large areas and to amass marketable quantities of raw cashew nuts in the shortest possible time. However, it can also create opportunities for anticompetitive behavior, as discussed further in the *Competing Fairly* chapter. The price increases on average CFA 25–100/kg between the producer and the intermediary. After delivering the promised quantity to the exporter, the intermediary may receive an additional premium of 5 to 10 percent of the cash order to ensure loyalty and the timely delivery of future goods. The same system is applied by intermediaries to their own network of collectors or small buyers further down the chain.

Exporters. Ninety-seven percent of the cashew produced in Benin is exported as raw nuts. Beninese cashews are considered within the top three in the world in terms of quality. The exporters often hire intermediaries by formal or informal contract to obtain raw nuts from producers. Most raw nuts are exported to India and Pakistan at a price of CFA 350–550/kg.⁴⁶

Processors. Beninese cashew nuts are processed locally, regionally, and internationally. Around 10 enterprises engage in local processing of white or roasted kernels. Regional processors come from Nigeria, Niger, and Togo to purchase the raw nut for processing in their countries. The raw nut may also be exported for processing internationally, such as in the case of a number of Indian and Pakistani exporters.

Storage. Due to the structure of the marketing campaign (described in more detail below under *Value Chain Dynamics*), raw cashew nuts must frequently be stored at each level of the value chain, typically in polyethylene or jute bags. The nuts are generally stored for a few months (one to four months) at the producer or trader level but for a longer period (six to nine months) at the processors' level.

KEY PLAYERS FOR CHANNEL II: PROCESSED KERNELS

Processed kernels of cashew include the white kernels produced for export and roasted kernels produced for consumption in local and regional markets. The actors involved in this channel are inputs suppliers, processors, traders, and users (see Figure 7).

⁴⁴ L. Fanou, *Analyse des chaînes de valeurs ajoutées d'anacarde au Bénin* (Projet STDF 48, IITA, Benin, 2010), 44.

⁴⁵ P. Lemaitre, P. Bediye and H. Ahouari, *Diagnostic Global de la filière anacarde au Bénin* Ministère de l'Agriculture DE l'Élevage et de la Pêche Projet D'amélioration et de diversification des systèmes d'exploitation—PADSE (2003). The findings of this study, although dated, were supported by current reports from stakeholders.

⁴⁶ L. Fanou, *Analyse des chaînes de valeurs ajoutées d'anacarde au Bénin* (Projet STDF 48, IITA, Benin, 2010), 44.

Input suppliers. For local cashew processors, inputs include equipment, packaging, and the raw nuts themselves, which may be sourced from traders or from producers directly. Equipment used by white kernel producers' enterprises are imported from India, and their packaging are imported from India, Ghana, and Nigeria.

Processors. There are two categories of processors: white kernel processors and roasted kernel processors. Aside from one processing plant that is owned by a woman, white kernel processing factories are almost exclusively owned and operated by men. These companies employ on average 150 to 300 people during peak season, up to 90 to 95 percent of whom are women, depending on the factory. All of these enterprises buy raw nuts during the campaign and store them throughout the year for later processing. Around 500 to 1,000 tons of raw nuts are annually processed by each enterprise using modern industrial equipment, and the white kernels are packed in plastic sachet with carbonic gas for protection before being boxed for shipping.

Roasted kernel production is done by women using traditional methods and equipment, almost all of which is homemade. These women may work individually with no external support or in formal groups that receive funding from donors and NGOs. Roasted products are packed in small plastic bags or bottled in glass containers. Many of these processors belong to the National Council of Cashew Processors (CNTC). The role of this association is to organize the processing activities and to represent the processors during negotiations with the government and others actors.

Traders. White kernels (roughly 2 to 2.5 percent of production) are exported to the Netherlands, the United States, Europe, India, and other Asian countries, frequently under the guise of a company that is separate but affiliated with the processing plant. Roasted kernels are distributed through a network of wholesalers and retailers, all of whom are women. Wholesalers distribute their products to different regional and local markets through supermarkets or their own stores; retailers sell roasted kernels at local markets or in informal roadside stands.

Consumers. Roasted cashews are consumed locally and by consumers in regional markets in Nigeria, Togo, and Niger. White kernels are roasted and sold at the international level by foreign importers. New markets have opened up recently, including the emergence of middle-class consumers, snack bars, supermarkets, airlines, and greater exports to regional markets, but these will require roasted kernel processors to adopt new technology and roasting techniques to achieve their potential.

Government regulation and sector promotion.

Cashew cultivation and trading plays a major role in the national economy, and various government agencies are engaged in regulating and promoting the sector. The Directorate General of Exterior Commerce (*Direction Générale du Commerce Extérieur* (DGCE)) is the structure in charge of the commodities exports. This structure delivers the different documents for commodities export while the Directorate General of Interior Commerce (*Direction Générale du Commerce Intérieur* (DGCI)) is in charge of delivering some agreements (licenses) to commodities purchasers and traders, and setting the annual minimum price of each export commodity together with the stakeholders for each commodity. These agencies, in conjunction with the DPQC (*Direction de la Promotion de Qualité et du Conditionnement des Produits*), are also charged with controlling the quality of seed, raw nuts, and equipment used by the sector. ABePEC (*Agence Béninoise pour la Promotion des Echanges Commerciaux*), an agency under the Ministry of Trade, and ADeX (*Association de Développement des Exportations*) help in the promotion of cashew abroad. These institutions mostly work with exporters and purchasers. ABeNOR (*Agence Béninoise de Normalisation*), also part of the Ministry of Trade, works to create standards related to cashew products in Benin and to make these standards well known by actors.

Technical and support services. A variety of technical and support services are available to actors along different stages of the value chain. These services are provided by the GoB, NGOs, donors, and business partners. Support services provided by the GoB come through the Ministry of Agriculture via INRAB and the CARDER and through the Ministry of Trade via the DGCE and the DGCI. Private and semi-private projects and initiatives that provide technical support include the national research institutions (INRAB, IITA, FSA, and ProCGRN/GIZ) and advisory and training services (CARDER, SNV, and others). The National Cashew Exporter Council (CoNEC) and the tropical products exporters group (GEPT) also assist in organizing trading activities along the chain, and some banks and MFIs offer financial services to the cashew sector. However, much of these technical and support services are offered to actors in associations, not individuals; therefore, producers who do not belong to any association do not benefit from any training or support. Trainings are mostly related to the use of improved seedling, use of agricultural best practices, and the management of their activities.

VALUE CHAIN DYNAMICS

Lack of maintenance of cashew orchards. Cashew trees yield fruit from the third year to the twentieth year, with a maximum yield from the eighth to the twelfth years. Yet most producers do not adequately maintain their plantations. Production and yield are threatened by the proportion of young plantations, the quality of the seedlings, and the lack of compliance with technical practices and quality standards. Existing fields are further damaged by bush fires, pests, nomadic cattle herds, and the theft of nuts, which compromise the yield and quality of future production.

Cashew processing sector poorly developed. Less than 4 percent of national production of raw nuts is locally processed. While white kernel production is well organized, processors complained of inadequate supply of raw nuts, power supply, capital inputs, and a lack of labor, causing them to operate mostly below capacity. Roasted kernel processing remains traditional and less developed. This sector suffers from the following: (1) a lack of modern processing technologies that result in a conversion rate of only 10 to 15 percent; (2) the weak quality of roasted kernels due to the use of artisanal or traditional techniques of production (resulting in kernels that are often broken and burnt) does not fit international market requirements; (3) a low supply of raw cashew nuts as 97 percent are directly exported; (4) the unavailability of a sufficient labor force; and (5) a limited consumer base as the high price of the roasted product at the local level is beyond the means of most Beninese and seen as a luxury food.

Low quality and lack of traceability along the value chain. Benin exports not only its own products but often nuts grown in neighboring countries (such as Nigeria) that are imported and mixed with local production. As a result, the quality of the product offered at international level is variable, and there is no traceability system to control and ensure the quality of such nuts. Benin recognizes some quality standards related to cashew nuts, white cashew kernels, and roasted cashew kernels at the local, regional, and international levels, but these standards are poorly understood and voluntary, having little impact on the majority of Beninese cashew production.

Low organization of the different actors along the chain. Although the cashew value chain is better organized than the shea sector, there are still few producers' and processors' organizations that can assist with encouraging the use of consistent quality standards and production methods, and lobbying for a better price in the market. Some research and advisory structures operate at the producer and exportation levels but interest for processing is still embryonic. The lack of real organization of producers and processors prevents effective communication between them. By contrast, the GAPA and FNAPA organizations successfully protect the interests of traders, often to the detriment of producers, processors, and exporters.

Chain governance and regulation. The marketing of raw cashew nuts follows a timetable jointly fixed by the Ministers of Agriculture and Trade, in consultation with sector stakeholders at the beginning of each season. The official marketing campaign typically starts in March or April and ends in September or October. However, the harvest begins as early as January, requiring the producer to store the nuts until the campaign begins and driving down the price. Stakeholders report that the minimum price set by the government is not always respected in practice. Cashew nuts may be purchased from producers at a lower price before the official start of the campaign due to financial pressures on the part of the producers. GAPA and FNAPA reportedly exert a strong influence in the setting of the dates of the campaign and the minimum price offered to producers, which negatively impacts both producers and exporters.

Price fluctuations. Cashew is grown around the globe from Indonesia to Brazil, and major changes in production in one country or region will often have a strong effect on producer prices worldwide. These fluctuations occur against a continuous rise in demand for processed kernels in developed markets. In general, producer prices start low at the beginning of the season and end high. This dynamic is partly explained by the fact that when the harvest season starts, purchasers and processors in India will not yet have established contracts with exporters based in Benin and will demand a minimum price to maximize anticipated margins. Once initial collections have been confirmed in Benin, the importer in India or Pakistan will contact its buyer in Europe or any other final market to give figures for quantities. The exporter will then be under pressure to buy nuts to complete shipments under the contract, and he will instruct his intermediaries to pay more to procure the nuts if they are in competition with other buyers. All these factors contribute to the fluctuation and price speculation at the collector and purchaser levels.

Price and quality information readily circulate between the purchasers, intermediaries, and exporters, but the producers sometime lack or are not well informed about the price fluctuation or about information related to quality, norms, and standards.⁴⁷ Better organization at the producer level could help farmers to be more aware of and better protect themselves from fluctuating prices.

SHEA

After cotton and cashew, shea nuts represent the third largest export commodity in Benin.⁴⁸ Shea trees are the main indigenous oil-producing wild plant that grow in Africa, and are native to the dry savannah zones covering 20 countries ranging from Senegal to Uganda. About 650,000 tons of shea nuts are produced annually in the main shea-producing countries of Ghana, Burkina Faso, Benin, Togo, Côte d'Ivoire, Mali, and Nigeria. Of this production, an estimated 10 to 30 percent is exported specifically to Europe, Asia, and the United States.⁴⁹ In Benin, of the 50,000 tons of shea nuts collected annually, 35,000 tons are exported as kernels and only 100 tons are exported as butter.⁵⁰

The shea tree plays a major role in local economies and the diet of populations in the central and northern regions of Benin, where the species is abundant.⁵¹ Shea products contribute to 40 to 50 percent of the population's income (producers and traders), and the butter provides important fatty acids and glycerol for more than 80 percent of this population. The economic value of shea products constitutes an opportunity to alleviate poverty and achieve economic autonomy for Benin generally, and for women in particular, who are the main actors in shea product value chains. Shea is a particularly high-value product at the international level, where 95 percent of exported kernels or butter are used for chocolate and confectionery products, while the remaining 5 percent is used for cosmetic and pharmaceutical purposes.

A number of risks and constraints limit the shea value chain from developing to its full potential: (1) variability in quality of the kernels and processed butter; (2) low access to appropriate equipment and the lack of real mechanization in butter processing; (3) difficult access to needed logistical products and services (i.e., packaging and storage infrastructure); (4) the lack of organization at the producer and processor levels; (5) low access to market and export information for women gatherers and processors; and (6) the aging of shea trees and lack of any organized shea plantations. Poor knowledge of the market and its requirements is particularly detrimental to women gatherers, who have little ability to negotiate price with the various marketing intermediaries. Finally, there is no statistical data on the different actors along shea value chains, which impedes the ability of the government and private sector to plan strategically for the sector's growth.

SHEA VALUE CHAIN MAP

There are two main marketing channels within the shea sector in Benin: shea kernels and shea butter (see Figure 8).

KEY PLAYERS FOR CHANNEL I: SHEA KERNELS

Producers. In the various shea parklands of Benin, 3 to 28 percent of the population are involved in the production and processing of shea products, nearly all of whom are women.⁵² In the North, more than 95 percent of women collect shea fruits—an important source of income. Collection is generally done with their children (boys and girls) early in the morning (6:00 a.m. to 10:00 a.m.) between May and September. The fruits are collected from personal plots, their husband's plots belonging to their family, or on publicly owned forest land. Most gatherers work individually; less than 2 percent are organized in associations. After collection, the fruits are processed by boiling (97 percent) or smoking (3 percent, a process specific to the Otamari ethnic group) to the point at which the kernels can be effectively stored for later sale or processing into butter. This first phase coincides with the start of the rainy period, when there are a number of competing farm activities and time is short. When the rains have finished, kernels are prepared and sold to ready buyers or ground and processed into butter. The price is negotiated during the purchase and varies depending on when the kernels are sold, but generally ranges from CFA 50–150 per kg paid in cash. Around 45 to 50 percent of the kernels produced are directly exported, while the rest is locally processed into butter.⁵³

⁴⁷ R. Adeoti, L. Fanou, P. Fandohan, L. Koumassa, O. Coulibaly, K. Hell, D.O. Koudandé, and G.A. Mensah, *Amélioration de la compétitivité de la chaîne de valeur de l'anacarde au Bénin. Dépôt légal 4895 du 25/11/2010, 4ème trimestre 2010* (Bibliothèque National du Bénin, 2010).

⁴⁸ G. Agbahungba and D. Depommier, "Aspects du parc à karités-nérés (*Vitellaria paradoxa* Gaertn. f. *parkia biglobosa* Jacq. Benth.) dans le sud du Borgou (Bénin)," *Bois et Forêts des Tropiques*, 222 (1989), 41–54.

⁴⁹ USAID WATH, *The Shea Value Chain: Production, Transformation and Marketing*. West Africa Trade Hub, Technical Report No. 2 (2004).

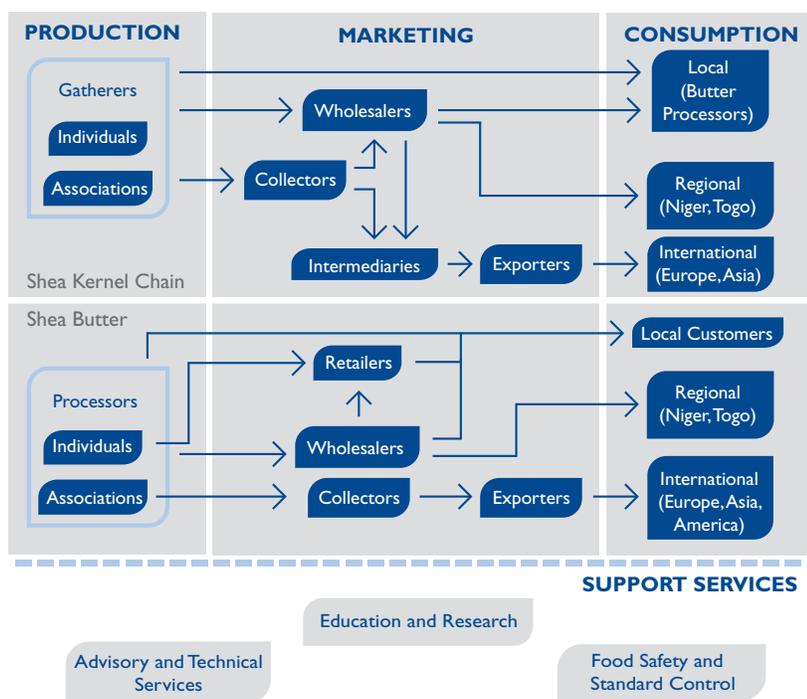
⁵⁰ CNUCED, *Le karité: production, consommation et marché*, available at <http://www.unctad.org/infocomm/francais/karite/marche.htm> (2006).

⁵¹ P. C. Gnanglè, "Parcs à karité (*Vitellaria paradoxa* Gaertn. C.F.) (Sapotaceae) au Bénin: Importance socio-culturelle, caractérisations morphologiques, structurales et régénération naturelle," *Aménagement et Gestion des Ressources Naturelles*, vol. Mémoire de DEA (FSA/UAC, 2005), 113.

⁵² Ibid.

⁵³ Dah Dovonou and Idrissou Yaya, *Evaluation des potentialités de développement de la filière karité dans les départements de l'Atacora et de la Donga* (Projet de Gestion des Ressources Naturelles, 2009), 67.

FIGURE 8: SHEA VALUE CHAIN MAP



Traders. Similar to cashew, the trading market for shea kernels is structured into collectors, wholesalers, and intermediaries. The trading period is generally three to five months long between July and November.

Collectors. Collectors (10 percent women, 90 percent men) and wholesalers (96 percent women, 4 percent men) buy direct from women producers, most often at weekly markets, but occasionally in the villages during the harvest period. Collectors buy and stock the kernels before selling to wholesalers and intermediaries; they do not have a purchasing license and are typically part of an informal network.

Wholesalers. Wholesalers intervene at the regional level. Most of them have a purchasing license. They sell their products to associations of butter processors and other intermediaries and are occasionally in direct contact with the exporters. A few wholesalers belong to GAPA and pay an annual fee (CFA 50,000) to the association in exchange for more lenient treatment by the authorities in the transportation of their goods, as described in more detail above in the cashew summary in relation to cashew traders. The wholesalers and the collectors typically sell kernels at CFA 80–200/kg, depending on the time of year.

Intermediaries. Intermediaries purchase shea at district and regional markets and oversee the activities of collectors and wholesalers. Intermediaries (more than 90 percent men) typically work for the exporters and often receive a cash advance to conduct their purchases. Most of them earn a commission, which can vary from CFA 10–25/kg of kernels. Each exporter has generally three to five intermediaries in each district, who buy around 50 to 150 tons of kernels/year. However, the largest exporter of shea kernels works with around 50 intermediaries (20 percent of whom are women). Given the sparseness of the rural population in many shea production zones, this kind of network allows exporters to cover large areas and amass marketable quantities of kernels in the shortest possible time. Nonetheless, exporters argue that these intermediaries exert a tremendous amount of control over the market to the detriment of upstream and downstream actors.

Most of the kernel buyers use the size, perceived moisture, appearance, and color to evaluate the product's quality before purchasing. Moisture content is usually assessed by breaking the kernel and checking whether its interior does or does not contain liquids. Appearance relates to the integrity of kernel (i.e., whether its shell has blemishes) and whether it is the desired color (brown). When kernels fit these requirements, the intermediaries and wholesalers are willing to pay a premium of 5 to 20 percent over the current market price.

Exporters. Exporters coordinate and finance the purchase of shea kernels from lower-level traders. Around 10 exporters operate in the shea sector in Benin, the largest of which exports an average of 15,000 tons of kernels annually. Before exportation, some parameters such as drying degree, color, moisture content (≤ 7 percent), fat content (≥ 45 percent), and free fatty acid (FFA) content (≤ 6 percent) are evaluated. Kernels are exported to the Netherlands, India, Singapore, China, and Thailand at CFA 180–280/kg.

Processors. Processors fall into one of three categories: local processors, regional users, and international users. Local processors include one large enterprise that is involved in olein extraction for the U.S. market. The rest (more than 99 percent of whom are women) extract butter for local consumption (e.g., cooking fat, cosmetic products such as soap, body ointment, body and hand creams, hair pomade, and other therapeutic end uses) and for export. Regional users are usually from Nigeria, Niger, Mali, Burkina Faso, and Togo and buy the kernels at border markets. They use shea kernels first for fat extraction, then for cosmetic and therapeutic purposes. At the international level, shea fat extraction and processing is dominated by two major European vegetable oil firms that control 95 percent of the world's trade in shea kernels. These firms supply shea-based products to manufacturers of chocolate, cosmetics, and pharmaceuticals and also sell finished vegetable oil products at wholesale.⁵⁴

Storage. Kernels are stored using various methods at each step of the value chain: polyethylene bags, jute bags, and traditional baskets. The kernels are generally stored from one to eight months at the producers' and butter processors' level. The collectors and wholesalers store the kernels for two to six months, while exporters only store them for a few weeks.

KEY PLAYERS FOR CHANNEL II: SHEA BUTTER

Processors. Around 91 percent of butter processors are also the primary gatherers of the kernels. During the year, they use their own kernels for processing, using mills and roasters. Around 45 to 60 percent of butter producers belong to an association and extract the butter in groups, irrespective of their own processing.⁵⁵ Most of the associations receive government and NGO help in butter production training, equipment procurement, and association management. The butter extracted by the

associations is sold to local consumers, collectors, and wholesalers at CFA 500–1,100/kg depending on the time of purchase. Collectors prefer to buy the butter from associations or processors in associations because the quality of the product is much higher due to the technical assistance and training received. Individual processors sell in local markets and to retailers, local consumers, and wholesalers, at prices from CFA 25–100/kg, with average weights of 50g and 150g, respectively. The price is relatively standard throughout the year, but the weight of a single piece of butter increases in periods of abundance and decreases in periods of shortage. Around 30 to 35 percent of butter produced is exported; 20 to 25 percent is used as cooking and frying fat; 28 to 35 percent is used locally in cosmetic products; and 5 percent is used in traditional medicines.⁵⁶

Traders. Shea butter has a ready market nearly all year long with price peaks just prior to when the new production is gathered in May due to lower available quantities. Shea butter traders can be divided into two groups: local traders (retailers, collectors, and wholesalers) and exporters.

Local traders. Retailers (only women) sell butter in different village and regional markets. In the production zones, around 90 to 95 percent of the retailers are also butter processors. In the rest of the country, the retailers buy the butter from the wholesalers (also only women). The butter wholesalers operate informally and do not have a purchasing license like the wholesalers for kernels. They operate their store in a regional market and are in contact with the regional users. At the next level, butter collectors are individuals or enterprises that engage in trading and purchasing activities on behalf of exporters. Associations of processors may sometimes act in this role by collecting and selling butter from their members. Collectors sell the butter at CFA 800 to 1,200/kg to exporters. Color, odor, and texture, are the main quality criteria during butter buying. At large, butter is packaged in plastic containers for ease of transport.

Exporters. Some exporters collect butter directly from processors for export, reducing the number of intermediaries between them and thus reducing the cost. Around five enterprises are involved in butter export, primarily to the United States, France, Belgium, and Morocco. For export, the butter is packed in plastic containers or wrapped in plastic sachet, and certain exporters treat the butter by heating and filtration. The price, which is set by the foreign importers, generally varies from CFA 1,000–2,000/kg.

⁵⁴ F. Lusby and E. Derks, "Shea kernels from Mali: a value chain case study," *Small Enterprise Development* 17(2) (2006), 36–46.

⁵⁵ F.G. Honfo, A. Linnemann, N. Akissoe, M. Soumanou, and M.A.J.S. van Boekel, "Indigenous knowledge of shea processing and quality perception of shea products in Benin," *Ecology of Food and Nutrition* 51(6) (2012), 505–25.

⁵⁶ Dah Dovonou and Idrissou Yaya, *Evaluation des potentialités de développement de la filière karité dans les départements de l'Atacora et de la Donga* (Projet de Gestion des Ressources Naturelles, 2009), 67.

Consumers. Households, one type of local butter end user, consume the butter as cooking fat and buy the butter directly from the processors or the retailers. Individuals or enterprises that manufacture cosmetic products are another category of local users, followed by hairdressers and the traditional therapists. Shea butter is also used at the regional and international level in the cosmetics and chocolate industries.

Storage. Processors usually store the butter for one to four weeks, while traders and users store it for up to six months. However, when the butter is used as cooking fat, the storage duration is much shorter—less than one month. The butter is often stored in baskets lined with teak (*Tectona grandis*) leaves, paper bags that previously contained cement, jute bags, plastic containers with a cover, or calabash containers. When packaged, the butter is kept in a room or stored in markets.

Government regulation, sector promotion, and support services. The regulatory technical support apparatus for shea, in terms of export promotion, regulation, quality control, and technical services, is the same as that for cashew. More information on the specific institutions involved can be found in the cashew value chain summary above.

Transportation. All shea products (kernels and butter) are transported by road. Transport costs are high for butter due to the products' bulk and the need to travel at night or morning when temperatures are low. The cost of consolidating kernels from remote areas can be 8 percent of the kernels' export value. Trucking costs for transporting kernels to a maritime port or another country's extraction facility are often an additional 35 percent of the export value.⁵⁷

VALUE CHAIN DYNAMICS

Low production. Annually, Benin has a potential to harvest 80,000 tons of shea kernels, but only around 50,000 tons of nuts are collected. Therefore, nearly half of the shea harvest remains uncollected or underutilized. Each year, the quantity collected also diminishes due to the following:

- The distance of lands and forests are often far (5–10 km) from collectors' homes. After collecting nuts in their personal or husband's plots, women must travel to the forests to collect additional product.

- Processing is tedious and time-consuming, and consumes a substantial amount of firewood and water when using traditional processing methods.
- Butter yield is low (25 to 30 percent) due to the traditional methods use to extract it. Shea kernels have a fat content of 40 to 57 percent. The extraction efficiency, the quality of the end products, and the potential use of the fat depend on the genetic diversity, the climatic conditions, and processing conditions.
- There is no data on the genetic diversity of the shea trees in Benin.⁵⁸ The variability of the shea tree is one of the factors that influence the yield of tree and the quality of its products. Thus, it is necessary to assess the genetic variety of shea trees in the different parklands in Benin in order to select the species with the highest fat content and best quality butter.
- Individual processors lack access to equipment and training. Most of the gatherers and butter processors work individually and thus lack the support provided by associations.
- Existing trees are aging and/or being illegally cut down or burned to clear fields; thus the projected harvest levels are decreasing.

Dominant market players control market to the detriment of women gatherers and processors.

Domestic markets represent the largest market for shea kernels and butter and are largely informal. The traders are mostly women who have low capacity to negotiate or fix the price, which is often set by the buyers. They operate on the basis of trading margins and turnover in a fluctuating market over which they have little influence. Additionally, poor knowledge of the market and its requirements in terms of quality reduces the profit for these women. The marketing chain of shea kernels is usually long, and the collectors, wholesalers, intermediaries, and exporters capitalize on the greatest amount of the value addition while providing the smallest amount of the production and processing work. Formal contracts rarely exist between actors along the chain, and most transactions are based on personal relationships and trust. Some collectors and intermediaries receive cash advances to facilitate initial purchases, which are settled after the delivery of the products.

⁵⁷ Ibid.

⁵⁸ Honfo et al. (2012).

Lack of proper storage infrastructure. Shea kernel storage packaging is sometimes of poor quality. Storage in granaries or traditional baskets (mostly used by producers) may lead to infestations of ants. Storage in areas of high humidity often leads to the development of mold on the kernels. All these blights affect the kernels' quality, and indirectly the butter quality, and reduce the price that intermediaries or wholesalers are willing to pay for such products.

Water scarcity. Water availability is very important for shea production and is scarce in the production zones. Despite good intentions, a recent government intervention fell flat due to a lack of understanding of shea processors' needs. The government offered some associations of shea processors a mixer for churning shea butter. According to the processors, the mixer utilizes three to four times the quantity of water used during manual churning, and the butter yield does not increase. As no wells were created to complement the new technology, the processors reverted to their manual churning methods.

Lack of incentives to upgrade production and processing practices. The primary challenge to value chain competitiveness is insufficient incentives for producers to upgrade their processing practices. Providing stronger economic incentives to women gatherers could expand available supply in the short run, even with possible rural labor shortages during collection periods. Also, organizing women gatherers in associations may enable them to travel farther for collection. The use of mass media such as rural radio to share market information (kernels or butter price at national level, for example) may also increase the production level.



GETTING CREDIT

The business climate in Benin remains a difficult one to profitably do business in, and offers few incentives to investors (local or international) to invest in agriculture and other sectors. The recent 2013 World Bank *Doing Business* report ranked Benin at 175 among 183 economies analyzed, and at 11 among the 15 CEDEAO (*Communauté Economique des Etats de l'Afrique de l'Ouest*) countries.⁵⁹ One of the primary constraints facing established as well as start-up agribusinesses is lack of access to credit for short-term working capital and medium-term capital investment. Credit is difficult to access for agribusinesses all along the target value chains, from producers and producer groups seeking to finance equipment, storage, and other infrastructure to processors seeking to expand their operations with upgraded equipment and expanded working capital.

Poor access to credit for agribusinesses is due to a number of factors. Banks are very risk-averse and are generally unwilling to take the risks involved in lending to agricultural enterprises. In the words of three bankers who have extended some agricultural-related credit, those risks include: (1) lack of organization on the part of many producer groups, which limits their capacity to deliver products of the quantity and quality expected by buyers; (2) lack of formal registration as businesses or as producer cooperatives under the WAEMU Uniform Law for Regulating Decentralized Financial Systems; (3) lack of formal contracts with regular buyers (as a fallback position to reduce nonpayment risk); (4) lack of viable financials; and (5) lack of solid business plans guiding the use of the money requested. These risks, added to the risk of crop losses due to climatic change and lack of rainfall, have made banks hesitant to lend large amounts for agriculture. Bank credit staff also lack the skills to analyze agricultural projects and related risks, as do credit managers of cooperative credit associations such as the CLCAMS (*Caisse Locale de Credit Agricole Mutuel*) operating in Benin.

When banks and other formal financial institutions do engage in agricultural lending, it is only to registered producer groups and well-established agribusinesses and subject to very high

collateralization requirements requiring title to real property or, if land title is not available, a lien on equipment and insurance for perishable crops, a personal guarantor, and/or a significant bank deposit.

Effectively addressing the present barriers to agribusinesses seeking formal credit in Benin will require a well-coordinated package of credit facilitation and technical interventions. This package should include loan guarantee funds adapted to working with agricultural risks, as well as concerted efforts to bring financial institutions and key agricultural players closer together in terms of understanding risk and the alternatives for sharing risk. To be successful in generating expanded access to credit for agribusinesses, these reforms must be paired with delivery of technical assistance to farmers in producer groups, associations, and cooperatives to help them formalize their activities to better meet their inputs needs, improve their capacity to deliver products on time and at expected quality/quantity, and work with buyers and processors on the basis of formal buyer contracts. Farmer technical assistance should include an education component that helps farmers better understand the long-term benefits to producers from having a steady, reliable buyer contract.

⁵⁹ World Bank, *Doing Business Report* (2013), available at <http://www.doingbusiness.org/~media/GIAWB/Doing%20Business/Documents/Annual-Reports/English/DB13-full-report.pdf>.

KEY LAWS

- OHADA Uniform Act Organizing Securities (2010)
- WAEMU Banking Law (1995)
- WAEMU Uniform Law for Regulating Decentralized Financial Systems (2007)
- WAEMU Law No. 2012-14 du 21 mars 2012

LEGAL FRAMEWORK

In Benin, most commercial and financial activity takes place within a regional, rather than national, framework based on the laws of OHADA and WAEMU.

OHADA

Benin is one of 16 West and Central African countries that are members of the OHADA and have agreed to harmonize their business and commercial laws. OHADA has nine uniform acts, which include the laws on contracts, corporations, bankruptcy, transportation of goods, surety, and collection of debts. If Beninese domestic law conflicts with an OHADA act, the OHADA law prevails.

Secured transactions law. The **OHADA Uniform Act Organizing Securities** of 2010⁶⁰ authorizes banks and other creditors to take and use title to a moveable asset as securitization for a loan to a borrower. Under this act, in OHADA member countries such as Benin, financial institutions including banks, mutual credit associations (CLCAMs), and registered MFIs can take title to a movable asset, use it to secure a loan, and seize that security when a borrower defaults on a loan. In Benin, banks and some CLCAMs operating in urban and rural areas do accord some short-term and medium-term credits utilizing movable property to secure the loan.

WAEMU

Benin is one of eight West African countries that comprise the WAEMU. As a WAEMU member country, Benin uses the CFA (franc), which is pegged to the euro. Benin shares a single central bank (*La Banque Centrale des Etats de l'Afrique de l'Ouest* (BCEAO)) and a common framework of financial laws with the other WAEMU countries. The BCEAO drafts laws on banking, money, and credit, which are then submitted to the individual governments for review

and consensus. When consensus is reached among member countries, a final draft is approved by the Council of Ministers of all the countries and then passed by the individual country parliaments.

Bank regulation. Benin's banks are governed by the **WAEMU Banking Law**, which was passed in 1995 after the devaluation of the franc and subsequent banking liberalization under WAEMU. The law provides a modern and adequate framework for guiding and overseeing the credit operations of the banking sector. The law is somewhat accessible to the public via channels including the registry office, which carries copies of public laws, and the BCEAO website. It includes provisions defining loan terms (short-term credits up to two years, medium-term credits up to seven), interest rate ceilings (18 percent for commercial banks, 27 percent for MFIs), and minimum bank capitalization requirements as percentage of overall portfolio. The law does not set limits as to the size of loans that can be extended. Several commercial banks indicate that the law does not constrain their ability to make profitable loans. However, one bank states that bank capitalization requirements do affect the amount of medium- to long-term loans a bank can have outstanding at any one time. Banks generally find that the WAEMU law has made it easy for them to do business across borders.

Microfinance regulation. Operations of MFIs to micro and small enterprises in Benin are governed by the **WAEMU Uniform Law for Regulating Decentralized Financial Systems** of 2007.⁶¹ This law addresses the operation of a range of microfinance providers, including commercial banks providing microfinance, registered MFIs, and specialized financial institutions (such as the now dormant *Banque Régionale de Solidarité*). Also covered are "mutual" institutions including CLCAMs, credit-providing associations (local producer unions or cooperatives, regional federations, and confederations), and *groupements d'intérêt économique* (GIEs) supported by a project.⁶² Article 6 of the law distinguishes between institutions that collect deposits and accord loans to their members (such as CLCAMs) and those that accord loans without collecting deposits. All MFIs with credit outstanding of more than CFA 2 billion operate under the control of the BCEAO and the WAEMU Banking Commission, whereas smaller MFIs operate under the control of the Ministry of Finance. All MFIs must register with the Ministry of Finance and must become members of a MFI network to receive technical support.

⁶⁰ *Acte uniforme portant l'organisation des suretes.*

⁶¹ *Loi uniforme de UEMOA portant réglementation des systèmes financiers décentralisés.*

⁶² See Article 85 of the WAEMU Uniform Law for Regulating Decentralized Financial Systems of 2007.

KEY IMPLEMENTING INSTITUTIONS

- Central Bank of West African States (BCEAO)
- West African Banking Commission
- Commercial banks
- Microfinance institutions (MFIs)
- Registered credit cooperatives (CLCAMs)
- Buyer financing (e.g., tontines)

IMPLEMENTING INSTITUTIONS

CENTRAL BANK

Benin does not have a central bank of its own but shares the **Central Bank of West African States** (BCEAO) with the other eight countries that comprise WAEMU. BCEAO acts in most ways like a normal national central bank, with responsibility for issuing currency, setting monetary policy, overseeing foreign exchange and regulating the banking sector. The BCEAO and **West African Banking Commission** work together with Benin's Ministry of Finance to regulate banks and MFIs.

COMMERCIAL BANKS

There are 12 **commercial banks** operating in Benin. The sector is dominated by several large banks that are primarily engaged in lending to medium- to large-scale enterprises in the commercial and service sectors such as construction and information technology. Bank lending is largely being done in the form of pre-shipment financing for exports, short-term loans for importers of commercial goods, and short-term working capital loans (3 to 12 months) and overdrafts for well-established businesses. Several of these banks are making medium-term investment loans (three to five years on average), which are used to finance equipment. Both working capital and medium-term investment loans are being extended to well-established businesses (primarily nonagricultural) that can meet bank security requirements. These requirements generally include a title to land and buildings on it (preferred), a lien on equipment financed or existing equipment, or a personal guarantor.

Two large banks indicated that the majority of their outstanding credit has been accorded to small- to medium-scale industries (PMIs), with relatively few loans being made to small- to medium-scale enterprises (PMEs), because the PME market is

Financial and operational stability of MFIs and informal (non-registered) financial institutions is monitored by the *Cellule de Surveillance des Structures Financières Décentralisé* (CSSFD), a unit of the Ministry of Microfinance created under and governed by **WAEMU Law No. 2012-14 du 21 Mars 2012**. This unit carries out a number of functions related to generating and maintaining sound financial management within the above types of institutions. These functions include: (1) performing "due diligence" on financial institutions endeavoring to become registered under the WAEMU Uniform Law of 2007, (2) monitoring the financial and operational stability of registered MFIs and informal financial institutions, (3) collecting statistics from regular required financial activity reports, (4) analyzing credit systems, and (5) technically assisting institutions in financial difficulty to develop work-out plans. The CSSFD monitors these decentralized financial institutions for financial and operational sustainability using (1) the trimestrial statistics that these institutions are required to keep and the activity reports they are required to submit (deposits, credit transactions) under this law, and (2) on site visits that its analysts make to institutions that cannot submit required financials and/or are flagged using these reports as needing on site credit systems analysis visits.

In Benin, the credit needs of economically active populations are far better served by MFIs than by banks. Some 56 registered MFIs offer savings and credit services to urban and rural populations, services that are accessible to people in all areas of the country, through 223 MFI agents at the department, prefecture, and town levels. According to the Ministry of Microfinance Promotion Unit, MFIs have achieved relatively equal coverage across the country, and women borrowers make up about 40 percent of their credit beneficiaries.⁶³ By contrast, the 12 commercial banks doing business in Benin are headquartered in Cotonou and offer limited access to the rural population.

Lease financing. Under the WAEMU Banking Law, there are specific provisions governing the operation and control of leasing finance companies. In response to this regulation and market demand, two lease financing operations have started and are providing their services in Cotonou, including Bank of Africa-affiliated EQUIPBAIL leasing company and ALIOS Financing.

⁶³ Interview with Pascale Well, Director of the Micro Finance Promotion Unit, Ministry of Micro Finance, June 27, 2013.

regarded by banks as a “largely informal sector,” operating under the radar with several sets of books, and banks say they cannot work with “informality.”

Banks are very risk-averse and are generally unwilling to take the risks involved in lending to agricultural enterprises. Estimates given in interviews with three large banks that do some agricultural lending indicate that agricultural credit is less than 20 percent of their outstanding portfolios. When they do lend, they over-collateralize the loan, even when extending credit to well-established and well-known businesses. Pre-export financing for cotton, cashew, and pineapple is done via lines of credit (LOCs) backed by a title on real property or a lien on equipment and insurance for perishable crops. For short-term working capital loans, banks generally ask for a land title, and if that is not available, a lien on business equipment, a personal guarantor, and/or a significant blocked bank deposit. Medium-term investment loans are secured by land title and/or taking title to the equipment financed. Bank credit staff also lack the skills to analyze agricultural projects and related risks.

Across the spectrum of the target value chains, producer groups are the primary clients that do not have access at banks to production credit or investment credit for equipment, warehousing, or farm expansion. Reasons include lack of sound organization as an entity that can assume obligation for a loan, lack of collateral to secure a loan (such as land title or equipment), and lack of consistent contractual relationships with buyers. Tendency to “side-sell” products to someone other than the contractual buyer when prices fluctuate also deters bank lending. When banks do lend to producers, it is only to registered producer associations that are well organized, with established buyers, viable business plans, and financial statements and capacity to meet the bank’s collateral requirements.

Well-established, medium-scale businesses engaged in the processing of value-added agricultural products have difficulty meeting the requirements of commercial banks for expansion financing, due to the stringent bank security requirements and prior encumbrance of available assets. Among four medium-scale processors interviewed in target value chains, two have been operating for 15 or more years, have secured and used bank loans before, and now require investment financing to expand operations. Both are having difficulty accessing an investment loan due to bank risk aversion and encumbrance of their existing collateral. For example, a fruit processing enterprise would like to secure medium-term credit to replace drying ovens and upgrade the processing building. In order to do so, the owner will need to use the business’s recently acquired land title to secure the loan.

At the same time, he needs short-term working capital credit for purchasing raw product from producers and improved packaging. He will be unable to secure that loan because the land title will be tied up with equipment replacement financing.

Banks price their loans for risk, setting the interest rate on a case-by-case basis depending on how well-known the borrower is and perceived risk. The bank base interest rate in Benin is 10 percent. For “best customers,” rates typically range from 11 to 12 percent, and up to 14 percent for higher risk customers. There is evidence among Benin producer organizations that rates of 11 to 12 percent for producer credit afford the individual producer little or no profit. At the same time, these rates are not high when compared with lending rates of 18 to 25 percent in neighboring Ghana. Thus credit price is not the problem but rather lack of organization at the value chain and producer association level. Financial institution risk aversion and overreaching collateral requirements are the major barriers to accessing credit for agricultural enterprises in Benin.

MICROFINANCE INSTITUTIONS

Financial services of MFIs are available across Benin at the *commune*, town, and prefecture levels. MFIs tend to serve larger numbers of women than any other type of credit institution (in some cases as high as 70 percent of users). Some MFIs accept deposits, while others extend only credit. Registered MFIs are free under the 2007 WAEMU Uniform Law for Regulating Decentralized Financial Systems to structure their own financial product mix and to set their own security requirements. Rural and agricultural credits are extended by a number of MFIs, including loans for inputs and small equipment loans. Interest rates range from 11 percent to as high as 25 percent. Some (but not all) MFIs impose hard-to-meet security requirements (such as title on a parcel or a lien on a moveable asset financed). Many require a deposit of up to 20 percent of the loan value, according an 80 percent loan. A deposit or lien on equipment is common security for women borrowers, who rarely have land title.

Most MFIs tend to be small- to medium-scale operations, but five large MFIs dominate the sector with large branch networks and good-sized portfolios. One of these (PADME) operates five regional agencies and 37 credit offices around the country, with loans outstanding of CFA 17 billion and a present loan ceiling of CFA 10 million per loan. Under an agreement with ECOBANK, PADME has been referring clients requiring more than CFA 10 million to the bank’s PME/PMI Unit, which can lend up to CFA 30 million to a sound project.

PADME provides the follow-up services to clients to ensure their capacity to repay. At the present loan ceiling, most MFIs would not be able to finance a significant equipment purchase by a producer or processor group without some form of participation in a cost-sharing fund.

REGISTERED CREDIT COOPERATIVES

An alternative source of credit for individual agricultural producers and producer groups is the system of CLCAMs registered and regulated under the 2007 WAEMU Uniform Law for Regulating Decentralized Financial Systems. CLCAMs operate at the *commune* level and are accessible throughout the country to much of the rural population. CLCAMs are regrouped into a *Union Régionale* at the department level and a Federation of CLCAMs based in Cotonou at the national level. The functions of these mutual associations are to collect member savings and use them to extend credit that leverages those savings.

Loans accorded by the CLCAMs are primarily short-term (up to 12 months) and used for producer credit (maize, soya, cashew), but some CLCAMs do accord medium-term credit (up to 2 years) for acquisition of small equipment or animals. Loan security requirements tend to be stiff, preferably a land title, but if not available, a lien on the equipment and a personal guarantor will suffice. The interest rate structure is fairly high, at 24 percent per annum on the declining balance for a 12-month production loan, and the borrower must deposit 10 to 20 percent of the loan amount into a blocked account. In theory, a CLCAM could take a “warrant” on warehoused crops. At this time, CLCAMs interviewed in Nikki and Savalou are not extending credit based upon crop warrants due to a lack of well-organized, functioning warehouse schemes in the immediate area. (See Supporting Institutions.) Credit officers at each CLCAM interviewed indicated that a reliable, accessible credit bureau would increase their confidence in prospective borrowers and likely induce the CLCAMs to make more agricultural loans.

BUYER FINANCING

Lack of access to production financing is a major problem for small producers and their producer groups in Benin. In other countries such as Ghana or Cote d'Ivoire, small producers sometimes try to access credit from input suppliers and, if successful, may take it at exorbitant rates. In Benin, the availability of inputs is limited to government-supported schemes (such as cotton) or through the various *Unions Régionales de Producteurs* (URPs). Many producers are not located where they can easily access inputs via the URP system, and payment is expected in cash, whereas the timing and quantities of inputs available are inconsistent.

The use of contract farming based upon formal contract agreements that carry with them buyer-supplied inputs (i.e., in-kind credit) is not widespread in Benin. Farmers lack trust in formal relationships with buying entities and have a strong tendency to engage in “side selling” to other buyers when prices shift. Buyers do not trust in the capacity of producer associations to deliver the quality and quantity needed by the buyer at a given time. Accordingly, across four of the five value chains targeted for the AgCLIR analysis (shea, corn, cassava, and cashew), small producers and their producer groups often need (but cannot get) buyer pre-financing to meet their production costs or the costs of collecting semi-processing raw product.

Intermediaries who buy raw or semi-processed products from producers are rarely willing to get tied down to providing pre-production finance to producers. They are often deterred from seeking credit from banks or other financial institutions, even for short-term working capital to make purchases, due to the perceived high cost of credit (11 to 14 percent to as high as 18 percent), sometimes onerous loan securitization requirements (land title, secured movable assets), high deposit requirements, and extensive paperwork. They also perceive producers of grains and other unprocessed products to be not well organized and unable to follow the standards set for the crop in order to produce the quality and quantity needed for a large order. These inconsistent marketing patterns discourage the intermediary from agreeing to the regular scheduled bank loan payments that do not match with the business cycle. In the absence of working capital credit at terms aligning with their business cycles, women as market intermediaries often participate in one or more tontines, or informal savings groups, to meet their short-term working capital requirements.

SUPPORTING INSTITUTIONS

LOAN GUARANTEE FUNDS

Several banks interviewed signaled that a partial loan guarantee provided by a third-party institution would be an inducement to making more loans to PMEs/PMIs in the agricultural sector. One shared risk transaction that was discussed by an interested bank would employ a 50 percent guarantee of loan value, combined with 20 to 25 percent investment by the entrepreneur and a guarantee from the entrepreneur of the balance of 25 percent of the project cost.

Since its founding in 1990, *Fonds National de Garantie et d'Assistance aux Petites et Moyennes Entreprises* (FONAGA), a guarantee fund launched with help from GoB and the United Nations Development Programme (UNDP) but now

operating independent of the government, has provided numerous small to medium-scale private enterprises with partial loan guarantees. After doing its own feasibility analysis and “due diligence” on a loan dossier submitted to it by a bank, FONAGA can make a guarantee for up to 50 percent of the loan sought, under a formal agreement with the financial institution on terms of its use. FONAGA has provided guarantees for both short-term and medium- to long-term loans to private enterprises in the commercial, services, and agricultural sectors. FONAGA management indicates that the fund has in the past provided guarantees to agricultural activities including poultry, livestock, cashew, shea, and palm oil production. Borrowers who receive a FONAGA loan guarantee pay a commission to FONAGA.

Guarantees can be accessed from FONAGA in two ways. A bank can approach FONAGA to have further due diligence done on the feasibility of a project or potential borrower. If FONAGA delivers a sound recommendation and commits to a partial guarantee, user banks say they will consider a loan in a “more favorable light.” Two banks interviewed have made use of the partial loan guarantee provided by FONAGA. Enterprise operators also come to FONAGA seeking a loan guarantee and/or helping develop a viable business plan for accessing a loan. A partner institution, CePEPE (*Centre de Promotion et d’Encadrement des Petites et Moyennes Entreprises*), provides business advisory services for each enterprise receiving a loan guarantee. (See Business Development Services on page 38.)

FONAGA has extended CFA 120.5 billion in short-term guarantees and CFA 2.466 billion in medium- to long-term guarantees since 1991. At the end of 2012, outstanding short-term guarantee commitments (88 percent of all guarantees) were CFA 4.8 billion, down by about 20 percent from guarantee activity in 2011 due to an economic downturn in Benin that year. Outstanding medium- to long-term guarantees at the end of 2012 (12 percent of all guarantees) were CFA 660 million.

At present, FONAGA has at its disposal a limited guarantee fund of CFA 2 billion vis á vis the heavy demand for agricultural credit. In the last two years, FONAGA guaranteed only nine loans, four of which were for agricultural production expansion by producer groups, for which the *Agence Française de Développement* (AFD) was the lender and CePEPE provided technical assistance and loan follow-up. The average loan guaranteed (at 50 percent of the total amount) at the individual enterprise level was relatively small, at US\$57,327.

KEY SUPPORTING INSTITUTIONS

- Loan guarantee funds
- Cost sharing funds
- Credit bureaus
- Business development services
- Warehousing programs
- Producer associations, unions, and agricultural extension services
- Agricultural insurance providers
- Notaries and title registries
- Enforcement institutions

Two large commercial banks that have recently used those guarantees express general satisfaction with the FONAGA’s management and capacity to do “due diligence” on service business dossiers submitted by the bank for loan guarantee consideration. At the same time, each of these banks has worked with FONAGA primarily on loans extended to service businesses. One of them has a “partnership” agreement with FONAGA to do PME lending to service and commercial businesses, but does not work with them for agricultural lending. A second recent FONAGA user bank states that “in this country there really are no guarantees for agricultural lending.” Both of these recent bank users of FONAGA guarantees cite the need for more funding and more technical assistance, including training of FONAGA technicians in doing project analysis and “due diligence” for agricultural projects, if funds are to be made available to FONAGA for extending agricultural loan guarantees.

In response to the continuing lack of responsive credit facilities for agriculture, the GoB has proposed to support the setup of a National Fund for Agricultural Development (*Fonds National de Développement Agricole* (FNDA)) as part of the FAIA Project (*Facilité d’Appui aux Investissements Agricoles*). The FNDA would be a public fund that would be used to provide (1) longer-term funds to banks and MFIs for loans for investment projects (particularly in agro-processing), (2) loan guarantees, and (3) an interest rate subsidy for loans made. The Belgian aid program has run into difficulty assisting the GoB in marketing the FNDA to other fund contributors due to differing opinions among ministers on how to implement it in conjunction with a proposed Agricultural Bank (*Banque Agricole*), which was originally envisioned in the GoB’s strategy for development of the sector (see box on next page).

BANQUE D'AGRICOLE

The establishment of a *Banque d'Agricole* was proposed by the GoB to address various unmet needs for agribusiness finance. After a decree in 2009 addressing the bank's creation as a financing intermediary, the government subscribed capital from a number of private investors, with a target of 58 percent. At present, various ministries have differing opinions as to how it might function with credit facilitation mechanisms such as guarantee funds. The *Banque d'Agricole* is not set up and functional as yet, and no further information was available. However, according to one donor, it is rumored that the government has taken action to return the capital subscriptions, and thus the future of *Banque d'Agricole* seems uncertain.

At the same time, a private guarantee fund called FINAGRO is being organized by private promoters to facilitate bank lending to agribusiness and agro-industrial borrowers through provision of guarantees for short-, medium-, and long-term loans. FINAGRO is to be headquartered in Cotonou with technical units in several major production zones. The initial six-month pilot phase will target value-added processing businesses for cashew, pineapple, and palm oil, as well as locally consumable crops such as vegetables and maize. It is expected to be capitalized with CFA 1 billion and to offer loan guarantees to small and medium-sized agribusinesses, cooperatives, and other professional agricultural organizations. These agribusinesses will be required to contribute a minimum investment of CFA 5 million and to pay a number of commissions to FINAGRO in exchange for the assumption of up to 80 percent of the risk on the loan.⁶⁴

COST-SHARING FUNDS

The UCF Concept Paper for the MCC Benin II Compact briefly describes and recommends for further study a cost-sharing fund (*fonds à frais partagé* (FFP)) as a means of encouraging private agribusinesses to invest in infrastructure (such as storage facilities) and in turn facilitating their access to credit. Subject to a feasibility study to further define the cost sharing mechanism, the FFP would be open to clients of all banks and several MFIs, if the client met specific financial institution eligibility criteria (such as availability of a loan guarantee, sound value chain organization, and a viable business plan for using the equipment credit). Target beneficiaries would be group-owned and -managed enterprises (such as associations of producers or processors). When the FFP concept was

briefly described, one of three large commercial banks interviewed expressed interest in participating in such a transaction. This bank said that if the cost share on a purchase of equipment or infrastructure investment were 50 percent, the bank would issue a secured letter of credit for the purchase. Another major bank said a cost-sharing fund would not be an incentive to make a medium-term investment loan, adding that "[i]t's the quality of the entrepreneur and the project which counts—NOT the size of the loan requested."

CREDIT BUREAUS

At present, there is no functioning credit bureau serving financial institutions in Benin. As part of its 2009 initiative to improve the business climate, the World Bank supported establishment of a credit bureau. It began operations in Cotonou and served mainly the Cotonou region. The operations of this credit bureau were suspended this past year for failure to generate widespread use by the banks due to lack of education for banks on its use, procedures, and services; lack of approval by the BCEAO; and its provision of only negative information on borrowers. The World Bank is preparing to support a relaunch of the credit bureau, with the objective of extending services to regions outside Cotonou. Credit bureau branches will be required to collect and provide positive as well as negative information on borrowers. The GoB has approved the implementation plan, and a law regulating credit bureau use is in the process of being developed. Making this successful will be a challenge in an economy where banks are not used to paying for credit bureau services. In the absence of a credit bureau, banks can use the *Centrale des Risques*, a borrower information list maintained by the BCEAO. Banks are obligated to provide their data and can get from this both positive and negative information on borrowers. A microfinance credit bureau (CEI) was in place for use by MFIs that provided positive and negative information on borrowers, but the CEI lacked operating funds and, according to the Cellule de Surveillance for MFIs, it is not currently functioning.

BUSINESS DEVELOPMENT SERVICES

The primary institution providing business advisory services to nonagricultural and agricultural businesses in the secondary and tertiary sectors is **CePEPE**. Founded with UNDP support in 1990, CePEPE provides training to entrepreneurs in areas including financial management, business management, business planning, and marketing. One of the training programs provided is the highly regarded, UNDP-funded GERME (*Centre de Promotion et d'Encadrement des Petites et Moyennes Entreprises*) set of business training modules. CePEPE also provides technical services to entrepreneurs in developing business plans and

⁶⁴ *Financière de l'agro-industrie du Bénin: Fiche de synthèse* (2013).

to banks in analysis of loan dossiers. When a loan guarantee is accorded by FONAGA, CePEPE provides after-loan follow-up services on a fee-for-service basis, paid by the guarantee recipient. CePEPE services are supported by donor funds and fees for services from entrepreneurs and financial institutions. Another source of business advisory services for micro and small enterprises is PADME, a large MFI that provides technical services to its loan clients in accounting, marketing, and financial management as well as after-loan follow-up.

WAREHOUSING PROGRAMS

There is currently limited activity in Benin in *warrantage* programs that provide crop storage for farmers and allow them to use the “warrants” or receipts they receive at the point of storage to access production credit at a financial institution. The primary *warrantage* activity is a three-year 15-warehouse pilot that has been conducted in various locations with the support of the UNDP, UNCDF (United Nations Capital Development Fund), and other donors. The PA3D program utilizes the warrant warehouse model to help small farmers at the *commune* level develop and run warehouses to reduce grain losses and store grain between harvests. Using warehouse receipts received upon storing maize as loan security, a farmer can receive an advance in the form of a small loan (e.g., CFA 10 million, repayable over five months) for inputs for other activities or household expenses. The loans are extended by a local MFI that the UNDP has linked with participating farmers. According to the UNDP, 20 to 30 farmers can use a 150-ton warehouse for storing grain at any one time. The program has achieved success at the level of creating a model for “co-management” of warehousing at the *commune* level. At the same time, the project has only been implemented on a small scale, and its impact on farmers and their management skills has yet to be evaluated.

PRODUCER ASSOCIATIONS, UNIONS, AND AGRICULTURAL EXTENSION SERVICES

Producer associations have been established by producers in a number of value chains, including pineapple, cashew, shea, and other crops. The intent has been to better organize producers and help them secure inputs, better markets, and higher prices. As discussed above, banks often rate these producer associations rather low in terms of organization and capacity to technically assist farmers to meet quality standards and deliver quantities on time. A system of URPs was legally registered by the Ministry of Agriculture to facilitate distribution of inputs to farmer members and provide technical assistance via *commune*-level UCPs. Two UCPs in the proposed zones of intervention stated that inputs are not always available on time

and in the quantities needed. It is unclear how effective URP technical assistance truly is at the production level. In addition, agricultural extension services are available via the government-run CARDER extension service, which operates through extension agents located at the town level in each department that help farmers with input selection, planting, and crop maintenance.⁶⁵ The CARDER is able to deliver some services to farmers at these levels but has not been very successful in helping them to better organize as producer groups and marketers. (For more information on the CARDER, see the Accessing Marketing Infrastructure and Competing Fairly chapters.)

AGRICULTURAL INSURANCE PROVIDERS

A privately run mutual insurance association called AMAB (*Assurance Mutuelle d'Agricole au Bénin*) has been established to insure crops, livestock production (except poultry and fish farming), warehouses, and farm buildings, based on an annual premium to be paid by farmers (both individuals or groups). AMAB was initiated by the GoB in response to the lack of crop insurance and was contracted out to a private entity. AMAB was started with an opening capital of US\$800,000, as required for an *assurance mutuelle* under the *Code des Assurances de la Conférence Inter africaine des Marchés d'Assurances*. Launched in spring 2012, AMAB is now in the marketing phase, trying to “sell” farmers on the need for and utility of agricultural insurance, working out of 12 offices in all 12 departments. AMAB management says this has been a hard sell, as there is no “culture of acceptance” for agricultural insurance and AMAB resources are limited. An additional problem is the lack of a reliable register on land titles of farming parcels at the village level.⁶⁶

NOTARIES AND TITLE REGISTRY

A number of private notaries that serve the private sector by notarizing a variety of documents operate in urban areas of Benin. Notaries are used by banks, private companies, and individuals to help execute title documents for all kinds of moveable property, such as equipment or vehicles. After establishing a title on a piece of moveable property, the owner or a bank or other financial institution using the property to secure

⁶⁵ The CARDER replaced the previous extension organization, the *Centre Régional de Promotion Agricole (CeRPA)*, in February 2013. See <http://www.gouv.bj/content/transformation-des-cerpa-en-carder-le-document-d-op-rationnalisation-valid>.

⁶⁶ An index insurance project, *Assurance Récolte Sahel*, is in operation in Senegal, Mali, Burkina Faso, and Benin by PlaNet Guarantee. The project, which runs through 2015, has not yet gotten off the ground in Benin but is intended to provide index insurance protection against the risk of drought to maize and cotton farmers in the North of the country. See “*Assurance Récolte Sahel: Developing an Agricultural Insurance Market in the Sahel*,” presented at Savings and Credit Forum, Swiss Agency for Development and Cooperation: Bern (Sept. 13, 2013), available at http://www.sdc-employment-income.ch/en/Home/Financial_Sector/Savings_Credit_Forum.

a loan can take the notarized document to the *Conservatoire*, a public institution for the registration of moveable property. Banks indicated that it is fairly easy to establish title using the *Conservatoire* process.

ENFORCEMENT INSTITUTIONS

Enforcement of loan agreements gets mixed reviews from the Beninese private sector. As noted, banks can go to a notary to establish title on moveable property for loan securitization. The bank can then take the notarized document to the *Conservatoire*, which registers title to movable property. However, enforcement of loan agreements is difficult through the Benin court system, which is slow and overcrowded with a large backlog of cases.⁶⁷ Several banks and one CLCAM indicated that it can take a year or more to realize a claim through the court system. If a financial institution cannot otherwise work out a repayment agreement with the borrower or his guarantor, it must go after the property, bringing in a local inspector to validate the location and condition of the asset, then a notary, and finally a bailiff to seize the property for auction. Banks have responded to this challenge by over-collateralizing, requiring security as high as 200 percent of the value of the loan.

SOCIAL DYNAMICS

CULTURE OF DEFAULT

As discussed in the Enforcing Contracts chapter, agricultural producers and producer groups operating in Benin demonstrate a widespread lack of trust in formal relationships with buying entities. Prices for maize, cassava, and other products tend to fluctuate widely according to market supply and demand, and there is a strong tendency among farmers to engage in “side-selling” when they can get a better price. Buyers are reluctant to enter into formal contract agreements such as contract farming arrangements, which in turn limits the availability of in-kind credit for inputs from buyers. Most farmers and many producer groups do not have the means to secure production credit from a bank or a CLCAM. More work is needed to “sell” farmers on the long-term benefits that will accrue to them once they have stable, reliable customers.

MISTRUST OF GOVERNMENT AND LACK OF MARKET INFORMATION

There is a high level of mistrust of government among farmers. Farmers, including those who are members of UCPs, do not trust the market price information that comes from ONASA, the state-run information service. They find that the information provided is not useful to them, because the source is managed by the government and thus perceived as lacking transparency. A lack of real-time market information encourages farmers' tendency to sell individually to several buyers and undermines access to buyer financing for inputs.

BANK PERCEPTIONS OF AGRICULTURAL BUSINESSES

The agricultural sector remains underserved for credit in most areas of Benin. A strong contributing factor is banker perception of producers and some medium-scale enterprises as “informal.” Small producers in most areas are illiterate and unfamiliar with credit institutions and the obligations involved in taking credit. Many small and medium-scale agricultural businesses tend to rely solely on their own capital resources and those of family to start an enterprise. For these reasons, many agricultural enterprises are seen by banks as “informal” and risky to do business with.

WOMEN AND CREDIT

Women entrepreneurs, from agricultural producers to processors to market intermediaries, lack access to formal financial services, including banks and mutual credit associations like CLCAMs. One of the primary obstacles to credit for women is the lack of land title that could be used as a basis for securing credit. Women are less likely to have a land title than are men due to traditional land tenure systems and inheritance customs. Credit institutions are thus less likely to seriously consider extending loans to women in producer or processor groups. Many women are not familiar with formal financial institutions and the benefits and requirements linked to taking credit. Women who have risen to become owner and/or operators of medium-scale businesses tend to avoid seeking bank credit because the cost and repayment terms do not align with their needs and business cycles. These women instead often participate in one or more tontines, or informal savings groups, to meet their short-term working capital needs.

⁶⁷ See the Enforcing Contracts chapter for more information on the Beninese judicial system.

RECOMMENDATIONS

Provide financial and technical support to a guarantee fund capable of assuming up to 50 percent of the risk on agribusiness and agro-industrial loans, subject to clear borrower and lender eligibility criteria and requiring a borrower investment of at least 20 percent of the project cost.

A variety of agribusinesses are totally or partially locked out of the credit market because they lack a land title or other property that can be used as loan security; credit history with a formal financial institution; and/or experience with formal lending requirements. Certain agribusinesses are particularly affected: producers seeking short-term working capital credit for inputs or medium-term investment credits (up to six years) for equipment and other infrastructure investments, as well as established medium-scale agribusinesses in the secondary and tertiary sectors seeking medium-term credit for investment in equipment and facilities upgrading.

Guarantees should be made available to these and other agribusinesses (whether individually or group-owned and group-operated) in production, marketing, processing, storage, and transport of agricultural products. The guarantee fund should be structured to cover loans with terms of up to six years (the average term for a medium-term bank loan is about five years). Credit risk for both the lending bank and the guarantee fund should be mitigated in part by extending technical support to the guarantee fund, to enable it to provide follow-up for each enterprise receiving a guaranteed loan and to assure sound management and capacity to repay. The strategy for the guarantee fund, and its execution through informational meetings and other events, should include a special focus upon informing and educating women-owned and women-run production and processing enterprises on the objectives, terms, access to, and use of the guarantee fund to help secure a loan. The guarantee scheme should also include a business development services (BDS) component from a reliable service provider such as CePEPE to help applicants determine their borrowing needs, complete applications for financing, and ensure the successful implementation of financing programs. It should also include training and on-site technical assistance in doing sound project analysis on an agricultural enterprise loan dossier and due diligence on the owner/operator seeking credit.

Based upon analysis of available syntheses, written “conventions,” and clarifying information provided by promoters of two proposed agricultural guarantee funds (the FNDA public fund and FINAGRO private fund), as well as the current status and limitations of FONAGA, it is recommended that the MCC Benin II Compact consider providing guarantee funds and related technical support to the FINAGRO guarantee fund. This recommendation is based upon the analysis of five factors used for comparison of the two fund proposals, on the basis of which analysis FINAGRO offers MCC far better potential than does FNDA to realize its desired impact on agribusiness growth, do so in the target value chains, and build sustainable relationships between the key stakeholders within the five-year time frame.⁶⁸

Clear advantages to supporting a private fund like FINAGRO include:

- Simple and easily used structure to facilitate access to financing for agribusinesses, by serving as the direct financial interface between the banks, other financial institutions, and the enterprise promoters;
- Simple and easily understood financial product, i.e., guarantees for short-term (production and working capital credit) as well as medium- to long-term investment loans in the agricultural and agro-industrial sectors;
- Sound strategies for providing the technical and financial follow-up required for enterprises financed with use of a loan guarantee, using the technical resources of the proposed fund as well as one or more strengthened exterior business development services providers;
- Proposed provision of a mechanism for alerting banks and other financial institutions to potential repayment risks relative to credits guaranteed; and
- Sound mix of financial and technical partners envisioned for shareholding in and technical support for the proposed FINAGRO guarantee facility.

⁶⁸ A detailed summary description of FNDA and FINAGRO, their proposed objectives, structures, products, and technical partnerships is available from the EAT project.

Provide a program of support services for financial institutions and agribusiness actors at all levels of the target value chains, such as joint seminars, a lender training program, and/or a “study visit” program, to address the technical skills needed to analyze agricultural products and projects and evaluate risk.

Regular joint seminars would enable financial institutions and agribusinesses to develop and intensify a dialogue and mutual understanding of the key issues involved in development of agribusiness in Benin, examine the roles of each key actor in the process of sector development, and identify mechanisms for cooperation and for risk sharing between the lending institution and the borrowing enterprise. Seminars should be organized by theme or technical area and should be conducted twice yearly over the first three years of the MCC Benin II Compact.

Lender training should be given twice yearly over the first three years of the MCC Benin II Compact and should be focused on improving the credit analysis skills of banks, leasing companies, cooperative credit associations such as CLCAMs, and larger MFIs engaged in or planning to engage in agricultural lending, as well as staff of the proposed guarantee fund. Topics to be addressed in adaptation and delivery of the proposed training include: training for credit managers and senior loan officers in banks and other financial institutions in doing cash flow based project analysis and risk analysis for agricultural businesses (for short term production credits as well as medium term investment loans); training in doing “due diligence” on potential borrowers; training in extending production credit to producer groups as part of contract farming or *warrantage* schemes (value chain based credit extension); training in working with various risk sharing mechanisms; training in doing improved credit monitoring for loans to farmer groups as well as individual enterprises; and training for improving on time repayment and loan recovery for all types of agricultural credits. This type of training has been successfully developed and tested under a number of donor supported agricultural credit programs, including enterprise cash flow analysis tools developed for USAID and the International Fund for Agricultural Development (IFAD). These could easily be adapted for delivery in Benin, by hiring of a consultant to adapt and deliver training modules to Benin financial institution practitioners.

The “study visit” program should include owners/operators of individual enterprises in production and processing, as well as producer groups, associations, and cooperatives working in the agribusiness sector and looking to invest in agricultural equipment or other infrastructure. A special effort should be made to include in these study visits women business owners at the agricultural production, processing, and export levels. Study visits should be sited in other African countries where successful shared risk agricultural credit models have been successfully introduced in markets with similar characteristics. These visits, recommended at a frequency of two per year over the first two years of the compact, should allow lenders and owner/operators of agricultural enterprises to examine together lending models in relevant and more highly developed agricultural finance sectors such as in Cote d'Ivoire and Ghana where client-responsive credit products have been developed and successfully used to finance agribusiness and share risk.



PAYING TAXES

The functioning of a country's tax system is often a strong reflection of the broader social contract between the state and its citizens. Where the tax system is broad-based, fair, and transparently administered, it supports widespread public-private dialogue about spending priorities and can form the foundation of a stable democracy. If the system is corrupt, opaquely bureaucratic, or overly reliant on a small base of taxpayers, these distortions are often reflected in other areas of government as well.

Taxation is an essential instrument of the state to enable the investments in health, education, infrastructure, and social services that are necessary to achieve long-term economic growth and development. Short-term funding from development partners and/or natural resources simply cannot match the benefits of a healthy, well-functioning system of tax revenue in terms of sustainability, transparency, and democracy promotion. To be successful, however, a tax system must have the participation of the people. While harsh penalties and effective methods for the tracking of tax evaders may encourage the participation of some, full broad-based participation can only be achieved through the establishment and implementation of a system that is fair, transparent, and provides clear benefits in return.

In Benin, as in many developing countries, a large informal economy evades formal taxation leaving only a small base of the largest companies to provide the bulk of all government tax revenue. The tax system is characterized by high rates and the routine application of tax adjustments by the authorities (*redressements*) that frequently have little or no basis in the law. According to 2013 World Bank *Doing Business* report, the effective total tax rate in Benin is 66 percent, one of the highest in all of Sub-Saharan Africa and well above the 48.2 percent average among WAEMU member states.⁶⁹

⁶⁹ See <http://www.doingbusiness.org/data> for specific data sets. Among OHADA members, only Comoros imposes a higher rate, although at 217.9% in 2012, the calculation according to the Doing Business methodology is clearly somewhat distorted. The *Doing Business* measurement is based on the taxes paid by a medium-sized manufacturing company operating in the country's largest business city. In Benin, labor taxes and contributions constitute 27.3 percent of this total and a variety of "other taxes" constitute 23.9 percent, including business licensing and property taxes.

Fiscal pressure has increased in recent years as the tax base has shrunk. Modifications to tax rates and regulations, published each year in the *Loi de Finance*, do not appear to be determined according to any sort of strategy for the use of taxation as a means of growth and development, but rather are determined by the DGID's need to meet revenue targets imposed on it through the budget process. The private sector, in turn, feels victimized by a tax system that seems to treat businesses as criminal and provide few benefits in return for taxes paid.

True tax reform will require a simplification of tax rates and procedures, expansion of the tax base, and raising taxpayers awareness of their rights, responsibilities, and the benefits of participation in the tax system, as well as a fundamental shift within the mentality of the DGID.

LEGAL FRAMEWORK

The primary legal framework for taxation in Benin is the **Tax Code** (CGI).⁷⁰ Amendments to the Tax Code are passed each year by the Assembly in the annual *Loi de Finance*. Numerous taxes have been nominally harmonized under WAEMU, including the value-added tax (VAT), excise taxes, and the corporate income tax (CIT), but a variety of tax exemptions, holidays, and local taxes can result in the application of vastly different tax regimes and undermine overall revenue. Tax revenue as a percent of GDP is 16.3 percent, which is in line with the tax-to-GDP target set by WAEMU. Although it could not be independently verified, according to DGID, the VAT contributes the largest amount to overall tax revenue.

⁷⁰ *Code General des Impots*.

ACCESS TO LAWS

In general, taxpayers have little to no awareness of their rights and responsibilities under the tax law. The Tax Code is available online, as are the tax filing forms, but these resources have little impact in a country where only 1.8 percent of the population has access to the Internet and 42.4 percent are illiterate.⁷¹ The DGID maintains offices in each commune in addition to the main DGID building in Cotonou. Summary information on tax laws is available in hard copy from the DGID in Cotonou, but regional offices may only offer taxpayers in-person discussions with a tax inspector; an intimidating prospect given that tax inspectors readily admit that they tax those who are “visible” according to outward indications of their wealth. In Cotonou, taxpayers who join one of the two *Centres de Gestion Agréée* may also access tax advisory services in addition to accounting assistance and short-term tax breaks. The DGID claims to run radio and TV ads and hold public events each year to sensitize the public to changes in the *Loi de Finance*; however, no businesses interviewed reported having heard of these services. There is also no taxpayer “hotline” or other phone-based information service.

TYPES OF TAXES

Enterprises are taxed in Benin according to one of three regimes, depending on the size of the business: the *régime forfait*, which applies to companies with annual sales of CFA 40 million or less; the *régime réel simplifié*, applicable to businesses with sales between CFA 40 and 300 million; and the *régime réel*, which applies to companies with annual sales greater than CFA 300 million.⁷²

The applicable regime affects both the type of taxes paid and the frequency of payment. In brief, the complexity of the regime and the number of taxes paid increases with the size of the business.

Income taxes. The CIT in Benin (*Impôt sur les Sociétés*) has been harmonized with the provisions of the 2008 WAEMU directive on corporate income taxation, which reduced the corporate tax rate from 38 to 30 percent. The CIT applies to all enterprises, regardless of their legal form or activities, subject to certain exemptions that include agricultural cooperatives, associations, and chambers of commerce (see Article 146 of the Tax Code).

⁷¹ See <http://www.internetworldstats.com/af/bj.htm> and <http://hdrstats.undp.org/en/countries/profiles/BEN.html>. Illiteracy rates are particularly high among women as roughly half as many women as men are literate. See http://www.unicef.org/infobycountry/benin_statistics.html.

⁷² *Arrete No. 018 MEF/DC/SGM/DGID/DLC fixant les limites de chiffre d'affaires des regimes d'imposition* (2011).

KEY LAWS AND REGULATIONS

- *Code General des Impôts (Tax Code)*
- *Arrete No. 018 du février 2011 fixant les limites de chiffre d'affaires des regimes d'imposition*
- *WAEMU Treaty and directives on value-added tax, excise taxes, and income taxation*
- *Loi de Finance*
- *Code des Douanes (2006)*
- *Code de Sécurité Sociale*
- *Code des Investissements*
- *OHADA Acte uniforme portant l'organisation et harmonisation des comptabilités des entreprises (2000)*

Individuals are subject to the IRPP (*impôt sur le revenu des personnes physiques*), which taxes income according to a progressive rate schedule applied to the income of the household unit with a highest marginal rate of 45 percent. Households with annual income under CFA 300,000 are exempt, subject to a minimum tax of the greater of CFA 200,000 or one percent of the value of their accounts receivable. Deductions are allowed for dependents, and wives are counted as equivalent to one child. If a woman is divorced, her ex-husband retains the deduction for any children.

Although agricultural cooperatives are exempt from income tax under the Tax Code, agricultural producers who work independently are not.⁷³ However, the DGID views the potential revenue from agricultural producers to be too insignificant to be worth the administrative cost of finding and collecting from them. Nonetheless, as described by one pineapple producer, producers pay taxes anyway, indirectly, because the prices they receive for their goods are impacted by the tax cost to business partners further up the chain.

Import/export taxes. Imports and exports in Benin are subject to the common external tariff (CET) rates established among WAEMU member countries in 2000. Nonetheless, businesses report that the harmonization effect of the CET is undone in practice by a number of internal taxes applied at the border that raise the costs of importation significantly. These taxes (comprised chiefly of VAT and excise taxes) are collected by the customs service and paid in the Treasury

⁷³ Producers are, however, exempt from payment of the patente. See CGI, Book I, Part II, Title I, Chapter IV, Annex I.

account of the DGID. One importer stated that the combined effect of all of these taxes was equivalent to nearly 50 percent of the value of the merchandise imported.

Exoneration rates are set by the Assembly in the *Loi de Finance* each year. Agricultural inputs are completely exonerated from taxation, and equipment and other materials such as a packaging supplies are subject to a reduced rate of 6.05 percent. Packaging materials that imported for re-export should be exempt from tax altogether, although businesses differed on whether they receive this benefit in practice.

Customs tariffs are not yet integrated between ECOWAS member countries, but it is expected that ECOWAS will adopt its own CET in 2014, with provisions in line with the WAEMU CET.

There are no export taxes on agricultural products.

Value-added tax (VAT). Benin imposes a VAT (*taxe sur la valeur ajoutée* (TVA)) of 18 percent on all sales of goods and services in Benin, consistent with the 1998 WAEMU directive.⁷⁴ Taxpayers complain that they do not receive reimbursement for excess VAT credits; rather the credit is retained by the DGID and applied towards future VAT payments. Taxpayers whose annual sales do not exceed CFA 40 million (i.e., those subject to the *régime forfait*) are not required to register for the VAT but may elect to do so.

Taxes on salaries and social security contributions.

Taxes on employment, including social security contributions and taxes on employee salaries, significantly increase the cost of formal employment. One former owner of a fruit and vegetable processing company stated that the business failed to turn a profit due to the cumulative weight of taxation, particularly taxes on employees. Employers are subject to a 4 percent tax on employee salaries (*Versement patronal sur salaire* (VPS)), while the employee is taxed at 15 percent (*Impôt progressif sur les traitements et salaires* (IPTS)). Social security contributions are charged at the rate of 19 percent on the gross salary of each employee.⁷⁵

Local taxes. Decentralization of power to local governments occurred in 2002 and included decentralization of the right to collect tax. Local governments collect taxes on businesses and land as well as a variety of administrative taxes (trash, vehicles, electricity, water, markets, etc.). Business taxes and land taxes come in two forms: one that is collected solely on behalf of the locality (*patente* and *contribution foncière*) and one that must be shared with the state (*taxe professionnelle unique* (TPU) and *taxe foncier unique* (TFU)).⁷⁶ Traders in local markets are subject to fees for the use of market stalls that vary from CFA 75/day to CFA 300/day, depending on the size of the space.

In addition, local governments collect a local development tax (*taxe de développement local* (TDL)) applied to each truck that exits the commune. The tax is set statutorily at rates from CFA 1–5/kg or by the head for livestock. In practice, the produce is not weighed but rather the local official examining the truck makes an estimate, and a settlement is negotiated by the transporter.

TAX INCENTIVES

New businesses can receive a reprieve from various taxes for the first few years of operation. The *patente* is waived in the first year, and the IRPP is reduced by 25 percent for two years and 50 percent the third year, subject to the CFA 200,000 minimum tax. While favorable and useful in promoting the formalization of businesses, these policies can also be distortive. For example, one business reported that it has become common practice to close a business and re-open it under a different name every couple of years to avoid tax.

Taxpayers who become members of one of the *Centre des Gestion Agréés* also receive a reduction in their taxes for a period of four years. These centers were created for the express purpose of encouraging businesses to formalize by reducing the transaction costs associated with formalization. Members must pay an annual fee plus certain small fees for service. (See discussion under Supporting Institutions below.)

Under the **Investment Code**,⁷⁷ companies can apply to be treated as a *Zone Franche Industrielle* (ZFI). ZFIs receive very lucrative tax breaks, sometimes lasting up to 10 to 15 years. These agreements are effectively private contracts with the government, the terms of which are not available to the public. Businesses

⁷⁴ Directive n°02/ 98/CM/UEMOA du 22 décembre 1998 portant harmonisation des législations des Etats membres en matière de TVA (as revised in 2009).

⁷⁵ This rate includes the social security contribution (15.4 percent) and a 1-4 percent industrial injury insurance premium. Deloitte & Touche, *Benin: Tax Highlights* (2013).

⁷⁶ The *contribution foncière* applies at a rate of 4-6 percent of the rental value for unimproved property and 15-30 percent of the rental value for improved property. The TFU similarly applies at the rates of 5 and 6 percent, respectively, of the rental value of unimproved and improved property.

⁷⁷ *Code des Investissements du Benin*.

report that the application process is long but the benefits quite worth the wait. At least one business had been waiting two years to have its application processed. Under the Investment Code, foreign companies are free to enter into business in Benin on terms equal to those extended to Beninese companies. If they seek special privileges, they will, like Beninese firms, be required to provide justifications. There may be administrative discretion in this process, which works to the disadvantage of foreign firms, but the Investment Code is neutral on its face.⁷⁸

Tax incentives can be a very effective means of promoting private sector investment in line with government strategies and goals. However, these policies are necessarily distortive and can have a rather large impact on overall tax revenue. Accordingly, they must be monitored, re-evaluated, and eliminated when they no longer achieve their intended purpose. In Benin, a study of tax exemption and expenditures was conducted by the Ministry of Economy and Finance (MEF) and submitted to the Council of Ministers in June 2012 with the intention of the creation of an Action Plan for ongoing monitoring of tax expenditures. This study was unavailable, and it is unknown what action, if any, has been taken recently.

IMPLEMENTING INSTITUTIONS

DIRECTION GÉNÉRALE DES IMPÔTS ET DES DOMAINES (DGID)

National tax collection is the responsibility of the *Direction Générale des Impôts et des Domaines* (DGID). The institution is organized into divisions according to business size: large businesses are handled by the *Centre des Grandes Entreprises*; medium-sized businesses by the *Centre des Impôts des Moyennes Entreprises* (CIME); and small businesses by the *Centre des Impôts des Petites Entreprises* (CIPE). Each taxpayer is assigned a unique tax identification number upon registration of a new business (*Identifiant Fiscal Unique* (IFU)), which must be used on all tax forms.

KEY IMPLEMENTING INSTITUTIONS

- *Direction Générale des Impôts et des Domaines* (DGID)
- *Direction Générale des Domaines et Droits Indirects* (DGDDI)
- Local governments
- *Ministère de l'Économie et des Finances* (MEF)

Upon registration of a new business, a taxpayer is expected to go to the relevant center to obtain tax information and instructions about how to comply with their obligations. Tax payments are also made at the centers or at the DGID headquarters in Cotonou. The CIME and CIPE have branches in each commune, but the CGE is located only in Cotonou, which can be difficult for large businesses in the North. The DGID offices throughout the country are not yet computerized into a central system, so there is a delay between when the filing and payment are completed and when the information arrives in Cotonou. Taxpayers stated that it is very important to hold on to documents and to obtain a receipt acknowledging filing and payment. According to the DGID, it is working with the support of the government of Canada to install online filing using an electronic system known as SIGTAS.

Taxpayers are expected to declare their taxes using the forms and procedures set forth by the DGID. These declarations frequently result in an adjustment (*redressement*) by the tax inspector, which can be reduced through negotiation and a side payment to the inspector. As a result, underreporting of income and/or failure to file altogether is the norm. This situation creates a vicious cycle in which the DGID argues that taxpayers are dishonest, and the taxpayers feel the DGID treats them as criminals. This cycle is particularly acute for the *régime forfait*, which is calculated on the basis of certain simplified indicators of revenue rather than a complex calculation of net income. Tax agents conduct "site visits" to verify the information submitted and often revise the calculations on the basis of various outward signs of wealth (e.g., number of cars, houses, wives).

If a taxpayer wishes to dispute a *redressement*, he or she may appeal administratively to the DGID office that made the adjustment and, if that fails, to the Ministry of Finance. If unsuccessful at the administrative level, the taxpayer can take the appeal to the courts. Article 198 of the Tax Code provides for the creation of a *Commission des Impôts* to be charged with hearing disputes from small businesses under the *regime forfait*. The terms and conditions of the Commission are to be set by regulation from the Ministry of Finance, but no such regulation has been adopted and the provision remains unimplemented. The establishment of this commission, particularly if composed of both public and private sector representatives, could go a long way towards restoring taxpayers' faith in the DGID.

Multiple taxpayers and tax service providers indicated that tax agents are poorly trained and that their actions are driven more by fiscal needs and personal gain than by an understanding of the law. The senior staff members at the DGID headquarters in Cotonou similarly seem focused on the routine application of

⁷⁸ Loi n°90-002 du 9 mai 1990. See, in particular, Articles 10, 24, and 26.

the law and “finding” tax evaders with no thought to the role of taxation as a policy instrument and means of development. The DGID described the agricultural sector as “embryonic” and stated that it would need to become a strong sector before it could be taxed, despite the fact that the very public institutions whose services are essential for this type of growth (agricultural research, financing, and training, for example) all suffer from insufficient resources to carry out their mandates.

CUSTOMS SERVICE

The customs service (**Direction Générale des Domaines et Droits Indirects (DGDDI)**) collects tariffs, VAT, and other taxes on imports and exports, which it pays into the account of the DGID at the Treasury. Taxes at the port are paid via the single-window kiosk (*Guichet Unique*), which is operated by a private company (SEGUB). SEGUB verifies that the importer or exporter is current on all taxes before it will release the shipment. Although some businesses complained about the large number of taxes due at the port, all taxpayers gave the port high marks for efficiency and transparency and expressed confidence that the taxes paid at the port do indeed make their way into the Treasury rather than into the pocket of an individual official.

LOCAL GOVERNMENTS

After decentralization, local governments received substantial technical and financial support to develop their capacity. Eleven years later, corruption and low capacity are still the norm, to the point that Parliament has convened a commission to investigate how the donor dollars have been spent. Businesses complained that decentralization resulted in a greater number of taxes, less transparency, and more opportunities for corruption on behalf of a larger number of civil servants, with no corresponding improvement in public services. For example, whereas tax agents used to be present only in the largest markets, they are now present throughout the territory and frequently go stall-to-stall demanding payment. Given the wide range of taxes and administrative fees within the jurisdiction of the local government, taxpayers have difficulty understanding their rights and are poorly equipped to argue against what the agent requests.

MINISTÈRE DE L'ÉCONOMIE ET DES FINANCES

Much of the distortionary incentives within the tax system seem to have root in the substantial fiscal pressure placed on the DGID by the Ministry of Finance's budgetary office (*Direction du Budget*). With a large public wage bill and numerous demands for public assistance and investment in the development of the country, it is no surprise that the small tax

base is insufficient to fund the government's strategic goals.⁷⁹ Each year, the *Direction Générale des Affaires Économiques* (DGAE) prepares a summary of the macroeconomic status of the country in terms of rate of growth, level of inflation, and investment on the basis of which it proposes a level of expenditures and required revenue in line with government policy and goals. This document forms the basis of the fiscal target the DGID will be required to meet.

The DGID said it used to have more of a voice in pushing back against this assessment based on its own understanding of what it is realistically able to collect. At present, both the DGID and the *Direction du Budget* acknowledge that DGID objections are more likely met with offers of additional personnel to hunt down tax evaders. The DGID then determines internally what the tax rates need to be to achieve their target. As a result, changes in tax rates, published each year in the *Loi de Finance*, are determined not according to any sort of strategy for the use of taxation as a means of growth and development, but rather are determined by the DGID's need to meet revenue targets imposed on them through the budget process. According to the DGID, this process has had no ill effect on the system, and the receipts have continued to climb each year. Yet according to local accountants, the number of taxpayers has continued to shrink as more and more taxpayers avoid formal registration so as to avoid taxation.

To its credit, the GoB has succeeded in maintaining a fairly balanced budget over the last 5 to 10 years. But if this must be achieved at the expense of rational taxation and on the backs of a handful of high net worth taxpayers, the ends do not necessarily justify the means, and the system is unlikely to result in broad-based economic growth in the long run.

SUPPORTING INSTITUTIONS

CENTRES DE GESTION AGRÉES (CGA)

In an effort to reign in the informal sector, the GoB created the CGA, tax and accounting service centers that are intended to entice small businesses to formalize through the offer of tax breaks and low-cost business services. The initial pilot envisioned four centers, but only two have been established. Due to financial difficulties, the two centers have combined their efforts and are now housed in the same building in Cotonou.

⁷⁹ The public wage bill is worth roughly 5.5% of GDP and consumes 47.6% of the national budget, well above the regional average of 35%.

KEY SUPPORTING INSTITUTIONS

- *Centres de Gestion Agréés (CGA)*
- *Accountants*
- *Direction Générale des Affaires Economiques (DGAE)*
- *Institut national de la Statistique et de l'Analyse Economique (INSAE)*
- *Groupe de Travail Fiscalité (GTF)*
- *Cadre de Concertation*

Each employs two accountants, in addition to the directors, each of whom is responsible for 20 to 30 taxpayer members. All combined, the two centers serve only 150 small businesses. Forty percent of the members are women, and 20 to 25 percent of the businesses operate in the agricultural center.

The centers' small-scale operations reflect a lack of human resource capacity as well as poor outreach to the public and a limited geographic scope. Of the agribusinesses interviewed for this assessment, not one had ever heard of the CGAs; neither had the representative of the DGID in Parakou. A 2010 study found that the four years of tax reduction offered by the CGAs is not one of the main reasons cited by taxpayers becoming members. The top motivations were to obtain easier access to credit and accounting services.⁸⁰ This finding, plus the limited scalability of the business model, casts doubt on the efficacy of the CGAs as a tool to reduce informality.

ACCOUNTANTS

Accountants in Benin are regulated by the *Ordre des Experts-Comptable et Comptables Agréés du Bénin (OECCA)*. If an accountant is not a direct member of the OECCA, his or her work must be certified by an official member before it can be submitted to the DGID. Rates charged by accountants follow a payment schedule (*barème*) established by the OECCA and are based on the size of the business and its balance sheet. Most accountants are found in Cotonou, although there are reportedly two accounting firms in Parakou. The OECCA follows the accounting standards of the International Federation of Accountants.

⁸⁰ CAPOD, *Problématique d'élargissement de l'assiette fiscale au Bénin: Analyse de la contribution des centres de gestion agréé* (2010).

TAX ANALYSIS AND STATISTICS

Statistical analysis and data gathering to support budget setting and fiscal planning is conducted by the DGAE and the national statistics agency (*Institut national de la Statistique et de l'Analyse Economique (INSAE)*). The private sector also engages directly in tax analysis and reform efforts through the *Groupe de Travail Fiscalité (GTF)*, a working group comprised of a variety of private sector associations, donors, chambers of commerce, and businesses that was created by the private sector with donor assistance in 2006. The GTF submits an annual "Platform" of detailed fiscal reform recommendations to the Ministry of Finance.⁸¹ A public-private consultative body, the *Cadre de Concertation*, was established by ministerial *arrêté* in 2008⁸² and should provide a forum for regular meetings between the Ministry of Finance and representatives of the private sector to discuss fiscal issues and reforms to the BEE in Benin. According to the GTF, this body does not meet regularly and has had little success in getting off the ground.

SOCIAL DYNAMICS

THE INFORMAL ECONOMY

Studies show that more than 95 percent of Beninese businesses operate in the informal sector. These businesses do not escape tax altogether; informality is often a spectrum, and, as stated by the DGID, the tax net captures at least to some degree any business that can be "found." Nonetheless, a recent study found that taxes on the informal sector contribute only one percent of all DGID receipts.⁸³ By contrast, if just 5 percent of these businesses were to formalize and pay full taxes, the potential increase in fiscal receipts is estimated at CFA 29 billion per year.⁸⁴ That is equivalent to 4.3 percent of the estimated national tax revenue in the 2012 national budget and should be sufficient incentive to find effective approaches to the formalization of the informal economy.⁸⁵

⁸¹ See, e.g., *Plateforme 2012 des propositions fiscales du Secteur Privé Béninois au sujet du projet de loi de finances gestion 2013*.

⁸² *Arrêté No. 3177/MEF/DC/CTAF/SP du 27 octobre 2008 portant création du Cadre de Concertation entre le Ministère de l'Economie et des Finances et le secteur privé*.

⁸³ CES Benin, *Rapport sur le Secteur Informel* (2011).

⁸⁴ CAPOD, *Problématique d'élargissement de l'assiette fiscale au Bénin: Analyse de la contribution des centres de gestion agréé* (2010).

⁸⁵ Total expected tax revenue from customs, taxes, and the treasury in 2012 was estimated at CFA 680.1 billion. *Budget General de l'Etat 2012*.

CONTREPARTIE

At root, the tax system exists to fund the bundle of social services, investments, and protections that make up the social contract between a state and its citizens. Where taxpayers feel they receive little in exchange for their contributions (contrepartie), they have much less incentive to participate and will likely be driven into the informal sector. As a country with substantial poverty, it is understandable that local and national government officials stated that their top spending priorities are to fund health, education, and the social safety net. Yet with a small budget, little is left over to invest in the roads, markets, and electricity infrastructure that power economic growth. Businesses repeatedly expressed concern that they do not receive anything in exchange for their taxes. They are not wrong—the formal private sector (approximately five percent of all actors) pays 99 percent of all national fiscal receipts. There is an urgent need to open public dialogue regarding spending priorities and engage the private sector as a true partner in the economic and social development of the country.

CORRUPTION

In the World Bank's 2009 Enterprise Survey, 64 percent of Beninese businesses ranked corruption as a major constraint.⁸⁶ Corruption within the public service is rampant and extends well beyond the national and local tax authorities to include the justice sector, the gendarmerie, and the police as the worst offenders. One businessman argued that corruption extends to the highest levels of the government, and, in fact, the higher the office, the worse it is. This culture of corruption spills over into the private sector as well and contributes to an environment of mistrust between actors at all stages of the value chain. In fact, the only truly successful forms of private sector organization witnessed by the assessment team were attributable to associations that seem to exist solely for the purpose of augmenting anticompetitive behavior such as price collusion and market control.

Small bribes and other payments extracted by various public services along major trade routes (*tracasseries*) can amount to a significant informal tax on business, particularly when perishable goods are at stake.⁸⁷ While transporters bear the brunt of dealing with these transactions, the cost is distributed broadly via the fees they charge for their services. Businesses estimated that up to 10 percent of their profits are spent on informal payments to government officials. When combined with the costs of comply-

ing with business registration, licensing, and taxes, formalizing the business may become a losing proposition. One transporter reported that he could not afford to be formal, because officials would not respect the formal papers anyway. The GoB has recently created a new anticorruption authority (*Autorité Nationale de la Lutte contre la Corruption* (ANLC)). Although it is too soon to tell how effective the ANLC will be, there is hope that this body can succeed in introducing much-needed reforms to fight corruption in the civil service.

RECOMMENDATIONS

Improve voluntary tax compliance through reform of the system for the declaration, payment, and auditing of taxes, reducing opportunities for corruption and increasing transparency in tax administration. This reform should also include a thorough review and rationalization of tax rates and expenditures in line with GoB priorities.

The prevalence of corruption within the tax service has led to intense mistrust between taxpayers and the DGID as well as the leakage of large amounts of tax revenue into the pockets of tax inspectors. Business owners' personal anecdotes suggest that for every US\$2 that makes its way into a formal settlement agreement, US\$1 is paid to the tax inspector. Breaking this cycle of tax evasion and illegal settlement payments would increase national revenue and reduce the burden on tax administrative resources.

This reform should be situated in the context of a broader comprehensive review and rationalization of tax rates and expenditures. MCC and the UCF should support the GoB, local governments, and the private sector to jointly define a strategy for taxation of the agricultural sector that encourages broad-based economic growth, with a clear indication of the role of public handouts and tax expenditures in achieving those goals. Substantial groundwork for this process has already been laid by the GTF, and a framework exists for public-private consultation through the *Cadre de Concertation*.

The new tax administration procedure should replace regular *redressements* with a system of small-scale risk-based audits combined with increases in the criminal and civil penalties for tax fraud and evasion. The reform will require substantial awareness raising and training for the public and tax officials in compliance with the new system, and the introduction of a neutral forum for appeals, such as the *Commission des Impôts*.

⁸⁶ See <http://www.enterprisesurveys.org/Data/ExploreEconomies/2009/benin>.

⁸⁷ West African Trade Hub, *Regional Agricultural Transport and Trade Study*, Technical Report #41 (2011) (finding that \$2-13 in bribes are demanded per 100 kilometers for non-perishable commodities, but for perishable onions, that amount rises to \$80.42 in Benin).



COMPETING FAIRLY

Benin's Marxist-Leninist past is felt in nearly all aspects of competition and market regulation in Benin's agricultural sector. The government places heavy restrictions on commercial relationships at various levels of the value chain, and the legal framework enables the state to meddle in and control nearly all aspects of the organization and management of cooperatives. Producers and other agribusinesses also lack access to essential inputs, which are tightly controlled by the government. At the same time, there is virtually no regulation of anticompetitive behavior between private parties, such as collusion on pricing and the division of market share between intermediaries. The situation is compounded by a complex system of overlapping laws and regulations, many dating to independence, that conflict with one another and with Benin's obligations under regional treaties, allowing for arbitrary application of the law by regulators.

Not surprisingly, these challenges limit commercial activity and drive economic actors into the informal sector. End consumers and poor rural producers are particularly affected by these policies, as intermediaries and other business partners further up the chain restrict competition to extract excess benefit from commercial transactions. In the shea sector, this dynamic has a particularly detrimental impact on women, who make up over 95 percent of all shea nut gatherers.

The legal and institutional framework governing agricultural markets in Benin requires a fundamental overhaul if the full potential of the sector is to be realized, but reforms will face substantial opposition from entrenched interests in the public and private sectors. Moreover, the government will need assistance in the establishment and development of effective regulatory institutions that are critical to promoting and protecting open, competitive markets for agricultural inputs and outputs.

This chapter will consider in brief overview the legal, institutional, and social structures (both formal and informal) that influence competition in the agricultural sector in Benin. It will review main elements of the framework of international treaties and local law and discuss possible divergences. Where

increased efforts to bring Benin law and practice in line with treaties could improve Benin's "competing fairly" standing, these will be highlighted. The role of the state as both a market actor and market regulator will be discussed. It will be recommended that the state increase efforts to be less disruptive and distortive as a market actor, and to be both more open and stricter as a market regulator. Increased openness is encouraged in permitting greater autonomy for cooperatives and much freer conditions for market entry, especially for agricultural input suppliers. Stricter regulatory enforcement is urged to protect markets from various kinds of anticompetitive behavior and to take special care that state action does not reinforce cartels to the detriment of weaker value chain members.

LEGAL FRAMEWORK

Benin is a member of a number of international trade and economic organizations, including WTO, WAEMU, OHADA, ECOWAS, and UNCTAD (United Nations Conference on Trade and Development). As a member, Benin is formally required to comply with the whole body of WAEMU law, unless it receives an exemption. It has also obligated itself to comply with OHADA.

KEY LAWS AND REGULATIONS

- WAEMU Foundation Treaty
- WAEMU Competition Treaty
- Draft competition law
- Commercial Activities Law
- Permanent Commission Decree
- Price and Stock Law
- Cooperative Law
- OHADA Treaty on Cooperatives
- Consumer Protection Law
- SPS Law and Hygiene Law

COMPETITION LAW

Under Article 88 et seq. of the **WAEMU Foundation Treaty**,⁸⁸ Benin agreed to a general prohibition on anticompetitive agreements, abuse of market dominance, and public aid that distorts competition by favoring certain undertakings or products. This basic obligation was elaborated in detail in the **WAEMU Competition Treaty**,⁸⁹ and other implementing decrees and judicial decisions.⁹⁰ However, these sources of law cannot provide the improvements they promise in a vacuum. Committed national-level action is still needed to bring Benin's legal acts and administrative practice into line with the spirit and letter of international standard guidance of WAEMU, OHADA, and other treaties. Local awareness of treaty obligations is limited. Benin's **draft competition law** is under discussion, but was not shared with team members. Its future is uncertain, apparently in the face of substantial opposition from within government and the private sector.⁹¹ Until this law, and other treaty-conforming acts are passed, understood, and implemented, key treaty terms could remain more aspirational rather than a functional and enforced source of governing national law.

⁸⁸ *Traite Modifié de l'Union Economique et Monétaire Ouest Africaine* (UEMOA).

⁸⁹ *UEMOA Règlement sur les pratiques commerciales anticoncurrentielles, Règlement n° 02/2002/ICMI/UEMOA du 23 mai 2002*. (WAEMU Competition Treaty).

⁹⁰ A detailed review of Benin's national competition law and policy as it relates to WTO, WAEMU, ECOWAS, and OHADA law and practice is outside the scope of this brief assignment. For a careful introduction to WAEMU competition law and Benin, the reader is referred to *Conférence des Nations Unies sur le Commerce et le Développement: Examen Collegial Volontaire des Politiques de Concurrence de l'UEMOA du Benin et du Senega* (United Nations, New York, and Geneva, 2007), 153 et seq.

⁹¹ Some possible guidance on some terms of the draft were provided in a 2010 response to Benin's response to a questionnaire by UNCTAD about competition law policy in various countries, but it is not known how or if the draft has changed since then. http://unctad.org/en/Docs/trdbpconf7session3_en.pdf.

REGULATION OF COMMERCIAL ACTIVITIES

Absent a true competition law, competition in commercial activities in Benin is governed by a variety of laws and regulations concerning agricultural markets and commercial activities. These include a short, broad, and poorly drafted 1990 statute (**Commercial Activities Law**), a 1988 decree creating an interministerial Permanent Commission on Supplying the Factors for Production of Agricultural Products and General Commerce (**Permanent Commission Decree**),⁹² and a 1967 Ordinance on Prices and Stocks (**Price and Stock Law**).^{93,94} Despite decades of reforms in the name of liberalization and privatization, the government continues to rely on this assortment of distinctly nonliberal market regulations that place significant limitations on vertical integration within the value chain, encourage government interventions in the market, and allow for substantial government control over pricing.

The Commercial Activities Law places broad restrictions on commercial relationships and grants the GoB an extraordinary amount of control over agricultural markets.⁹⁵ This law divides commercial enterprise between Benin (Article 7) and foreign enterprises (Article 8). Oddly, nowhere does it distinguish between foreign and Benin enterprises, except when it creates a crime of "camouflage or collusion," which includes trying to pass off a foreign-owned company as a Beninese one (Article 40). However, restrictions on the commercial activities of foreigners are clearly present in a 1994 decree that declares that only Beninese citizens can be licensed as *acheteurs*, intermediaries entitled to purchase directly from producers of any agricultural product governed by a marketing campaign.⁹⁶

⁹² *Decret No. 88-30 du 20 Janvier 1988 portant creation de la Commission Permanente d'approvisionnement des facteurs de production, de commercialisation des produits agricoles et du commerce generale* (Permanent Commission Decree).

⁹³ *Ordonnance No. 20/PR/MAEP du 5 Juillet 1967 portant reglementation de prix de stocks* (Price and Stock Law). See also Intergovernmental Group of Experts on Competition Law and Policy Geneva, 8–10 July 2013 Roundtable on the Impact of Cartels on the Poor; Contribution of Benin, 2–3 (finding that "[c]ertain provisions of Law No. 90-005 of 15 May 1990 laying down the conditions for the exercise of trade activities in the Republic of Benin and ... (the Price and Stock Law) are, however, used if need be to address competition issues").

⁹⁴ The government procurement law and regulations, which govern state purchases including the purchase of agricultural inputs, have not been reviewed. Further research into the actual status of laws and decrees to determine what in fact is still in force and to find all relevant laws and regulations would be necessary to provide more definite findings and recommendations.

⁹⁵ *Loi No. 90-005 du 15 Mai 1990 fixant les conditions d'exercice des activites de commerce en Republique du Benin, as amended by Loi n° 93-007 du 29 mars 1993*.

⁹⁶ *Arrete No. 29 MCT/D-CAB/DCI/SACPA, du 31 mars 1994 definissant la competence de l'acheteur de produits agricoles*. Campaigns for the marketing of certain agricultural products are discussed in more detail under Implementing Institutions.

The Commercial Activities Law requires all enterprises to be members of the Chamber of Commerce and Industry of Benin (CCIB) (Article 11.3F) and every trader (*commerçant*) must have a professional license (*carte professionnelle*) (Article 13). The law classifies commercial enterprises according to function—internal commerce (wholesale, half-wholesale, and general commercial) and external commerce (import and export) (Article 10)—and separates distribution activities from production (Article 15) and then prohibits producers from crossing the line to trade with retailers or final consumers directly except in limited, approved cases (Article 16). Except for certain listed products, the law also prohibits the same entity from selling retail and wholesale at the same location (Article 19) and bans nontraders from stocking goods, explicitly limiting agricultural producers' right to stock food products (Articles 27–28). Both exporters and producers find these restrictions burdensome and believe that they only serve to reinforce the position of intermediaries. Stakeholders report that these functional lines are defended seriously, leading several persons interviewed to complain about the inefficiency caused by the blocks imposed on vertical integration. (See the Supporting Institutions and Social Dynamics discussions of campaigns below.)

The Commercial Activities Law also provides broad authorization for the government to meddle in private sector affairs and interfere in agricultural markets. The law includes an obligation for importers and wholesalers to disclose their stocks to the Ministry of Commerce (Article 25) and allows the government to limit imports for a wide variety of reasons (Articles 30 and 32) without providing standards for the granting or withholding permission. For example, while it allows free imports from France and countries of Africa, the Caribbean, and the Pacific (Article 30), all other imports are only allowed with permission (Article 31). The law creates crimes of fraud, unfair competition (Article 41), and discriminatory sales (Article 42) without providing any guidance or addressing possible conflicts with other laws. The law can be enforced through high fines, prison, closing of the enterprise, loss of license, and asset seizures.

Under the Price and Stock Law, the Ministry of Finance has the power to monitor and restrict the stocking of products and merchandise, including by agricultural producers, through mandatory inventory declarations and restrictions on stocking foodstuffs, products, or merchandise absent a demonstration of need (Articles 30–33). Wholesale sales are prohibited to anyone except registered merchants and agricultural cooperatives and can be enforced through inspectors, seizures, enterprise closures, fines, and possible prison (Article 21).

Despite a recitation that prices are free, the Price and Stock Law allows the state to subject all pricing to its scope in case of need (Article 2), with little guidance how this discretion will be exercised. While most price-setting aspects of the Price and Stock Law may have fallen largely into disuse, Article 39 gives the Ministry of Finance loose and broadly worded power to stop collusive price-fixing, price discrimination, and other anti-competitive behavior such as selling defective products, abusing market power, and hiding stocks for sale. None of these topics is properly developed in the law and much overlap exists with powers granted to the Ministry of Commerce in the Consumer Protection Law of 2007 and the Commercial Activities Law.

The Commercial Activities Law also restricts pricing by permitting only set margins to be charged between the producer or importer and the final consumer, regardless of the number of intermediaries. It does not say how these are calculated, require an implementing decree, or tie this into the Prices and Stocks Law (Art. 17). It is not clear if this margin rule is still being applied, but if it remains in force, it could be used at any time for almost any product.

The GoB's most active market control seems mostly limited to pharmaceuticals, bread, petroleum, and the three crops that are the subject of annual “campaigns”—cotton, cashews, and shea. Under the Permanent Commission Decree, crops covered by campaigns can only be transported during the time permitted by the campaign, and may not be sold for less than the minimum price set during the campaign.⁹⁷ The government is considering extending “campaigns” to include other crops, such as pineapple and corn. The Price and Stock Law further permits the state to set maximum prices, to set profit margins for different value chain players, and generally to control the markets for the products covered. However, it appears that other than for cotton, the government limits its role to setting a minimum price and the campaign duration—and enforcing transport bans outside the campaign period. (See further discussion below under Supporting Institutions and Social Dynamics.)

Further research is needed to determine how and where this law might stray from WTO, WAEMU, OHADA, or other treaty obligations, but it seems quite possible that it could do so in a variety of ways. Nevertheless, government counterparts expressed no interest in amending it, except perhaps by easing fine requirements for small and medium enterprises (SMEs) with minor infractions, such as failing to put on price stickers (Article 18).

⁹⁷ Permanent Commission Decree, Art. 9.

COOPERATIVE LAW

The **1966 Benin Cooperative Law**⁹⁸ and its implementing decree⁹⁹ provide an organizing framework for all forms of cooperative action in all sectors, including agriculture, finance, and education. This cooperative framework appears to be still in force, meaning that all cooperatives must comply with its provisions or face fines, prosecution, jail, and dissolution. There are no standards set in this law for any exercise of state discretion dealing with cooperatives. The framework also provides for no judicial appeal from state decisions. While it is unclear whether this law applies to organizations such as the Chamber of Commerce and the Patronat, on the face of the law, it seems like it could. At least on paper, it seems prudent to assume that all major cooperative decisions, documents, records, and management can be second-guessed by assigned bureaucrats.

In stark contrast, the recently adopted **Uniform Act Relating to the Law of Cooperatives** of 2010 (*Acte uniforme relatif au droit des sociétés cooperatives*) is heavily focused on internal governance and reporting to cooperative members. The Act is carefully worded, comprehensive, and thoughtful. OHADA provides a detailed, internationally credible, and workable tool for independent cooperatives to manage their affairs. How the OHADA self-regulating model lines up with the statist approach of these older Benin legal acts is not at all clear. Philosophically, they are worlds apart.

There does seem to be some activity on the cooperative side to try to bring their statutes in line with OHADA, presumably at state direction. However, there do not appear to be parallel efforts by the state to limit its own powers vis-à-vis cooperatives to be more in line with the OHADA approach. There may well be none. This matters for the competitive market, because it means that none of the agricultural cooperatives throughout the value chains are truly independent economic actors.

The worldview in the old cooperatives framework came through repeatedly in stakeholder interviews. Team members often heard top-down talk about the need to “organize” different sectors. Most of this seemed informed by the classic *dirigiste* approach. Even if the OHADA law has changed, neither the administrative mindset nor, it appears, the national law has kept up. The team was relieved finally to hear one producers’ group express a wish to organize themselves—rather than

⁹⁸ Ordonnance No. 59/IPR/MDRC, portant statut general de la cooperation.

⁹⁹ Décret 516/IPR/MDRC du 28 décembre 1966, fixant les modalités d’application du statut general de la cooperation.

being organized from above—whether by the government or by a donor. It is clear that the excessive state control allowed under the old cooperative law may have discouraged initiative.

CONSUMER PROTECTION LAW

Although Benin does not have a competition law, it does have a recent, ambitious consumer protection law with some competition law elements.¹⁰⁰ This 2007 law covers virtually all consumer products and services, and obligates sellers and service providers to comply with many requirements on packaging, consumer information, product quality, guarantees, contract terms, and fraud protection.

Under the **Consumer Protection Law**, all local and imported nonagricultural products are required to be registered after their “quality, security, and efficacy” are evaluated under undefined “national or international norms or rules.”¹⁰¹ The law does not address the specifics of product evaluation or registration, fees, or the time required. Nor does it protect against this process harming competition. It also does not link to potentially overlapping food, plant, and animal safety rules.¹⁰²

The Consumer Protection Law enters the realm of competition law by prohibiting discriminatory sales and pricing. Title V of the law contains a variety of regulated and prohibited commercial practices, including promotional and liquidation sales, noncompetition agreements,¹⁰³ sales premiums, sales at a loss, refusals to sell, and discriminatory conditions. These concepts are poorly elaborated in the law. The law provides for inspections, seizures, fines, and imprisonment for infractions, with double penalties for repeat offenses.¹⁰⁴

PLANT AND ANIMAL PROTECTION

Benin has passed a broad-ranging **hygiene law**,¹⁰⁵ a basic **SPS law**,¹⁰⁶ and a variety of SPS-implementing decrees.¹⁰⁷ As is common in such laws and rules, the focus is much more on

¹⁰⁰ Loi No. 2007-21 du 16 Octobre 2007, *Portant Protection du Consommateur en Republique Benin* (Consumer Protection Law).

¹⁰¹ Article 25, Consumer Protection Law.

¹⁰² Loi 91-004 du 11 février 1991 portant réglementation phytosanitaire en République du Bénin.

¹⁰³ Article 38, Consumer Protection Law, in which Paragraph 2 contains the confusing standard that “[a] non-competition clause is not legal, unless it defines the contents of a legal obligation.”

¹⁰⁴ See the Implementing Institutions section below for further discussion.

¹⁰⁵ For a brief overview, see http://www.bj.refer.org/benin_ct/Droit/site1_1/hygiensante.html.

¹⁰⁶ Loi 91-004 du 11 février 1991 portant réglementation phytosanitaire en République du Bénin.

¹⁰⁷ For a brief overview of the rules governing pesticides see *Importation, Fabrication et Distribution des Produits Phytopharmaceutiques. Fiduciaire Conseil et Assistance—Droit des Affaires au Bénin* (2008).

protecting the public health and environment than on encouraging trade. The legal acts reviewed did not, for example, include any language reflecting the WTO SPS Agreement¹⁰⁸ about harmonization, using the least trade restrictive means to reach legitimate public health goals based on scientific evidence or equal treatment of non-Benin products. Team members were told that the practice is to require detailed laboratory and field-testing before allowing import of any new pesticides, herbicides, insecticides, or plant varieties into the market by private entities. These can take years and be very costly, especially when the local authorities have to rely on foreign laboratories.¹⁰⁹ For state purchases by SONAPRA—which often arrive late, with farmers desperate to receive them—these requirements are waived, putting the private sector at a disadvantage. Seeds supplies are problematic in a market largely dominated by government and NGO actors.

LEGAL HOUSEKEEPING AND ACCESS TO DOCUMENTS

It is difficult to know what legal acts are still in force, and even more difficult to know what happens in actual practice. In one conversation, for example, a ministry counterpart took out a law from the 1960s, one from the 1980s, and one from the 2000s, all with some overlaps. On later review, it seemed that they also contain inconsistencies with OHADA and/or WEAMU treaty obligations. The counterpart then explained how the ministry tried to use the lower fines from the 1960s law when possible with SMEs rather than the high fines from the 2000s. While administrative sensitivity to market stall owners is laudable, it is hardly a substitute for clear, well-tailored, and functional rule making. Laws typically contain the lazy drafter's clause that "[e]verything which conflicts with law is hereby abrogated"—without providing any further guidance on what really is changed. The lack of detailed legislative good housekeeping invites excessive discretion, interministerial competition, and uncertainty for the private sector. The quality of legal drafting is very mixed. Even when well written, laws typically convey wide regulatory discretion to ministries with minimal guidance for implementation. Broad regulations are then passed with limited public input and no impact assessment.

Finding legal acts also proved quite problematic. Online offerings are limited, uneven, and difficult to search. Business is unevenly supported by the current patchwork offerings of published legal acts. The centralized, World Bank-funded government portal "e-Benin," while a step in the right direction, does not provide a searchable database of laws and regulations. Different agencies were left free to deliver what they wanted to the site, and most delivered little. Others, such as MAEP, simply provided a list of PDF files, named according to the date of the act, with no tagging. Different ministry websites typically contain few, if any, legal acts. The National Registry, which includes all laws and presidential decrees, is in print form only and available only through pay subscription. Private online services, such as that offered by the CCIB or <http://www.droit-afrique.com/>, can prove more fruitful sources of information. Even at the regional level, the search function does not work properly on the WAEMU website. The OHADA website is a standout exception, with clear, accessible, and complete legal documents available. Even there, however, much useful information is only available for a fee.¹¹⁰

IMPLEMENTING INSTITUTIONS

PROTECTION AGAINST UNFAIR COMPETITION

The main ministries responsible for competition issues in the agricultural sector are the **Ministry of Agriculture, Livestock and Fisheries (MAEP)** and the **Ministry of Industry, Commerce and Small and Medium Enterprises** (Ministry of Commerce). None of these implementing institutions nominally charged with regulating competition indicated any actions to ensure free, competitive markets. There could be none, or almost none, perpetuating a problem noted a decade ago:

Peasants should have opportunities to directly supply non-resident wholesalers. But ... (without) a clear policy on the promotion of competition ... local businesses often seek to protect their interests, creating barriers to foreign producers and traders. ... Currently, a state anti-collusion policy is needed, and the sooner the better. This exposes the failure to apply the rules in the country. ... (In current practice) [n]o (state) action is taken to check whether the competition is effective. In no market, were we able to observe state control of barriers to market access.¹¹¹

¹⁰⁸ The WTO Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement).

¹⁰⁹ Previously Benin has had to rely on foreign laboratories to conduct ISO-accredited testing. Under the New Alliance for Food Security and Nutrition and as part of the creation of ABSSA, Benin will be seeking ISO accreditation for the Central Laboratory for Food Safety (LCSSA). See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/224984/Cooperation-framework-Benin.pdf.

¹¹⁰ See <http://www.ohada.com/accueil.html>.

¹¹¹ Anselme Adegbi, Houinsou Dedehouanou, Sylvain Kpenavoun, and Clemens Lutz, "Dix Ans de Libéralisation du Marché de Mais au Bénin," *CDS Research Report No. 20* (December 2003) 68–69 (Corn Study).

Benin is a fairly small market, and a number of people interviewed stated a belief that markets for purchasing some products, including shea, were effectively divided among intermediaries with informal, but well-respected agreements. Other products, such as corn, seem to be much more competitive. Collusion among existing players is far more difficult in markets where new market entries are permitted, encouraged, and provided a policy and implementing environment in which they can thrive. Current research does not give confidence that new market entrants would be provided effective protection against collusive behavior of existing players seeking to defend their existing market shares but rather the opposite. The lack of an agency or at least a department with clear power and training to prosecute competition cases leaves potential market entrants on their own, trying to decide whether to risk it or not.

Producers and exporters alike expressed a strong wish that the state lift its prohibition on their dealing directly with each other. If the state removed this ban—which reportedly may be enforced both by the state and by intermediaries' informal, quasi-vigilante action for certain crops—producer income would increase and competition would improve.

The **National Council on Competition** seems to play a marginal role, if any, in regulating competition, and may be limited to providing an advisory service in rulemaking about price fixing and discriminatory sales.¹¹² The Price and Stocks Decree is implemented by the Ministry of Finance, but team members did not research the ministry's activities.

KEY IMPLEMENTING INSTITUTIONS

- Ministry of Agriculture, Livestock, and Fisheries (MAEP)
- Ministry of Industry, Commerce, and Small and Medium Enterprises
- National Council on Competition
- State food security agency (ONASA)
- Agency for Food Sanitary Security of Benin (ABSSA)

“CAMPAIGNS,” INTERPROFESSIONAL AGREEMENTS, AND MARKET CONTROL

As discussed above, several key crops, including cotton, shea, and cashews, are subject to annual “campaigns.” Under these campaigns, a minimum sales price is set, as well as a time frame during which transport of the products is permitted. The sales price appears to be set following a process of discussion between the relevant interprofessional association (or comparable group) and the Permanent Commission, presumably under MAEP leadership.

Sales outside of the campaign period are prohibited, and attempted sales or transport can lead to confiscation of the goods, assessment of fines, and perhaps imposition of prison time. The assessment did not uncover any documents that set out campaigns, other than for cotton. Several ministry counterparts thought that the solution to the lack of “organization” in various crops was to build on the “success” they had with cotton, by expanding the model to other crops. Benin’s cotton policy as practiced over the past several years seems hard to reconcile with the spirit and the letter of its trade treaty obligations or with producers’ needs. Instead of expanding the space for effective, competitive private market actors, expansion of the cotton model would reduce it and reinforce enforced cartels.

It is unclear whether the campaigns for shea and cashews also depend on the existence of an interprofessional framework agreement, similar to the well-developed—if highly problematic—one used for cotton, nor is it clear how private sector signatories of such a system are selected, or whether they are truly representative. Given the concentration of power and wealth that flowed to a single private individual who was given control of the Interprofessional Association for Cotton (AIC) when it was first privatized, it is reasonable to be concerned that a similar result might come from formalizing shea, cashew, and perhaps other crops following a similar model.

BOUTIQUES TEMOINS

The MAEP, through the state food security agency (*Office National d’Appui à la Sécurité Alimentaire* (ONASA)), owns and operates a chain of 88 boutiques temoins, state-run stores that sell highly subsidized rice, corn, and sorghum in all 77 communes, which they are considering expanding. Although ONASA’s core mission is crisis-period food security, the boutiques are open year-round and serve a primarily urban clientele. No proof of need is required. During the dry season in 2013, boutiques sold rice for CFA 200 per kilo, which local

¹¹² Article 14, Consumer Protection Law.

producers tried to sell for CFA 520.¹¹³ A recent study of local rice producers found that they see ONASA as an unfairly competing quasi-monopolist.¹¹⁴ Most refused to sell to ONASA.¹¹⁵ To stop market distortion, the study author recommended increasing the boutique sales price for rice to CFA 420 and limiting the sales to dry periods.¹¹⁶ Stakeholders also voiced serious concerns about leakage out of the boutiques, benefitting both local officials and store employees. If the goal is to provide a food safety net for the poor, rather than expanding this system, MAEP should focus on a more directed, less market distortive and less easily abused model.

AGRICULTURAL INPUTS

Benin has a long history of deep state involvement with purchasing and distributing agricultural inputs. NGOs and development partners have also been deeply involved over the years with agricultural inputs. In some input markets, especially for certain key seeds, it seems that there may be very little room left for private sector entry, given the level of government and NGO activity.¹¹⁷ For a country where such a large percentage of the population lives so close to the edge of hunger, basic food security concerns can easily lead one to conclude that the private sector cannot be trusted to take the lead in providing key inputs.

In interviews, stakeholders often described the difficulties the private sector has in finding—and the public sector has in supplying—needed inputs. More than one farmer reported receiving seed corn so late from the state seed providers that they are forced to eat, rather than plant it.¹¹⁸ Most telling was the comment of an official on the front line of providing farmer inputs. He half joked that he hid in his office to avoid producers' justified anger at their unfilled and late orders. Most touching was an ambitious young farmer with 10 hectares, no

machines, and no way to get the inputs to make his corn and cassava grow well. He did not want any subsidy—just access to the right products at the right time. State market control too often leaves farmers no place else to go but state suppliers, or their proxies, and these then are unable to meet their needs. Even smuggled Nigerian agricultural fertilizer seems hard to find. This is perhaps because smugglers cannot compete on price with the highly subsidized cotton inputs, which multiple sources confirmed that producers resort to using for other crops, even when it is poorly suited and perhaps dangerous for food products. These problems have plagued Benin agriculture for years. This assessment confirmed what a multitude of previous studies have stated—that the broken institutional framework of the agricultural inputs system requires a long overdue, fundamental rethinking.

Reform will not be easy. The state's dominant and unpredictable position in agricultural inputs, the very poor precedent of the cotton sector, the small size of the domestic market, and the risk of local cartel retaliation may make market entry unattractive for serious private sector input entrants. After 20 years of failed liberalization attempts, it may be time to attempt a different approach, as noted in the following recent report:

The liberalization of the Benin cotton inputs should strengthen competition between private distributors, lower input prices (Kpade, 2011) and promote the appearance of several chains of fertilizer to a large number of farmers, depending on the crop produced or agricultural sectors in the different regions of Benin. The provision of fertilizers in food "Boutiques Témoins" by the state . . . is not yet an appropriate response. Indeed supply is erratic, limited to the purchase of one bag per producer and access generally difficult. The opening of trade in fertilizer in different chains is not yet a reality after more than 20 years liberalization, although many private importers/distributors were allowed to enter the market, it became reduced to a private oligopoly (Bidaux and Soulé, 2005; Honfoga, 2007). However, successful liberalization should help meet the diverse needs of farmers.

¹¹³ ONASA, *Stratégie des « boutiques témoins » contre l'insécurité alimentaire au Bénin: Efficacité et perspectives pour l'Afrique*, presentation by Dr Emile N. Houngbo, Université d'Abomey-Calavi, Bénin, 1ère Conférence AGRAR, Yamoussoukro, (ONASA Boutique Strategy Paper), (2013), Slide 49.

¹¹⁴ ONASA Boutique Strategy Paper, Slide 51.

¹¹⁵ ONASA Boutique Strategy Paper, Slide 52.

¹¹⁶ ONASA Boutique Strategy Paper, Slide 50.

¹¹⁷ For example, the PADER Coordination Report discussed the problems of a multiplicity of different institutional actors in Benin seed production including MAEP, PADER "(i) research structures (AfricaRice LGB INRAB), (ii) structures providing advisory support for seed production (DAGRI, DPQC, DPLR, DICAF, DGR, CARDER, NGOs), (iii) farmers' organizations (ANASEB, CBRC) and more recently, ICRISAT / PROMISO-2." None appear to be purely private sector seed sellers.

¹¹⁸ "Post forecast for corn production in MY 2012/2013 is down slightly from . . . 2011/2012. This projected decrease is likely due to the altered rain patterns and the inability of the government to provide enough 'free seeds' and subsidized fertilizer to farmers." USDA Foreign Agricultural Service, *Benin Coarse Grains and Rice Report* (January 29, 2013).

If Benin's agricultural input markets are liberalized, it should be done in a context that ensures that producers are adequately protected. The risks of fake or inappropriate seeds, dangerous chemicals, and fertilizer overuse are real and need to be addressed seriously by the GoB. While there are many unscrupulous business people in the world, there are also many serious providers of agricultural inputs, selling well-known branded products and with carefully built reputations to defend. Benin faces a serious challenge of trying to exclude unscrupulous businesses, while encouraging serious, long-term ones to enter its local markets. As a small market in global terms, Benin needs to work extra hard to try to attract the long-term, reputable suppliers it needs. This chapter contains many reasons why serious suppliers might hesitate to enter the Benin local market. The more reasons serious companies find to hesitate, the wider the door is opened for unscrupulous business people to enter—selling fake, dangerous, and ineffective products. Benin can take steps to attract the global brands it needs by, for example, committing to help defend them against fraudulent competitors, while fast-tracking approvals for sales of good products.

Clearly, every country needs to develop its own path to maximize the safe production of healthy food for its population and for export. Pesticides, herbicides, and fertilizers all can harm both the environment and those working with them. Their import and use needs to be controlled to ensure quality products, and responsible use, appropriate for the particular soil and climate. Seed import, development, and usage are also complex topics, which different countries choose, for legitimate reasons, to regulate quite differently. Countries also follow widely varying approaches on where the state intervenes in the market for agricultural inputs with subsidies, state purchases, or other actions. Although an intensive study of the complex topic of the agricultural inputs market in Benin was outside the scope of this assessment, specialized experts have written extensively about the topic over many years.¹¹⁹

¹¹⁹ See by way of example, (1) *Projet d'appui à la Diversification Agricole (PADA), Plan des Gestions des Pestes et des Pesticides du PADA* (Petrus D. Dahou, November 2010); (2) *Gbetoenomon*, Août 2012; (3) *Segmentation du marché d'engrais minéraux pour répondre aux besoins des cotonculteurs au Bénin* (B. G. Honfoga, *Bulletin de la Recherche Agronomique du Bénin (BRAB)* Numéro spécial Coton–Septembre 2012); (4) *Mise en place et fonctionnement régulier d'un cadre de concertation multi-acteurs : facteur d'efficacité d'une intervention d'appui à la production semencière au Bénin* (Dieudonné A. Messan, 9 février 2012; Organisme: Programme cadre PADER (Programme d'Appui au Développement Rural) (PADER Coordination Report)), or (5) *Aide Memoire, Mission Conjointe d'évaluation de la Faisabilité d'un Appui Coordonné des Partenaires Techniques et Financiers aux Efforts du Gouvernement Béninois Face à la Crise Alimentaire*, 04 au 15 août 2008.

CONSUMER PROTECTION

As discussed above, liberalization of the input markets is not just a supply-side competition issue; it is also tied to consumer and environmental protection. Although the Consumer Protection Law does provide for a National Council on Consumption,¹²⁰ there is no independent agency established to enforce the law. Enforcement powers are delegated to the Ministry of Commerce, other public agencies it names, and the judicial police.¹²¹ The anti-fraud and consumer protection division of the Ministry of Commerce has a network of agents working in markets country-wide, actively trying to protect consumers against various market abuses, such as lack of price labels and sales of expired and/or fake products. Good are only permitted on the market if they meet Ministry of Commerce standards, but it is not entirely clear how these standards are set or how they harmonize with regional or other international rules.

All the various MAEP responsibilities for food safety have recently been transferred to the newly formed, 700-person **Agency for Food Sanitary Security of Benin** (*Agence Béninoise de Scurite Sanitaire des Aliments* (ABSSA)). Consumer protection is also offered by ABSSA, which has broad oversight for ensuring the quality and safety of all agricultural inputs and outputs.

¹²⁰ Articles 56 and 57, Consumer Protection Law.

¹²¹ Article 46, Consumer Protection Law.

THE EXAMPLE OF COTTON POLICY AND INPUTS

The state's role as agricultural "competing fairly" regulator often seemed less important to it than its role as market actor. Indeed, these regulatory institutions themselves are the sources of many of the most severe market distortions in the sector. The prime, but not only, example of this is cotton. Cotton forms a critical thread, along which state action and undue privileges given to private entities have replaced normal market function, blocking key agricultural inputs for other value chains.¹

The state's management of the cotton sector—and its spillover effects on other crops—generate a constant litany of complaints from economic actors in other sectors. While MAEP is responsible for most implementation of the cotton policy, many other agencies are involved. Put simply, the state's approach to cotton has often left other crops without the inputs they need when they need them. Stakeholders in corn, cashews, cassava, and pineapple all complained about being pinched by the state's inability either to provide the inputs they need, or to get out the way and let the market provide them.

Potential outside agricultural input market entrants can take little comfort in the state's role in creating, and then in 2012, destroying and nationalizing, what was in effect, a private, vertically integrated cotton cartel. Until 2012, the market for fertilizers, herbicides, and pesticides was highly controlled by a small group of approved intermediaries. While this has now been nationalized, it is a disturbing precedent. The Cotton Framework Agreement² between the GoB and the Interprofessional Association for Cotton (AIC) legalized a very effective framework for the industry actors to set prices, control inputs, and control all activities in the sector. Thus, for example, while Article 8 asserts "the full liberty of private sector actors to organize their relations on the basis of freely negotiated contracts," it then further specifies that these "free" contracts must comply with the requirements of the AIC. In practice, everyone in the sector had to go along with the AIC, which only existed as a quasi-statal concession.

¹ "The exclusive promotion of export crop cultivation (in West Africa) comes at the expense of food, with the kidnapping of productive resources such as land, credit, inputs and extension services." *Les crises alimentaires en Afrique de l'Ouest: Une conséquence des politiques économiques*, Abel Gbetoenomon, Friedrich Evert Stiftung, Août 2012 (Gbetoenomon) (2012), 2.

² Accord-Cadre entre l'Etat et l'Association Interprofessionnel du Coton (January 2009).

SUPPORTING INSTITUTIONS

Within the formal sector, Benin has an abundant variety of different nonprofits, donor-funded cooperatives, associations, federations, researchers, and other groups in the agricultural sector. This section will focus on those supporting institutions that play an active role in improving or hindering fair and competitive markets in Benin.

Private sector associations. At the lower end of the value chains, Benin has a wide range of producer groups, organized according to different crops. These groups are of varying capacity, but there are signs that some may be increasingly active and effective in representing their members. The cashew producers, for example, seem to have been able to organize to extract higher payments from cashew intermediaries during last year's campaign. The state's wide claims to intrude into **cooperative organizations** under the Cooperative Law may have helped keep them passive and perhaps disorganized, especially at the producer level. Intermediaries appear to be quite well organized in some crops, may have informal agreements to limit competition, and may have some capacity to influence policy to their advantage, as was alleged in the shortened shea campaign last

year. The laws that prohibit producers from stocking goods¹²² and/or selling to wholesalers or exporters¹²³ may further solidify intermediaries' market power vis-à-vis producers.

At the central level, there are many agencies and groups engaged in activities that may influence the fairness of competition in Benin. At the high end, groups representing large businesses such as the **Conseil Nationale du Patronat du Benin** (CNPB) and **Conseil des Investisseurs Prives au Benin** (CIPB) play a very active role trying to influence policy. The CNPB seems quite focused on creating an official monopoly on "voice," in which it would be empowered to set the agenda

¹²² Commercial Activities Law, Article 27 and Article 31 of the Price and Stock Law both provide: "It is prohibited for persons who do not possess a trader or industrial license and cannot justify the quality of agricultural products, to retain for sale any stock of products and foodstuffs."

¹²³ Commercial Activities Law, Article 16 provides: "Except for artisanal products and certain subsistence products, direct sales which put the producer in direct contact with the retailer or final customer cannot be organized, except under conditions specified in a regulation issued by the Ministry of Commerce." The Price and Stock Law provides in Article 21: "Wholesale sales may only be made to businesses who are duly registered in the commercial registry ... to farm mutual and to agricultural cooperatives. In exceptional cases, to persons intending these purchases for their sole family consumption..."

for public-private discussions.¹²⁴ While this sort of monopoly would not have immediate market impacts, it could seriously skew policies in favor of large businesses in the long term, effectively excluding SMEs and the informal sector from the negotiating table.

DONORS AND NGOS

A number of **NGOs and bilateral and multilateral donors** are active in Beninese agriculture, supporting producers, transformers, intermediaries, academics, and government agencies in a variety of ways. The capacity of local academics, lawyers, and consultants to produce excellent research is truly impressive. Many have received donor support. Without the written work and time commitment of highly trained Beninese professionals, several of whom are cited in the notes, it would have been impossible to prepare this report or get oriented so quickly. While the right fertilizer may still be hard to find, there is no shortage of a locally available intellectual base to support “competing fairly” improvements.

Donors do need to try to stay market neutral, where possible. The team visited one very dynamic and entrepreneurial shea butter processor situated just a few hundred meters away from a newly formed, NGO-backed cooperative. The heavily subsidized cooperative had far better equipment, a line of credit, and was purchasing shea nuts from collectors at 20 percent higher than the local market price—undercutting the private sector processor. While this no doubt was better for collectors, its market impact and sustainability are questionable.

KEY SUPPORTING INSTITUTIONS

- Informal networks and cooperatives
- *Conseil Nationale du Patronat du Benin* (CNPB)
- *Conseil des Investisseurs Privés au Benin* (CIPB)
- NGOs and bilateral and multilateral donors
- *Chambre de Commerce et d’Industrie du Benin* (CCIB)
- *Conseil Présidentiel pour Investissement* (CPI)
- e-Bénin and other sites
- Universities and think tanks
- Trade treaties organizations

¹²⁴ The recent creation of a new public-private dialogue mechanism, the *Autorité Nationale Pour le Dialogue Public-Privé*, provides for 13 private sector representatives, all of whom are to be selected by the CNPB.

CCIB

Membership in the **Chamber of Commerce** (*Chambre de Commerce et d’Industrie du Benin* (CCIB)) is obligatory for all formal enterprises, and the CCIB is very active in providing education and support to members in a range of ways.¹²⁵ The CCIB does conduct some business lobbying on behalf of members, which include many SMEs, but has been limited in its operations for the past two years due to controversy over the election of a new governing board.

CONSEIL PRÉSIDENTIEL D’INVESTISSEMENT

The **President’s Council on Investment** (*Conseil Présidentiel d’Investissement* (CPI)) plays a well-positioned and perhaps increasingly important role defining major policy issues and facilitating public-private dialogue. After a period of inactivity, the CPI has been reinvigorated under the leadership of Mr. Nassar Yayi, the son of President Yayi, as a key forum where major issues effecting the business environment can be discussed openly. Both Messrs. Yayi, father and son, have clearly expressed an interest in seeing the CPI serve as inclusive umbrella where interests of all registered enterprises, large and small, foreign and domestically owned, can be given the attention they need. The structure is not yet formalized, a regular meeting schedule has not yet been agreed, and it is not yet clear how the various private sector players and government will agree on how the agenda is set. The interests of SMEs tend to be very different from those of larger enterprises. For example, while SMEs are starved by lack of credit, the comparatively few larger firms do not confront this problem. While umbrella dialogue mechanisms can play a useful role, it is important that they not be taken hostage by entrenched interests and used to create an effective monopoly on voice. This is most likely to happen where small elites take charge and information is not shared widely.

Many countries now require regulatory impact assessments (RIA) and provide the public with ample notice and opportunity to comment (both in public hearings and in writing) on draft laws and regulations. By requiring themselves to share drafts widely, governments provide the entire population with a flexible, ongoing, and topically oriented way of engaging with exactly the right governmental counterparts at the ministry level. While a well-intentioned and well-run dialog mechanism can help bring out issues, it is no substitute for the self-disciplined

¹²⁵ See Commercial Activities Law, Article 11.3. The CCIB website at <http://www.ccibenin.org/> lists services offered as well as links to a variety of studies, online legal documents, and professional and other services offered to assist business.

transparency provided by RIAs and notice and comment rule-making. The governance approach in RIA and notice and comment rulemaking is fundamentally different and much more democratic than having one high-ranking official forum. It permits interest groups to form, get excellent information, and directly question government officials about the powers they wish to exercise. Instead of funneling all of this through the President's office, as seems to be the idea underlying the CPI, the RIA and notice and comment rulemaking process distributes accountability to the level of government that is pushing for the new rules. "Sunset" provisions, which require laws and rules to go out of force unless they go through a RIA and public notice process, can also be extremely effective over time to make administration more responsive. If the CPI were to take the lead and succeed in pushing for this kind of reform, it would provide a needed forum for higher level policy debate—without getting slowed down by the details of individual legislative and regulatory proposals or the battles that inevitably occur when one entity becomes the only place business can come to seek relief.

SOCIAL DYNAMICS

As implied earlier, are a number of practical "competing fairly" choke points that seem to limit the ability of agricultural producers to optimize their production and income.

INFORMALITY

Most market activity in Benin takes place in the informal sector. Individual farmers and informally organized traders often work closely with Nigerian traders to smuggle large quantities of Benin's cassava and corn production into Benin's huge neighbor. Friends and family relations ensure that desirable, rented locations in public markets are tightly held—or sold on the black market for an undisclosed premium. Market "turf" is defined, divided, and defended by effective, informal means.¹²⁶ In the empty space left by lack of market enforcement, collusive practices can flourish.¹²⁷

¹²⁶ For example: "in some areas, there are proven anti-competitive practices among actors in the informal subsistence sector: ... many cases can be cited in transport and particularly in bulk sale of petroleum products on streets and in towns. It is common, in fact, that these actors join to enforce price levels, with the possibility of monetary penalties for all those who do not conform." Soumanou I. Moudjaïdou, *Application du Droit et de la Politique de la Concurrence au Secteur Informel*, Cinquieme Conference des Nations Unies Chargee de Revoir Tous les Aspects de l'Ensemble de Principes et de Regles Equitables Convenus au Niveau Multilateral Pour le Controle des Pratiques Commerciales Restrictives, Antalya, Turquie, du 14 au 18 novembre 2005, 4.

¹²⁷ "For example, peasants should have opportunities to directly supply the non-resident wholesalers. But the reality is that State wanted to withdraw from the marketing of food products without clear policy on the promotion of competition, knowing that local traders, often seek to protect their interests, creating barriers to producers and foreign traders." Corn Study, 68.

Personal and communal relations, rather than formalized structures, written contracts, or the rule of law, govern and support much of what makes Benin work.

ACCESS TO NIGERIAN MARKET

Access to the Nigerian market is tightly controlled, both formally and informally, by Nigerian traders. Beninese producers and intermediaries report that the only really effective way to sell many agricultural products into Nigeria is to sell to Nigerian smugglers in a market on the Benin side of the border. Formal trade with Nigeria, according to one exporter, requires obtaining a NAFDAC (National Agency for Food and Drug Administration and Control) certification from the Ambassador of Nigeria in Benin. The lack of direct access by Beninese to the Nigerian market is a long-standing issue. It can leave much of the profit from selling into the large Nigerian market with Nigerians, rather than with Benin's producers or intermediaries. The GoB continues its efforts to improve formal trade relations with Nigeria, but progress remains slow.

COMPETING FAIRLY AND WOMEN

Producers seem to suffer from a toxic combination of legal limits on stocking goods, intrusive coop regulations, legal limits on selling directly to wholesalers or exporters, contrived legal limits on transport of "campaign" products, and lack of enforcement against cartel behavior among transporters and intermediaries. This combination keeps producers and their cooperatives—entities at the bottom of the value chain—smaller, weaker, and less attractive for financing than they otherwise could be. It can also make them prey to intermediaries, decreasing their incentive to plant or collect, and their ability to plan, further lowering national wealth.

This dynamic is most acutely felt in shea, where the kernel gatherers who suffer from these practices are exclusively women. For example, several shea value chain actors with whom we spoke—other than intermediaries—felt severely injured by the timing of last year's shea campaign. Having a late starting campaign injured them by forcing producers to stock nuts they had gathered and dried for much longer than needed. This in turn forced them to sell at deep discounts when transport was finally permitted. It was alleged that this timetable resulted from lobbying by intermediaries, who originally wanted an even longer time before stored nuts could be sold. If these allegations about the last shea campaign are true, they are deeply disturbing. The market truly is warped if a few prosperous shea intermediaries could successfully collude to get the government to manipulate the last campaign timetable to maximize their price pressure on thousands of impoverished women gatherers.

GOVERNMENT AS A MARKET PLAYER

As discussed above under Implementing Institutions, the GoB often seems much more focused on its role as a market player than as a market regulator. The underlying issue is the conception of the role of the state and of political leadership in a democratic market economy. Decades after the nominal end of Marxist-Leninist dictatorship in Benin, large traces still remain. They are visible in the hovering nature of state control, the enforced passivity at the lower end of value chains, and the lack of state control of those at the higher end of the value chains. They are visible in the lack of checks and balances or procedural clarity built into legal acts. They are visible in the lack of incorporation of treaty obligations—which come from a fundamentally different perspective—into national law or practice. With political will, based in a more modern and open view of the state role in a market economy, these traces can be made to disappear to the benefit of all Benin citizens.

The state-controlled input system in particular fails to give producers the seeds, fertilizer, pesticides, or herbicides they need when they need them—and refuses to let them go elsewhere to have their needs met. This practice has a serious negative impact on their ability to produce quality product in the quantities they could, lowering national wealth. Obviously, this hits the pockets of the poor the most. If the state cannot help, it needs at least to get out of the way. It can do this by limiting its oversight of inputs to the minimum necessary to protect consumers, the public health, and the environment.

Mistrust of markets and of private sector actors permeated many of our meetings with government officials. This mistrust was often expressed through conflating quite separate issues, leading somehow to a conclusion that broad, heavy, and expensive state intervention was essential. Thus, for example, generalized mistrust of Nigerians, fear of mislabeled or defective products, or fear of improper use by farmers could be used to justify the need for state purchase and distribution of fertilizer or pesticides—as if this were the only feasible solution.

Much work remains to be done to ensure that when the state is a market actor in the agricultural sector, it structures its activities in the least distortive manner possible, creating as much room as possible for true and fair market competition. As the state plans its exit strategy from the 2012 nationalization of the cotton sector, it is essential that the painfully obvious lessons that are there to be learned are in fact learned. It would be a tragedy for Benin if another insider monopoly is created for cotton with the power to ruin the game for everyone else.

RECOMMENDATIONS

Review Benin key agricultural laws, decrees, and administrative practices against treaty obligations to WAEMU, OHADA, and WTO and assist to bring them into compliance with letter and spirit of treaty terms that promise the greatest potential impact.

This “good housekeeping” suggestion aims to bring Benin’s national law and administration more into harmony with the philosophy and key terms of agreed free trade and good governance treaties. The focus should be on terms that most affect the agricultural economy, though reforms could have broader economic impact. This is intended to resolve several problems. First, it will help expose and clarify discrepancies between existing national practice and treaties, which should, in principle, govern. Second, it will provide a reason and a tool to help clean up the confusion of overlapping laws and decrees that partially override each other without ever saying specifically what remains of the former legal act. Third, it will gradually replace overbroad room for administrative discretion with internationally recognizable procedures that are designed to foster trade and investment. Fourth, it will gradually help remove the legal bases that confuse the state’s market actor and market regulator roles and enable deep state intrusion into the day-to-day function of private sector cooperatives of all kinds.

This recommendation should be implemented in several stages. First, a review needs to be done of key treaty obligations against national law, going into much more detail than what was possible here. This should identify “letter and spirit” discrepancies and make initial recommendations for conforming changes. This review should be conducted by a small team of outside and Beninese experts. Second, once the topics are focused, a somewhat larger working group of perhaps 15 people should be convened, including well-regarded private sector players, academics, and reform-oriented government actors to study the review, revise it, and perform an informed assessment of who could win and lose from it and at what cost. This group should then prepare draft revised legal acts they believe are conforming, politically feasible, and of potentially high impact for the agricultural sector. Third, the results of this working group should be made the object of a larger public-private discussion with the goal of getting buy-in and support for legal revisions, if possible, from the affected ministries and economic actors. Fourth, the identified legal acts will need to be amended legislatively. Fifth, the relevant affected private and public sector actors need to be trained in the differences caused by the changes and, where needed, taught to change their systems and behavior accordingly.

As government plans liberalization of cotton market, provide assistance to help ensure creation of a competitive, sustainable, and open market to supply timely, high-quality agricultural inputs to non-cotton value chains.

This idea aims to carve out a clear market space, where non-cotton value chain inputs are no longer squeezed out by all-dominant and state-controlled cotton sector. As the government works over the next couple of years to undo the recent nationalization of the cotton value chain, how it is liberalized will make a major difference in whether or not a functional market can be created for non-cotton inputs. A coordinated donor approach towards this can make the difference between another monopolistic privatization to the detriment of many non-cotton value chains and one that lets other crops thrive. We recommend starting with a marketing and legal study of both opportunities and barriers for agricultural inputs, looking at a few key value chains such as corn and cassava. A business plan for potential entrants needs to be prepared, with blocks identified and ways to remove them outlined. This plan should be vetted with major potential inputs suppliers and producers' cooperatives.

Major government-caused risk factors in the plan should also be addressed. For example, ways to expedite approvals for new inputs may be developed, such as accepting recognition of well-studied, branded inputs that have been approved for use internationally and proven safe in conditions similar to Benin. Effective and credible ways will need to be outlined to protect potential market entrants from the market distortions caused by cotton. Legal and administrative solutions that are binding on the government (perhaps backed with donor loan conditionality or even a right to make international arbitration claims) would be put into place to encourage competitive market entry. The plan and solutions would then be "shopped" to reputable international firms and producers associations, perhaps facilitated by a business conference and public outreach campaign, where supply and demand can meet. Producer training in safe use of new inputs should also be considered.

Review legal framework governing competition, including the draft competition law, and support the passage and implementation of new WAEMU-compliant competition framework that promotes effective competition and consumer protection.

This open-ended recommendation encourages engagement with the government in reviewing, commenting on, and then passing reforms to the legal and regulatory framework governing competition in Benin, including passage of an overarching WAEMU-compliant law on competition. This is, in some ways, a subset of the first recommendation, but because of its context and potential importance, it is presented separately. While the first recommendation considers treaty-compliant changes in general, this considers the specific case of the draft competition law, which is currently working its way through government, reportedly in the face of substantial opposition from powerful market players (both public and private) who benefit from the status quo. If government counterparts are willing and able to share a copy of this draft and get comments on it, this could help improve the draft. If bill proponents believe that donor coordination public outreach and publicity on the draft could help secure its passage, this should be supported. In addition, a thorough review should be conducted of the existing legal framework governing commercial relationships, including the Commercial Activities Law, Permanent Commission Decree, and Price and Stock Law, to ensure that the entire legal framework is brought in line with the principles of the WAEMU Competition Treaty via passage of the new law on competition. After passage of legal reforms, the government would then need substantial assistance to help promote effective competition and improved consumer protection, including perhaps help setting up an independent competition regulatory authority.



ACCESSING MARKETING INFRASTRUCTURE

The characterization of Benin's system of managing agribusiness-related information and infrastructure is essentially one of dualism. On one hand, the state centrally manages most aspects of large-scale infrastructure pertinent to agribusiness, including the collection and diffusion of market information. On the other, a large array of agricultural businesses, associations, and service providers operate in a poorly structured and often informal business environment.¹²⁸ Apart from a thin layer of export activity and other agribusiness processing outside the state-run cotton sector—primarily in shea, cashews, and pineapple—where some industrial agribusiness organization, infrastructure investment, and logistics do function; the general picture for agricultural markets and infrastructure in Benin is one of a fragmented and underserved set of actors, needs, and initiatives. As is the case across West Africa, agricultural production in Benin remains a smallholder-dominated sector across most commodities, which increases the difficulty of coordination between producers and other market actors.

The institutional and physical infrastructure for input supply, contracting, extension services, storing, processing, grading and sorting, and transporting that exists in the state-run cotton sector is substantially less developed in other food crops, especially in staple commodities such as cereals. A general view taken by many in government interviewed in the course of this assessment is that non-cotton sectors are “liberalized.” Nonetheless, government involvement in price determination, market structure, and critical support services, including some aspects of quality control and regulation, is still acutely felt by private sector actors. On the price and input side, government involvement remains quite significant, even though actual input supply remains exceedingly low in terms of volume of product delivered (crop-specific fertilizers, chemical products, and certified seed) and the quality of public service. Tightly controlled buying and selling activity in certain export commodities limits

the potential gains from greater trade in products such as shea and cashew. The GoB continues to rely on national commissions of producers, traders, processors, and various public sector bodies for establishing price floors and ceilings in a range of food crops, underscoring its persistent social safety net concerns relating to the recent 2007–2009 food security crisis and its lack of faith in private markets to ensure adequate supply at reasonable prices.

The role of the public sector in critical infrastructure investment to support agribusiness development is severely limited by hard budget constraints and a lack of meaningful public-private dialogue about infrastructure planning and finance. Infrastructure for improved access to markets is a multifaceted set of issues centered on (1) access to information on market activity, (2) key deficits in physical infrastructure at all levels of farm-to-market supply chains, and (3) institutional infrastructure that can minimize transactions costs and improve coordinated economic action by value chain actors. The government operates a centralized market information system that is exclusively focused on staple grains and prioritizes food security and consumption concerns over long-term market development.

¹²⁸ Recent surveys, such as the *Recensement Général des Entreprises* (general census of business firms) conducted in 2010, estimate that just under 96% of all enterprises in Benin operate informally. One must be careful, however, in assuming that this means that all such businesses entirely escape paying taxes, as a number of taxes and user fees are collected at different stages of the production, transit, and marketing process.

Physical infrastructure needs are significant but concentrated around issues of transportation access, greater storage capacity and improved management in storage facilities, rural electrification, and access to equipment for better conditioning, processing, or packaging of different agricultural goods.

This chapter will address the different ways infrastructure issues, in their “hard” and “soft” characteristics, namely, their physical, institutional, and informational aspects, are central to how agricultural products are marketed in Benin. The emphasis is on the legal and regulatory framework and the role of key institutions in supporting the development, maintenance, and regulation of both public and private marketing infrastructure, in its current state, and the kinds of measures that promise to deliver impactful results going forward.

LEGAL FRAMEWORK

TRANSPORTATION

Responsibility for infrastructure development, maintenance, and management exists at the national, departmental, and municipal level. **Fiscal and administrative decentralization** occurred in 1999 and transferred many direct responsibilities and administrative planning functions related to infrastructure to the municipal level.¹²⁹ Of particular importance at decentralized levels of government is the tertiary or rural road sector, which plays a critical role in ensuring farm-to-market access and consolidation of agricultural products. Many if not most municipalities, however, experience considerable difficulty in planning for, financing, and executing these responsibilities. At the national level, large-scale infrastructure planning in transportation is managed by the Public Works Authority (*Direction des Travaux Publics* (DTP)) in the Ministry of Public Works and Transportation (Ministère des Travaux Publics et des Transports), which also has responsibility for putting in place the overall sector strategy for the national road network and other key transport-related infrastructure such as ports, air transport, and the railway. The national road network is administered by the DTP under **administrative decree n° 2001-092** and includes 6,076 kilometers of national and interstate roads,¹³⁰ while the rural road network covering over 30,000 kilometers is ostensibly under the responsibility of municipal governments in their localities. Quite aware of the

limitations of many municipal governments in carrying out their road-related management responsibilities, the DTP is active in helping municipalities find additional sources of financing and technical expertise, while the state is also active in tertiary road development for the purpose of opening up high-value zones to further support cotton production.

Regional legal and regulatory agreements at the level of the ECOWAS and the WAEMU have harmonized many customs and interstate transit procedures that directly affect cross-border agricultural trade within Benin. The policy harmonization among the 15-member countries of ECOWAS, and especially among the smaller 8-member group within WAEMU, is to a significant degree a ready-made legal and regulatory framework for trade facilitation. In spite of this harmonization, most of which pertains to principles of free circulation of goods and persons within each of these West African zones, higher levels of cross-border trade and regional specialization in trade have been slow to evolve due to enduring nontariff barriers and the often arbitrary application of border and customs formalities. The work of WAEMU's *Observatoire des Pratiques Anormales* in data collection, analysis, and advocacy on discriminatory or other corrupt practices in road-based transit has been an important part of raising broader awareness of the benefits of improved oversight of the application of customs and other public control functions in cross-border trade.¹³¹

KEY LAWS AND REGULATIONS

- Laws on fiscal and administrative decentralization
- Administrative decree n° 2001-092
- West African Economic and Monetary Union Treaty
- Regulation no. 14 regarding loads and axle loads
- Economic Community of West African States Treaty
- The Benin-Togo International Electricity Code of 1968 (revised in 2006)
- The Public Procurement Code
- Food Safety Law (n° 91-004)

¹²⁹ The parameters of decentralization in Benin is based in laws n° 97-028 on “the organization of territorial administration” and n° 98-005 on “the organization of municipalities for specific functions.”

¹³⁰ The interstate road network consists of seven roads linking border crossings between Benin and its neighbors in Togo, Burkina Faso, Niger, and Nigeria. The network is approximately 80% paved, while the rest of the national road network (39 roads in total) is just under 9% paved.

¹³¹ For more information, see the West Africa Trade Hub's 2011 Technical Report No. 41 entitled, “Regional Agricultural Transport and Trade Policy Study.”

The issue of check points and the number of required stops along the principal transport corridors in Benin, and indeed across West Africa, has received a great deal of policy attention, especially at the level of WAEMU and ECOWAS. As recently as June 2013, the GoB has followed the lead of the Council of Ministers of WAEMU regarding the reduction of control posts, and has passed a decree ordering that no more than three control posts should be in effect on any interstate transport corridor irrespective of the distance. In addition, such control posts are supposed to have representatives from all three uniformed corps (namely, the police, the gendarmerie, and the water and forestry authorities) in order to expedite controls and facilitate the movement of goods and persons within the country. At present, however, there is a lack of respect for proper regulation on multiple levels. Most transporters disregard many regulations regarding axle loads and cannot pass many of the vehicle inspections that require conformity with road-based transit regulations. Public authorities often seize upon this state of affairs in ways that surpass their mandate through a wide variety of arbitrary roadside shake-downs that add considerable cost to transiting freight along the country's interstate and national road network.

ENERGY

Benin is strongly dependent on energy imports and faces significant deficits in rural electrification and overall stability of the power supply, especially in rural areas. As such, the legal accord uniting Togo and Benin into a multinational power pool is extremely important for coordination, sovereignty, and electricity network development in Benin. The **Benin-Togo International Electricity Code of 1968**¹³² (revised in 2006) created the Benin Electric Company (*Communauté Electrique du Bénin* (CEB)), a bi-national public sector company overseeing the purchase of electricity and transmission between the two countries. The role of the state-owned power utility in Benin (*Société Béninoise d'Énergie Electrique* (SBEE)) is therefore linked to the prevailing governance structure within the CEB, including how to address systemic shortages and network expansion. Thus "energy independence" involves a complicated set of coordination issues.

The **Public Procurement Code**¹³³ sets forth the procurement procedures for undertaking all public works according to certain monetary threshold values, including works in rehabilitation, connection, and extension of the power grid. Given significant waiting periods and a backlog of connection and extension orders to satisfy, the threshold levels required for national and international procurements under the code seem out of step with the reality of works activities undertaken by SBEE and its need to acquire critical imported inputs (mostly equipment) in an orderly and timely manner.

STORAGE

The legal framework for storage infrastructure is more diffuse. ONASA, the national food security agency, operates the national staple grain storage program through a series of **administrative decrees** under the aegis of the Ministry of Agriculture. Having a total storage capacity of over 42,500 tons spread across six regions, just under 60 percent of which is currently operational, ONASA plays a role of trying to regulate price volatility in staple commodities during post-harvest periods and before the beginning of the next planting season when scarcity prices prevail. It does this through its own purchasing, storage, and distribution programs. New storage facilities are built, and sometimes leased from private traders, most often in consultation with the rural infrastructure department (*Département de la Génie Rurale* (DGR)) within the Ministry of Agriculture and in conformity with the public procurement code mentioned above. Although no statutory guidelines are in effect for the proper and hygienic management of agricultural-related warehouses, the legal structure pertaining to **food safety (law n° 91-004)** has several **application decrees** that deal with inspection and certification procedures for agricultural products destined for export and wholesale markets. These include issues of traceability, grading, sorting, and verifying humidity content related to packaging. Last, several initiatives are underway in Benin that aim to promote improved management along the lines of warrantage (a warehouse receipt system), which will be discussed in more detail below, and offer promise in promoting higher standards for the use and maintenance of storage facilities despite the absence of an overarching legal and regulatory framework for management and operation of this kind of infrastructure.

¹³² Code International Daho-Togolais.

¹³³ Code des Marchés Publics (law n° 2009-02).

KEY IMPLEMENTATING INSTITUTIONS

- Public Works Authority (DTP)
- *Société Nationale pour la Promotion Agricole* (SONAPRA)
- Benin Electric Company (CEB)
- State-owned power utility (SBEE)
- Rural infrastructure department within the Ministry of Agriculture (DGR)
- Agricultural extension service (CARDER)
- Food security agency (ONASA)
- National Institute for Agronomic Research in Benin (INRAB)
- Domestic commerce and trade department within the Ministry of Industry and Trade (DGCI)
- *Société de Gestion des Marchés Autonomes* (SOGEMA)

IMPLEMENTING INSTITUTIONS

The key implementing institutions for agricultural markets and infrastructure center primarily on the transportation network and other critical hard infrastructure such as electricity supply and storage. Additional institutions provide important rural services such as agricultural extension and market information.

TRANSPORTATION

The overwhelming share of noncotton agricultural commodity flows in Benin travel via the road networks, largely in an informal capacity. Formally registered transportation companies play a very limited role in transiting agricultural freight within Benin, unless it originates as imported product from the Port of Cotonou. Despite the DTP putting in place a sound multimodal transport strategy for the economic development of the country,¹³⁴ and noting the considerable efficiency gains achieved in transiting goods in and out of the port over the last several years (with significant investment on the part of MCC), the predominance of informal transport for agricultural commerce remains a basic trait of the dualism described at the outset of this chapter. This stands in contrast to the cotton sector where the state, working SONAPRA, is able to mobilize

the truckers unions to transport steady sources of supply on the basis of formally established rates per kilometric ton. For most producers and traders in food crops, the transportation of goods involves an unclear and unstable form of negotiating prices and volume by route, usually in smaller, less reliable vehicles that are subject to numerous controls and check points by public authorities, increasing transactions costs and the risk of a product never reaching its market. The DTP does, however, work closely with some municipalities on infrastructure planning, labor-based and locally sourced road construction and maintenance programs, and helping to find financial assistance for new road rehabilitation and maintenance. It generally applies three interrelated criteria to planning in the roads sector: (1) improved access to basic community services such as education and health, (2) increasing access to areas of agricultural production, and (3) providing improved access to markets. If sustained organization by value chain actors were to coalesce around these goals of improved market access through road and transportation infrastructure, some significant bottlenecks to more productive commercialization of agricultural goods could be eliminated.

ENERGY

The state of the power grid in Benin is widely recognized to be a considerable obstacle for economic growth in general, and agribusiness development in particular. Several stakeholder groups, particularly those managing processing facilities outside the capital, mentioned how the unstable nature of the power supply is a severe constraint on current operations and on decisions about expansion. For instance, one representative of a cashew processing plant mentioned that monthly usage and maintenance costs on their diesel generator were roughly the same as their monthly bill to the SBEE, meaning that their energy bill is effectively doubled on account of the frequency of supply interruptions.¹³⁵ This cost is compounded by the fact that such outages have a tendency to cause damage to machinery in the plant such as short circuits of electrical components and malfunctions within plant operations requiring repeated and expensive calls to outside repair personnel.

¹³⁴ The Ministry of Public Works and Transportation has a well-articulated transportation development sector strategy covering the road, rail, air, and maritime transport networks for the period 2007–2011 and it is formulating an updated version. In it, there is a clear understanding of the underlying problems and obstacles to improved multimodal transportation for economic development, including the role of political interference in restructuring entrenched interests in the trucking unions as well as in the rail system, the Organisation du Chemin de Fer Bénin-Niger (the Benin-Niger Railway Organization).

¹³⁵ A liter of gasoline in rural areas can cost approximately CFA 500 per liter, while 1 kilowatt hour of electricity costs CFA 110. This example stands in contrast to similar anecdotal information from Ghana, which suggests the cost of running a generator for as little as one day can be as much as the monthly utility bill.

Such energy shortfalls are part of a much more systemic problem in the governance of energy supply. Benin's electricity is sourced through the **CEB**, which has the monopoly on the purchase and transportation of electric power over the transmission network linking Benin and Togo into a sub-regional power pool. The role of the **state-owned power utility SBEE** is essentially limited to purchasing electricity from CEB and reselling it over the national distribution network. Despite sourcing electricity from Côte d'Ivoire, Ghana, and Nigeria, the CEB still cannot provide enough power supply to overcome a chronic deficit of approximately 80 megawatts for Benin alone. The distribution network itself has considerable problems. The coverage rate is roughly 34 percent on a national level, with urban and peri-urban areas covered at close to 57 percent. The situation in rural areas is far worse with barely 3 percent of the rural population having access to the electricity grid. SBEE is aware of the problems this creates for economic development and would like to see stronger coordination with different development partners about the territorial scope of various projects in order to maximize impact near the existing network. Because of the large fixed costs involved, any new demands for service requiring an extension in the rural portion of the network must be paid for by the person or entity making the connection request. Despite posting a positive net financial position over the last two years¹³⁶—CFA 2 billion in 2012 and CFA 1.3 billion in 2011 (following a deficit of CFA 1.3 billion in 2010)—when viewed in combination with the CEB's finances, the picture is not as rosy. The SBEE cannot hope to implement its strategic plan for the next five to seven years without external assistance. The strategic plan consists primarily of expanding the distribution network, increasing the density of the high voltage (category B) distribution network around Cotonou, rehabilitating control posts and towers around the country, creating a national dispatching center, and rehabilitating its two thermal power stations.

RURAL INFRASTRUCTURE AND SERVICES

Outside of the road and electricity sectors, critical rural infrastructure for storage, rural water supply, and access to machinery for pre- and post-harvest handling is managed by the **rural infrastructure department** (DGR), while important rural services such as agricultural extension are handled by the agricultural extension service (*Centres Agricoles Régionaux pour le Développement Rural* (CARDER)). In

¹³⁶ An interview with senior SBEE staff revealed that the company's improved financial performance is largely attributed to a reduction in its own thermal production, now purchasing close to 90 percent of its power from CEB; an increase in electricity rates beginning in 2010–2011; a series of cost management decisions related to outsourcing of routine connection work; and a freeze on new hiring following a number of staff departing through retirement.

addition, the work of the **food security agency** (ONASA) in providing market information services for many of the staple food commodities is another important part of the institutional environment for the production and marketing of agricultural products. All of these entities operate under MAEP.

Rural infrastructure. Post-harvest losses stemming from the degree of physical isolation of certain production zones from national road networks and the lack of storage infrastructure have reached such a significant level in the last few years that the rural infrastructure department has advanced the idea of becoming a semi-public institution. This would allow it to have a more autonomous operating budget, the authority to enter directly into public-private partnerships with private sector actors and NGOs, and to more efficiently respond to the needs of producers, processors, and traders. For example, several stakeholders noted that pineapple growers are regularly forced to discard substantial portions of their product on account of a pervasive lack of storage and conditioning facilities that could help them preserve a greater share of output and income.

Agricultural research and extension services. The work of the extension service (CARDER) and its accumulated knowledge of different production regions, seasonal and cropping patterns, and smallholder behaviors is perhaps the greatest and most underutilized asset the Benin government has at its disposal for developing productivity-enhancing agricultural practices and better connectedness between value chain actors. Owing to considerable budgetary constraints, problems in the government-controlled input supply system that is out of step with the needs of food crop production, and a lack of direct coordination with agricultural research institutions such as the **National Institute for Agronomic Research in Benin** (*Institut National de la Recherche Agronomique* (INRAB)), the CARDER is not deployed in ways that support the kind of knowledge-brokering that an extension service is typically charged with delivering.

Market information systems. A functioning, state-run market information system (MIS) is in effect in Benin and is operated by ONASA through a network of field agents that collect price data on production costs and wholesale and retail prices for a range of staple grain commodities. ONASA's MIS has an historical database of 25 years of longitudinal price data, an important aspect of being able to fulfill its role of ensuring adequate supply of staple food and acting as a buffer against excessive price volatility in times of scarcity. However, current MIS is not adequate for promoting agribusiness activity through the provision of timely information pertinent to

supply and demand across intermediate, wholesale, and retail markets. Most stakeholders interviewed for this study indicated an almost complete neglect of the state-run MIS' activities in the pursuit of their production, processing, or trading activities. ONASA's data collection methodologies are heavy and slow, and its diffusion strategies over the radio do not ensure the timeliness that most producers and traders require. Moreover, even the historical data contains significant gaps and is considered unreliable by many stakeholders. Opening up the MIS to private-sector service providers that can complement the existing system's focus on food security with a more market-centric approach to facilitating real-time market flows through the use of simple information and communications technology (ICT) would be welcomed by most value chain actors. Several such initiatives are already operational in West Africa and should be examined closely by the authorities at ONASA. These include eSOKO in Ghana, Manobi in Senegal, and the many accumulated experiences of the Market Information Systems and Trade Organizations in West Africa (MISTOWA) project.

TRADE AND MARKET REGULATION

The **domestic commerce and trade department** in the Ministry of Industry and Trade (DGCI) plays an important role in structuring market activity within Benin's wholesale and retail markets, as well as organizing trading activity in certain export commodities such as shea and cashew. DGCI manages the **national commodity commissions** that are an important aspect of linking producers, buyers, exporters, and other market actors together along with ministry officials to establish annual price parameters and purchasing arrangements, including the official start dates for the campaigns for cotton, cashew, and shea. This function is deemed by some stakeholders to be an important aspect of organizing commercial trading in certain commodity chains, ostensibly to protect the interests of small-scale producer and to ensure coordination among market actors in sectors where the state is not as present. However, others, especially those directly involved in exporting, perceive this "service" to be a mechanism of state control over price and quantity.

In terms of the wholesale and retail markets, the **Société de Gestion des Marchés Autonomes** (SOGEMA, the regulatory body for some of Cotonou's largest markets), also under the Ministry of Industry and Trade, plays a lead role in structuring the institutional and physical environment for bulk commodities and for smaller retail commerce. Its current activities target the reduction of high levels of punishing property speculation within the different types of boutiques and

stalls in the markets, which can reach as high as 20 times what the designated renter pays and is leading to increasingly significant levels of abandonment of agricultural commerce within some of the capital's largest markets. SOGEMA is trying to move all urban-based markets in the capital to a pricing system based on square meters instead of by type of stall, which involves a complicated process of mapping, design, and consciousness-raising in the face of considerable entrenched interests. Though such efforts will not eradicate speculation, they will introduce greater transparency into the pricing of market stalls and make it more difficult to extract such high rents from smaller-scale traders.

SUPPORTING INSTITUTIONS

The prevailing forms of market organization in Benin's agricultural sector are: (1) commodity chains such as cotton, where inputs, outputs, intermediate processing, and all out-grower schemes are organized in a state-mediated supply chain, and (2) market mechanisms that are to a very substantial degree informal from production to commercialization.¹³⁷ This poses a unique set of challenges with regard to how supporting institutions, governmental and nongovernmental, can promote sustained professionalization and value-chain development.

ASSOCIATIONS AND ORGANIZATION OF PRODUCERS AND TRADERS

A common refrain heard from stakeholders throughout this assessment was that commodity chains in Benin are not organized, and that this lack of organization is why they do not function like real value chains. This repeated observation seemed, at least on a superficial level, to be at variance with another observation, namely, that there is a very large number of **producer and trader associations**, both commodity as well as territorially specific, across the agricultural sector. Associational density, however, does not equate with real organization. In just about every municipality visited, there were multiple organizations of producers, traders, or processors, and most often they were linked into larger umbrella federations at a regional or national level. Some are also represented by the National Platform for Peasant and Agricultural Producers' Organizations (*Plateforme Nationale des Organisations Paysannes et Producteurs Agricoles* (PNOPPA)), a lobbying organization pressing for more explicit representation of the views of producers in national policy debates on agricultural sector reform.

¹³⁷ An intermediate form of market organization is the case of certain export commodity chains such as cashew and shea, which have aspects of both state organization in terms of the purchasing and price determination functions, as well as informal characteristics such as working with small-scale and informal producers and processors.

KEY SUPPORTING INSTITUTIONS

- **Producer and trader associations**
- *Le Département de la Métrologie (Ministry of Agriculture)*
- **Agricultural Chamber of Commerce**
- **Standard-setting agency (ABeNOR)**
- **Trade promotion agency (ABePEC)**
- *Division Inspection Phytosanitaire*

While associations and organizations of market actors are not in short supply in Benin, the ability to speak with a unified voice for sustained public action to address key agricultural infrastructure and policy issues is indeed lacking. Producers and traders have similar needs: increased storage capacity and increased professionalization of post-harvest conditioning, sorting, packaging, and storage activities. Aggregating sufficient supply is a crucial first step for a stable form of contracting, yet aggregation is severely constrained by the state of rural feeder roads. Accordingly, public and private sector actors must work within the framework of decentralized governance structures, with the DTP and the DGR, to ensure a prioritization of a rural roads agenda.

WEIGHTS AND MEASURES

Though its mandate is broader than the agricultural sector, the **department for weights and measures** within the Ministry of Agriculture (*Département de la Métrologie*) supports regulation in the area of weights and measures and therefore oversees a critical aspect of agriculture trading. The department has the only internationally certified laboratory for testing mass in the West Africa region and works closely with the DGCI in Benin's largest wholesale and retail markets to test and verify that properly functioning scales and weights are being used. For bulk commerce, the department makes available several days a week in Cotonou's largest markets a large but portable scale that can support 100 kilos at a time. The department also tests trucks at the larger weigh stations at the Port of Cotonou and key border crossings. To combat against fraud in wholesale transactions between producers and traders, especially in rural areas, the department is working with the **Agricultural Chamber of Commerce** (*Chambre d'Agriculture*) on a new project to make available to producers' associations better instruments for weighing products before they are sold and training for farmers on the importance of and proper usage of such instruments to increase confidence in market transactions.

GRADES, STANDARDS, AND PROMOTING QUALITY

The set of professional norms and standards pertaining to the farm-to-market commodity chain play a crucial role in the informational and institutional environment supporting the marketing of agricultural products. Standard-setting and quality control of food crop production and marketing is a fragmented and largely voluntary set of practices performed by a variety of private and public sector entities. The greater the export activity or export potential for a good result, the stronger the tendency to coordinate between public and private sector actors to refine the grades and standards and promote the adoption of best or better practices (*pratiques qui sont en conforme*). For instance, public sector entities such as the **standard setting agency** (*Agence Béninoise de Normalisation (ABeNOR)*) and the **trade promotion agency** (*Agence Béninoise de Promotion des Echanges Commerciaux (ABePEC)*) play an active role in defining and encouraging broad-based adoption of quality grades for post-harvest handling, conditioning, sorting, and packaging of processed or semi-processed agricultural goods such as pineapple, cashew, and some shellfish. ABePEC is more engaged in developing markets and international alliances that can lead to new opportunities for producer cooperatives and agro-processors. The agency assists in developing business plans and strategies and provides agribusinesses with a forum for marketing and communicating key elements of quality assurance practices.

The work of both these agencies is mindful of international standards but also strives to find workable grades and standards in line with local realities and promote adoption through consensus-building across a broad cross-section of producer cooperatives and buyers and sellers. The food safety regulator, the **Division Inspection Phytosanitaire** under the Ministry of Agriculture, provides important phytosanitary certification for both imported and exported agricultural or other food products. Its focus is largely on categorizing and verifying the extent of pest and insect infestation in agricultural products destined for export through databases, mapping, and laboratory analysis. The division is also developing important traceability programs, which currently cover only a limited number of export crops.¹³⁸ Private-sector traders take the lead on developing quality standards for products as in the

¹³⁸ The regulatory regime for food safety in Benin is under transition as part of the President's national reform program for the agricultural sector called the Plan Stratégique de Relance du Secteur Agricole (strategic plan for the re-launching of the agricultural sector). The current phytosanitary inspection agency will exist alongside a new food quality and conditioning directorate (*Direction de Qualité et du Conditionnement des Produits Agricoles*) under a new centralized food safety agency called the *Agence Béninoise de Sécurité Sanitaire des Aliments (ABSSA)*.

shea sector; as they deal directly with exporters and therefore have a direct understanding of market demands. The efforts of these private-sector actors at promotion and even direct training of women involved in the conditioning and processing of shea are significant; however, their efforts remain informal and therefore make it more difficult for the food safety and traceability apparatus to certify output.

WAREHOUSING

As mentioned previously, the needs in the rural sector as it pertains to storage are considerable. However, it is not just physical storage capacity itself, but also the effective use of warehousing as a strategy for more effective commercial activity that is an equally important aspect of rural infrastructure issues. In line with the comments made above about the need for greater organization within and among groups of producers, several domestic and international partners are working with producer groups on better warehousing practices and the eventual implementation of a functioning warehouse receipt system (*warrantage*). While a real receipts system is not yet operational in Benin, external technical assistance in the form of several NGOs with backing from the German and Dutch aid agencies as well as from UNDP, and further supported by the CARDER, has been instrumental in introducing farmer groups to better practices in warehousing. These include sorting and conditioning, proper packaging, checking humidity content, the use of pallets, inventory management, security, proper separation from chemical products, and the formation of strong management committees linked to local mutualist credit institutions. In the case of one producers group in the municipality of Nikki, individual farmers were represented in a tripartite management committee between their local agricultural producers' organization (the *Union Communale des Producteurs*), the local mutual agricultural credit agency (CLCAM), and representatives from the CARDER. Storage conditions for the warehouse conform to mutually agreed-upon principles, and the warehouse itself can only be opened in the presence of members from all three organizations, with the only key held by the credit agency. Sale of stored products takes place only after a decision of the management committee so that it is in line with the best interests of the producers. Individual producers can obtain credit from the CLCAM against the quantity of stored inventory they have lodged within the warehouse. High levels of interest charged and the inability to use this same inventory as a credit guarantee with other financial intermediaries still limits the broader benefits of such an experience. However, this and other examples of *warrantage* being pursued in Benin are positive signs of

collaboration between local and external supporting institutions for improved professionalization within key stages of farm-to-market activities.¹³⁹

SOCIAL DYNAMICS

One of the principal challenges for the emergence of real agribusiness activity in Benin is the lack of substantive coordination among market actors. As noted in the previous section, issues of organization remain a priority for being able to confidently engage in agricultural production. Stronger coordination and clearer rules of the game for market coordination will require action in the areas discussed below.

ISSUES OF TRUST

The persistence of informality and lack of a broader base of professional development within many of Benin's core commodity chains results from a pervasive lack of trust between economic actors in most phases of agricultural production and marketing, as well as between agricultural enterprises (formal and informal) and public authorities. In just about every interview conducted for this assessment, there was some direct indication that one party or another was to blame for "unfair competition," "not respecting the proper regulation," "defrauding the market," "running their business to the detriment of producers," "fixing prices to suit their interests," or "acting like a mafia." Obviously such statements illustrate a wide variety of concerns, but they also point to an overarching theme in that market coordination is underdeveloped and government regulation does not adequately support and incentivize market-oriented behaviors that can become repeatable practices with reasonable expectations of decent returns from one's efforts if such behaviors are practiced. As the chapters on Enforcing Contracts and Competing Fairly make clear, the government can apply one set of rules and procedures to a preferred sector, as in facilitating reliable input supply and formal transport services to affiliates in cotton, and allow economic actors in food crops to be subjected to the arbitrary application of standards and controls, such as at road check points or other spot controls in the wholesale and retail markets. This unpredictable policy environment has the effect of creating greater uncertainty in market-based practices and promotes a culture of highly individualistic strategies for seeking profit.

The case of one soybean producer in the Borgou region is illustrative of this problem. The producer had seven metric tons for which he had a buyer in Cotonou who had failed to pick up the product on the week that had been promised. The producer, who had his soy beans in a school and had no place

¹³⁹ See the Getting Credit chapter for more information on these arrangements.

to properly store them, called a group of Nigerian traders the following week who swiftly came through and purchased all seven tons in a cash transaction. When the Cotonou buyer called a few days later explaining he had been unable to organize transport on account of a death in the family, the producer had to inform him that the product was gone.

Where lasting business relationships do exist, they are often limited to relational networks in lieu of formal contracting. Whether it pertains to accessing market information or transporting and selling, a large proportion of the stocks and flows of agricultural products operate through well developed and largely informal networks of traders and producers. Since these networks are fundamentally relational, they are difficult for other market actors to penetrate, especially in terms of executing business contracts. Although these relational contracting networks often work well, they are also unstable and undermine trust as one party has little or no recourse if another fails to deliver. These experiences have legal, regulatory, informational, and infrastructural aspects to them that must be addressed through awareness activities about professionalization and efforts directed at better market coordination.

Gender and access to markets. The role of women in Benin's agricultural sector is significant, and any meaningful initiative to support the commercial development of agricultural commodities must deal explicitly with gender considerations of labor, skill upgrading, access to equipment, constraints on mobility, the multifaceted problems in securing access to credit, and improved access to market information, including quality standards. Women tend to dominate many aspects of wholesale and retail agricultural trade, especially in staple sectors, as well as in some primary production/gathering in shea. They are also very active in processing activities in several value chains, including shea, cashews, and cassava. Gender division of labor in the marketing of agricultural products often relates to the family structure. This reality underscores the importance of understanding how interventions that support women in certain activities such as processing or marketing are related to a broader household production dynamic. For example, efforts to improve inputs supply (e.g., crop-specific fertilizers or chemical products) that typically target men in order to produce higher yields and better quality output should also be accompanied by awareness programs that target women through the MIS to help them refine their marketing techniques and promote stronger knowledge of the prices they may be able to command.

Last, given the importance of women to the commercialization of agricultural commodities, women must be better integrated into the formulation of quality grades and standards. The institutional infrastructure surrounding the development, promotion, and adoption of quality standards has tended to be largely technocratic, but this is changing to a more open and consensus-based approach led by ABeNOR. In the shea export sector, formal buyers are playing the lead role in developing a uniform set of standards and practices for conditioning and handling of the kernels that are extracted, as well as for certain aspects of processing into shea butter. Although this work is largely done through training activities conducted by the buyers themselves and is neither codified nor formalized, it is an important example of how market actors are taking it upon themselves to impart critical demand-side information and deliver the training to support quality objectives. How such training and awareness programs might be translated into increased income for the women involved in collecting and processing shea nuts would be an important piece of information upon which to follow up.

RECOMMENDATIONS

In order to promote long-term and meaningful development of the agricultural sector and real agribusiness activity in Benin, increasing access to markets by alleviating critical infrastructure deficits and informational bottlenecks for improved coordination among economic actors must be a central priority.

Create commune-level rural roads action groups with public and private sector representation to inject local ownership and accountability into the development of the rural road network.

In terms of physical infrastructure, the most pressing problem is one of improving the rural road network and unlocking the productive potential of certain regions that are effectively cut off from regional and national markets either by the quality of the roads or the absence of roads, to say nothing of the high levels of arbitrariness and corruption in the public control function of road-based transport of agricultural commodities. Devolvement of responsibility for rural road networks to the municipal level plus low capacity of local governments has resulted in little progress being made on road network development since decentralization.

The creation of commune-level rural road action groups would give ownership and accountability to a broader range of public and private stakeholders at the local level in the development of the local rural road network. These public-private working groups would be made up of local community and business leaders and municipal government representatives and would be charged with selecting areas for expansion and monitoring maintenance needs in their areas. To give the actions of these groups some bite, their agendas should be supported through a transparently administered local road development fund with money raised from local tax earmarks, private donations, and other sources of financing identified with the assistance of the DTP. The groups would report to the DTP for coordination of overall national strategy and maintenance of a local-scale road network database. The DTP should also be empowered to hold the groups to task, to recommend areas of intervention based on identified holes in the larger network that impact their areas, and to intervene when needed if local politics or corruption threaten to eclipse the transparency or public-private nature of their work. Particular attention should be paid in the authorization and formation of these groups to ensure that women have a voice.

Open up the market information system to private sector service providers.

The issue of improved access to market information on the supply and demand sides is an important step for productivity-augmenting market coordination. At present, the state-run MIS is largely irrelevant for commercial agricultural traders of any significant scale, and most small-scale producers interviewed in the course of this assessment pay no real attention to its diffusion of price information. Injecting a market-leaning set of service offerings into the way MIS is managed, specifically in being able to link market demand with transaction-specific price and quantity information (ideally tied to specified quality grades) in a timely manner, while also preserving its underlying food security mission, is a necessary step in the evolution of MIS. Food security objectives would also be enhanced over the long run in this manner. A short-term cross-subsidy arrangement with the private service providers would likely be needed, at least in an initial period, to be able to roll out the MIS and other services to farmers, or better yet, groups of farmers, in order to build up a sufficient user base which could then be a real platform for supply and demand information as well as stock and flow transactions.

LEARNING BY DOING: THE CASE OF SONGHAI

Considering the pervasive difficulties confronting producers and traders across Benin's agricultural sector, the experience of the Songhai agricultural training center based in Porto Novo is particularly important. Founded by a Dominican priest and drawing its name from a sixteenth-century West African empire, the center teaches self-sufficiency and best practices in just about every aspect of food crop production, processing, and many intermediate aspects such as tool manufacturing, organic fertilizer production, and bio-fuel development. Emphasizing principles of sustainable development, processing to capture value, recycling, and conservation, Songhai teaches adolescents and young adults to be successful farmers. Songhai operates multiple campuses in the country specialized in different food crops. The main campus on over 30 hectares in Porto Novo specializes in different fruit and vegetable cultures, as well as in animal husbandry and fish farming. The campuses in northern Benin are more focused on staple grains and fish farming. A fundamental philosophy of living on the basis of what one produces is the essence of what Songhai tries to impart to its students in encouraging them to take up farming as a vocation. To this end, students learn best practices through fieldwork in managing farming activities as well as through formal instruction. Songhai also works closely with more advanced experts from the national agronomic research institute (INRAB), national and international NGOs, and several partner organizations founded on Songhai principles in other Sub-Saharan countries such as the Democratic Republic of the Congo, Malawi, Nigeria, and Sierra Leone. Although Songhai is not able to teach its students how to overcome systemic problems of infrastructure deficits or access to credit issues, its approach to continuous learning and self-reliance founded upon sound farming and nonfarm practices allow its students to better cope with such pervasive uncertainty.



ENFORCING CONTRACTS

Globally, Benin ranks 178 out of 183 countries in the 2013 World Bank ranking of ease of enforcing contracts.¹⁴⁰ The World Bank survey found that on average it takes 795 days to enforce a contract and costs 65 percent of the cost of the claim.¹⁴¹ While the legal framework supporting business transactions is sound, contracts that do not have a guarantee are challenging to enforce. There is a backlog in the courts in Cotonou, and the high legal cost is often prohibitive or the defaulting party insolvent. For a large segment of the agricultural business sector, contract enforcement is only attainable through personal negotiations or threats from the police. Hence, there is a need to strengthen already existing local institutions to offer mediation and other alternative legal services to settle disputes and foster greater trust and adherence to contractual obligations. In addition, greater access to information about past transactions would enable businesses to screen their trading partners better and therefore reduce their risk.

LEGAL FRAMEWORK

CONTRACT LAW

Benin is a member of OHADA. **The OHADA Treaty on the Harmonization of Business Law** in Africa of 1993¹⁴² has 16 member states in West and Central Africa. In accordance with the OHADA treaty, the Uniform Acts are directly applicable in the member states and take precedence over any existing or future domestic law in conflict with the OHADA regulations. OHADA has adopted nine Uniform Acts to harmonize and unify business law in the member states. Contract law is regulated by the **OHADA Uniform Act Relating to General Commercial Law**.¹⁴³ The Act, which was passed in 1997 and revised in 2010, is in line with international best practices in terms of each party's obligations and the transfer of ownership and risk. Commercial sales contracts can be written or oral, and there are no rules for what form a contract should take (see Article 240) unless the good is regulated by a different regime (such as financial instruments and electricity; see Article 236). To expand

the Act's applicability in light of the large informal sectors in the OHADA member states, the Act was revised in 2010 to create two types of economic operators: merchants (*commerçants*) and entrepreneurs (*entreprenants*), with a simplified registration process for the latter to facilitate formalization.¹⁴⁴

The **OHADA Uniform Act Organizing Simplified Recovery Procedures and Measures for Execution of 1998**¹⁴⁵ provides for a simplified regime for creditors to recover uncontested debts, where the amount of the debt is established, and the debt is due. This written court process, referred to as an "injunction to pay" (*l'injonction de payer*), follows an expedited procedure where documents supporting the debt are submitted to the court, and, rather than being called for a court hearing, the debtor is simply notified about the decision. The debtor then has 15 days to oppose the decision, at which point, if the debtor is not voluntarily repaying the debt, the creditor can take the court decision to a bailiff for execution. A similar expedited procedure is in place for an injunction to deliver goods that have already been paid for but not delivered.

¹⁴⁰ See World Bank, *Doing Business 2013*, available at <http://www.doingbusiness.org>.

¹⁴¹ *Id.* Of this 65 percent, more than half (36.5 percent) is attributable to court costs, 17.3 percent to attorney fees, and 10.9 percent to enforcement costs.

¹⁴² *Traité relative à l'harmonisation du droit des affaires en Afrique.*

¹⁴³ *Acte uniforme sur le droit commercial général.*

¹⁴⁴ See François-Richard Kpenou and Saturnin Afaton, *La Justice au Service du Développement du Bénin* (Council of Private Investors in Benin, 2013), 113–14.

¹⁴⁵ *Acte uniforme sur l'organisation des procédures simplifiées de recouvrement et des voies d'exécution.*

KEY LAWS AND REGULATIONS

- The OHADA Treaty on the Harmonization of Business Law in Africa (1993)
- The OHADA Uniform Act Relating to General Commercial Law (2010)
- The OHADA Uniform Act Organizing Simplified Recovery Procedures and Measures for Execution (1998)
- The OHADA Uniform Act on Contracts for the Transportation of Goods by Road (2003)
- The OHADA Uniform Act on Arbitration (1999)
- The OHADA Uniform Act Relating to the Law of Cooperatives (2010)
- Administrative, Civil, Commercial, and Social Procedure Code (2011)
- United Nations Convention on Contracts for the International Sale of Goods (1980)
- Permanent Commission Decree (1988)

Other laws are relevant. The **OHADA Uniform Act on Contracts for the Transportation of Goods by Road** of 2003,¹⁴⁶ which regulates transportation by road contracts when the transfer of merchandise or delivery takes place within the territory of an OHADA member country. The provisions in the law are in line with international good practices. The **OHADA Uniform Act on Arbitration** of 1999¹⁴⁷ governs arbitration in the OHADA member states. Under the law, the parties are free to agree upon what law should be applied. The Mediation and Arbitration Center discussed below adheres to the Uniform Act on Arbitration.

OHADA adopted a new Cooperative Act, the **OHADA Uniform Act Relating to the Law of Cooperatives**,¹⁴⁸ in 2010. In accordance with the Act, cooperatives can contract with third parties within the limits of their internal by-laws (Article 4). The new OHADA Cooperative Act supersedes the national General Statute on Cooperation, Ordinance No 59/PR/MDRC (1966), which granted the state considerable influence over how cooperatives were managed. (See the Competing Fairly chapter for a more thorough discussion.) However, the content of the new act is not well known among cooperatives or legal professionals in Benin, and to what extent the new OHADA law supersedes all sections of the

General Statute on Cooperation or whether there are still parts that remain in effect was not clear to this assessment team, but needs to be further investigated.

The promulgation of the new **Administrative, Civil, Commercial, and Social Procedure Code**¹⁴⁹ in 2011 modernized the procedural rules. The code, adopted as part of the first MCC Benin I Compact, is designed to speed up case processing and enhance efficiency in the justice sector. The Code is widely acclaimed for creating more coherent and efficient procedures, but the judicial system does not yet have sufficient staff to adhere to all the new procedures.

In 2012, Benin became a signatory to the **United Nations Convention on Contracts for the International Sale of Goods** (CISG), which provides a uniform framework for the sale of goods between businesses in the 79 signatory states.¹⁵⁰ The OHADA Uniform Act Relating to General Commercial Law was modeled after the principles in the CISG and contains provisions on sale contracts that follow closely those of the CISG.¹⁵¹ For instance, the principle of good faith is a leading interpretative principle in both texts. Contracting parties are free to opt out of any or all of CISG's provisions, but the automatic application of the CISG is effective in the event that the parties have not chosen another applicable law. Although the CISG and OHADA are compatible, the CISG allows exclusion of those contracts that fall under a regional treaty or a regional uniform law.¹⁵² Hence, the CISG is in particular useful for businesses contracting with parties in other signatory states outside of the OHADA region.

FREEDOM OF CONTRACT

Freedom of contract in Benin is restricted by the **Permanent Commission Decree** of 1988.¹⁵³ The Decree, which appears to "only" be enforced in regard to the export crops cotton, shea, and cashew, does not allow producers to sell directly to exporters but rather requires the use of a licensed intermediary. In addition, the government restricts the transportation of cotton, shea, and cashew to a *campagne* period, which lasts for a

¹⁴⁹ *Code de Procédure Civile, Commercial, Administrative, Social et des Comptes.*

¹⁵⁰ http://www.uncitral.org/uncitral/en/uncitral_texts/sale_goods/1980CISG_status.html (The member states include many of the countries in Europe, North America, Asia, and Australia representing a significant portion of the world trade.)

¹⁵¹ Marcel Fontaine, OHADA Uniform Act on Contract Law Explanatory Notes on the Preliminary Draft (2004), available at <http://www.unidroit.org/english/legalcooperation/OHADA%20explanatory%20note-e.pdf>.

¹⁵² Articles 90 and 94 of the CISG. See also Luca G. Castellani, "Ensuring Harmonisation of Contract Law at Regional and Global Level: the United Nations Convention on Contracts for the International Sale of Goods and the Role of UNCITRAL," *Uniform Law Review*, Vol. 13 (2008), 121.

¹⁵³ *Décret No. 88-30 du 20 Janvier 1988 portant création de la Commission Permanente d'approvisionnement des facteurs de production, de commercialisation des produits agricoles et du commerce générale* (the Permanent Commission Decree).

¹⁴⁶ *Acte uniforme sur le contrat de transport de marchandises par route.*

¹⁴⁷ *Acte uniforme sur le droit de l'arbitrage*

¹⁴⁸ *Acte uniforme relatif au droit des sociétés cooperatives.*

couple of months each year and is announced often only shortly before the campaign starts. The crop may not be sold for less than a minimum price set annually by the government. The government is considering extending the campaign model to other crops, including pineapple and corn. The Decree and the effect it has on distorting the market is discussed in greater detail in the Competing Fairly chapter. However, it is important to point out that this decree is a formal hinder to promoting and adopting contract farming for the crops governed by the decree, as exporters cannot arrange contracts for the purchase of their raw materials directly from producers. Moreover, the requirement for exporters to buy from intermediaries makes fair trade and organic certification very challenging due to the complexity in tracing the origins of a product that passes through many hands. Although some creative exporters have set up two companies, one buying and processing the input and one exporting the product, the inefficiency of this system needs to be further researched and addressed. In addition, the campaign period requires processors to purchase their input for a whole year during a couple of months, which could be financially challenging.

ACCESS TO LAWS

The OHADA acts are readily available online through the OHADA website, and they are published in a collected printed version, often referred to as the “green book.” National laws, decrees, ordinances, and other administrative decisions as well as OHADA directives are published in the Official Gazette (*Journal Officiel*). However, the Official Gazette’s printing technique is antiquated, and on average there is close to a six-month delay from when a law is signed by the President to when it is printed.¹⁵⁴ As laws do not take effect until they are printed, this delay slows the process of legislative change. Moreover, national laws and decrees are not collected in one central online location. Instead, some ministries have published a selection of laws on their websites, while it is sparser for others. Hence, accessing laws, decrees, and other administrative decisions can be challenging.

IMPLEMENTING INSTITUTIONS

A functioning judicial system is key for businesses’ willingness to enter into more complex contracts and trade with an extended network of trading partners. Recourse to the courts is a last resort for parties that cannot settle their disputes on their own or through mediation of a third party. However, the legal system also functions as a reassurance for those that do not resort to

court but know that that the courts is a viable option should other, less confrontational means of settling a dispute fail. Hence, to consider how effective a judicial system is, one needs to consider not only how the courts are functioning for those that are using them, but also whether the predictability of court outcomes is facilitating settlements outside of court.

The general impression among medium and larger businesses in the selected value chains is that the court system is slow and that the time involved in taking a case to court affects their ability to use the court system. One business reported that a case filed against a bank had been pending with the trial court since 2007 and that the file had disappeared altogether at one point. This example has probably taken more time than most cases, but there is a big backlog of cases, especially in Cotonou where most of the businesses have their seat. Smaller businesses do not perceive courts as an option for settling contractual disputes as many of these businesses operate informally and view the threshold for accessing the courts as too high.

The average time for processing a commercial case in the courts was unavailable, but the comparative measure for a civil case in 2009 was found to take on average 17 months to process in Cotonou, while it took only 3 months in Parakou.¹⁵⁵ Statistics obtained for the trial court in Cotonou for 2012 show that the stock of commercial cases from the previous year was 470 cases; there were 590 new commercial cases in 2012; 227 cases were cleared from the docket. Although the court is not able to tell how long the average time is, from these statistics it is clear that the backlog of commercial cases in Cotonou is growing. As discussed above, the ability to use the faster and simplified injunction to pay process to recover unpaid debts is of great importance for businesses and banks to recover uncontested (i.e., well-documented) debts. Some private businesses and lawyers reported that the process would often take much longer than what was desirable.

KEY IMPLEMENTATING INSTITUTIONS

- Ministry of Justice (MJLDH)
- Trial courts, appellate courts, and the Supreme Court
- Reconciliation Courts
- Legal Information and Documentation Center (CDIJ)
- Arbitration, Mediation, and Reconciliation Center (CAMEC)

¹⁵⁴ Osseni, K. Kadijath and Megnigbeto, Eustache, *Une nouvelle vie pour le Journal officiel de la République du Bénin. Communication au 2ème congrès de l’association internationale francophone des bibliothécaires documentalistes*, Martinique, 9-11 Aout 2011, available at <http://eustachem.ilemi.net/spip.php?article61>.

¹⁵⁵ François-Richard Kpenou and Saturnin Afaton, *La Justice au Service du Développement du Bénin* (Council of Private Investors in Benin, 2013), 49.

To make the court system more efficient, the EU and MCC (under the MCC Benin I Compact) have spent significant resources to support the **Ministry of Justice** (*Le Ministère de la Justice, de la Législation et des Droits de L'Homme* (MJLDH)) in establishing a computerized case management system. All courts have been equipped with this system, and personnel have been trained multiple times, but the uptake and implementation is uneven between courts. Implementation is threatened by some lingering staff resistance, wavering leadership from the MJLDH, persistent technical problems, and frequent power outages. The EU continues to support the implementation of this case management system, which will require continued technical and financial support for the foreseeable future.

According to an enterprise survey conducted by the World Bank/IFC in 2009, only 10 percent of firms in Benin recognize the functioning of the courts as being fair, impartial, and uncorrupted. In comparison, the same survey found that the regional perception average for how fair, impartial, and uncorrupt the courts are in Sub-Saharan Africa is 45 percent.¹⁵⁶ Several interviewees confirmed that there is ample room for corrupt practices within the judiciary. One bailiff reported that a client had lost a case although he had paid the judge CFA 5 million, as the opponent had paid CFA 15 million. However, lawyers and other experts attested that private businesses suing the government for breach of contract have a relatively fair chance of winning the case. Nevertheless, the execution of the decision against the government could take years and require a lot of persistence and numerous bribes to process the claim. For that reason, many businesses, especially smaller ones, do not pursue claims against the government. For instance, a group of seed producers growing seeds on a contract-farming basis for SONAPRA reported that they had still not been paid for the seeds they delivered to SONAPRA last year. Since their claim was against the government, they did not think there was anything they could do to recover or speed up the recovery of the debt.

The **trial courts** (*tribunaux de première instance*) have commercial, civil, social, and criminal chambers, where the judges are not specialized but are often rotated between different chambers. Lawyers and business interest groups believe the lack of specialization is a weakness that affects the quality of decisions and the case-handling time. There are three **courts of appeal** (*cours d'appel*) in Cotonou, Parakou, and Abomey, and the **Supreme Court** (*Cour Suprême*) is located in

Cotonou. The number of judges on the bench remains a concern as requests to the Ministry of Justice to fill vacant positions are not being met. For instance, the commercial chambers in the Court of Appeal in Cotonou and the trial court in Parakou are short on judges and need to borrow judges from other chambers, which lead to additional delays. In addition an estimated 25 percent of the judges on the bench are retiring by 2017, for which the judiciary does not seem prepared considering the current hiring practices. The staffing issue appears rather complex; the government's ability to allocate additional funds to hiring is limited by a cap placed on the rather significant public wage bill by the International Monetary Fund (IMF). The limited number of new staff hired and trained in recent years (including judges, court clerks, and support staff) is reportedly difficult to manage, and staffing needs were exacerbated by the establishment of four new trial courts under the MCC Benin I Compact. One court of appeals also reported having a difficult time recruiting new judges since a president of a trial court has greater benefits than a judge at the court of appeals.

Although the law on the organization of the judiciary¹⁵⁷ provides for **administrative chambers** in all courts, in practice the trial courts and the courts of appeals do not have any administrative chambers, and administrative complaints have to be brought directly to the Supreme Court. The implementation of administrative chambers in the lower level courts could provide recourse to citizens fighting corruption in the public administration. However, several legal experts consulted during this assessment were of the opinion that there is limited political will to implement the administrative chambers and that the judicial system lacks sufficient personnel to handle an additional caseload. It is important to further investigate these concerns before addressing this apparent deficiency in the judicial system.

To address concerns over the slow judicial process and the lack of specialization in the general courts, the World Bank is planning to support the establishment of **commercial courts**. The current plan is to provide technical support for relevant legislative drafting, installation of equipment, personnel training, and initiation of a case management system. The World Bank has discussed the possibility of collaboration with MCC and the UCF to have commercial court building(s) constructed under the MCC Benin II Compact. The World Bank has required the government to adopt a law establishing a regime for commercial courts as a condition for the support. Considering that the World Bank is already interested in moving forward with these

¹⁵⁶ The World Bank/IFC, *Benin Country Profile 2009: Enterprise Surveys*, 2009.

¹⁵⁷ *Loi n° 2001-37 Portant organisation judiciaire en République du Bénin*.

plans, it is an opportune time to assess supporting this endeavor to clear the backlog of commercial cases, reduce processing time, and improve the technical expertise to settle commercial disputes. However, several considerations need to be further studied and deliberated:

1. Primarily large and medium-sized businesses consider courts to be an option for settling disputes that cannot be settled by other means. Hence, the number of agricultural businesses that potentially would use the commercial court is rather limited. For example, Parakou has been mentioned as a second site for a commercial court, yet the trial court in Parakou estimated that they received about 10 commercial cases last year, which is not a caseload that could sustain a standalone court. In Mali for instance, there are three commercial courts, and the two courts outside of Bamako receive very few cases every year. Nevertheless, the benefit of well-functioning commercial courts for critical support institutions such as banks should not be overlooked.
2. There is some concern that the creation of commercial courts would redirect resources and personnel from the general courts, which is an issue that needs to be assessed and carefully considered.
3. A couple of experts raised the concern that a smaller court handling disputes involving larger amounts of money might become more susceptible for corrupt practices. Moreover, some experts questioned whether there is a political will to create commercial courts.

The **Reconciliation Courts** (*Tribunaux de Conciliation*)¹⁵⁸, established in 2001, were modeled after the more traditional ways of resolving conflicts through discussions and negotiations at a local level.¹⁵⁹ At least one reconciliation court should exist in each *commune* and should be led by laypersons, including a president and two assessors.¹⁶⁰ The mayor's office proposes candidates for the reconciliation court to the trial court, which the trial court can submit for approval by the Ministry of Justice. The president and the two assessors should be well respected and trusted by the local community, be of good character, and be a retired government official (such as a teacher) or read and write in French. It appears that the recon-

ciliation courts function in certain locations but not in others.¹⁶¹ The reconciliation courts staff have not been paid for several years,¹⁶² which would explain why in some locations the institution is no longer operating, while in other locations the lay-leaders have continued to serve on the reconciliation court on a voluntary basis. The reconciliation courts primarily handle land disputes. If the reconciliation court is not able to settle the matter, they forward the case to the trial court for adjudication. If they do settle the dispute, the agreed-upon settlement is submitted to the trial court for endorsement, at which point the decision becomes enforceable.¹⁶³ Access to the reconciliation courts is free for the users. These courts are community-based, are cheap and often more accessible (both in terms of physical distance and in terms of less formal procedures) than the trial courts for agribusinesses at the local level. It is recommended that the status of the reconciliations courts be further investigated to see if the role and mandate of these lay-lead, local institutions could be expanded to provide businesses at the local level with an amicable forum for settling their commercial disputes.

During the MCC Benin I Compact, a **Legal Information and Documentation Center** (*Centre de Documentation et d'Information Juridiques* (CDIJ)) was created for disseminating judicial decisions, laws, and other legal information.¹⁶⁴ The center was intended to serve as a hub for court case records and other legal information as well as a resource and training center for court personnel, other legal professionals, government officials, and the general public. The CDIJ is housed in a beautiful newly constructed building next to the Court of Appeal in Cotonou, but the actual activities of the center have not yet achieved the scale that was intended. There are few books in the library; there is no subscription to the Official Gazette; and there are limited training and workshops as they are dependent on external funding. To make court decisions publicly available would create greater transparency and expose corruption, but the the CDIJ does not yet have access to these decisions due to the delays and difficulties experienced with the electronic case management system, limited financial resources, and

¹⁵⁸ Law on the Organization of the Judiciary (Loi n° 2001-37 Portant organisation judiciaire en République du Bénin), ¶¶21–35.

¹⁵⁹ *Ibid.*

¹⁶⁰ In the larger *communes* (Cotonou, Porto-Novo, and Parakou), there should be one reconciliation court in each *arrondissement*.

¹⁶¹ For instance, the trial court in Parakou said that there were no functioning reconciliation courts within Parakou, but the president of the reconciliation court in Glazoué reported that roughly two sessions are held per month, during each of which the courts hears three to four cases.

¹⁶² François-Richard Kpenou and Saturnin Afaton, *La Justice au Service du Développement du Bénin* (Council of Private Investors in Benin, 2013), 57. However, it is probably safe to assume that the stipend the lay-leaders received was very modest.

¹⁶³ Stakeholders report that the average case may take 2-3 sessions to arrive at a settlement. The time required to have that decision endorsed by the trial court is unknown but did not seem to be an issue in Glazoué.

¹⁶⁴ The CDIJ was created by Decree N 2011-320 of April 2, 2011.

some resistance from the judiciary to share the information. A legal database was created but has not been put online or updated since 2011. Due to these constraints, the center has to date attracted very limited engagement from civil society and the business community: the day the AgCLIR team visited the center, there were just a handful of visitors.

Membership in the CCIB is mandatory for all registered businesses.¹⁶⁵ Due to allegations of corruption and a politicized and controversial election process of the board, the CCIB has undertaken fewer activities in the past two years. The CCIB established an **Arbitration, Mediation, and Reconciliation Center** (*Centre d'Arbitrage, de Médiation et de Conciliation* (CAMEC)) in Cotonou in 2003. CAMEC received funding during the MCC Benin I Compact but undertook such limited or misguided activities that MCC defunded CAMEC prior to the end of the compact. CAMEC reports to have three cases pending, but the center's staff was a bit vague on this point. CAMEC attributes their very limited activities to a lack of funds to conduct information campaigns about the center's services. However, it is not clear that the center's leadership is motivated to engage with the local business community, as relationships with local businesses can be formed with little financial resources through individual or smaller group meetings or by participating in existing business organizations' meetings. Although some businesses reported that CAMEC serves a useful role, the center's limited activities have caused the business community's interest and confidence in the center's capacity to settle dispute to waver. The World Bank is considering providing CAMEC technical assistance to strengthen its capacity, and it will therefore be important for MCC and the UCF to share some of their lessons learned to avoid some of the issues encountered during the MCC Benin I Compact.

SUPPORTING INSTITUTIONS

While trade in maize and cassava is primarily conducted in cash, pre-financing arrangements with regular trading partners further down the value chain is rather common within cashew, shea, and pineapple. When a trading partner does not deliver the products, it is a common practice to solicit the help from the **police** to put some pressure on the defaulter. Against an informal fee, the police may help the parties to come to an agreement, and if the defaulter needs to be "softened up," the police may place him or

her in custody for a couple of days. Although this informal practice can be rather effective, it does not foster good business practices or build trust between business partners. For the most part, however, if the counterpart seems honest and has a reasonable cause for not delivering on time, there is often a great willingness to extend the terms and find an amicable arrangement.

When a creditor has an enforceable order or a court decision, a **bailiff** collects the debt or seizes property to be auctioned off to recover the debt. There are 31 bailiffs in all of Benin, most based in Cotonou or Porto-Novo, while there are only two based in Parakou. Bailiffs in Cotonou report that it could take months to get a court decision from the court clerks.¹⁶⁶ This delay in obtaining the decision is not an issue in Parakou where the caseload is not as significant. To execute the decision, the bailiffs have to pay the police an unofficial fee for their assistance. In Cotonou, the going rate is about CFA 80,000, while in Parakou it is CFA 5,000 per police officer (and CFA 10,000 for the police captain). Altogether the legal fees, bailiff's fees, and informal fees render the cost of enforcing a contract prohibitive for some businesses. Several businesses reported that even if they received a court order to collect the debt, the defaulters were often insolvent, leaving little to collect. Other businesses stated that they had pursued court actions to set an example for others, even though the amount recovered was rather marginal.

KEY SUPPORTING INSTITUTIONS

- Police
- Bailiffs
- Law Faculty at the *Université d'Abomey-Calavi*
- Lawyers
- OHADA Regional School of Magistrates (ERSUMA)
- National Council of Employers (CNPB)
- Council of Private Investors in Benin (CIPB)
- Producer cooperatives
- National Federation of Agricultural Product Buyers (FNAPA)
- Credit bureaus

¹⁶⁵ Loi No. 90-005 du 15 Mai 1990 fixant les conditions d'exercice des activités de commerce en République du Bénin (article 11), as amended by loi nr 93-007 du 29 mars 1993. Membership dues are collected when businesses register with the government's one-window service *Guichet Unique de Formalisation des Entreprises* (GUFÉ).

¹⁶⁶ A judge can release a decision before he or she writes the reasoning for the decision. Hence, when the bailiff requests the case, the motivation might not yet be written.

The law faculty at the country's largest university, **Université d'Abomey-Calavi**, has 11,000 students. Contract law and property law are part of the core curriculum, but classes are taught in large amphitheatres with one or two thousand students and therefore offer limited possibilities for a practical learning experience. To address this issue, the curriculum was recently changed to introduce a two-year practicum after three years of course work. Students can thereafter return for specialized master tracks, including a track in commercial law or tax law. Although a significant number of law school students graduate each year, there are only about 250 **attorneys** admitted to the bar, and a sizable number of graduates work in nonlaw-related fields. Most attorneys are generalists but a few specialize in commercial transactions, including those involving agricultural goods. Attorneys are primarily based in Cotonou and Porto-Novo; there are no attorneys based in Parakou.

The **OHADA Regional School for Magistrates** (*Ecole Régionale Supérieure de la Magistrature* (ERSUMA)) is based in Porto-Novo and offers continuing legal education on OHADA rules and regulations for members of the legal profession and the public administration in the OHADA member states. Each member state selects four participants for each training course. The courses are typically on new OHADA regulations, such as the course on the new OHADA Uniform Act Relating to the Law of Cooperatives taught last year. In addition, ERSUMA offers fee-based tailored courses, such as the training of 160 legal professionals (including judges, court clerks, and attorneys) supported under the MCC Benin I Compact. Despite the advantageous location of ERSUMA for the Beninese legal profession, many professionals felt there were insufficient opportunities for continuing legal education.

The limited activities of the Chamber of Commerce's arbitration, mediation, and reconciliation center (CAMEC) have created such a vacuum that other entities, including the **National Council of Employers** (*Conseil National du Patronat du Bénin* (CNPB)), an influential private sector advocacy and networking organization made up of 500 medium and large businesses, are considering establishing a new arbitration and/or mediation center to better respond to the needs of well-established businesses in Benin. However, the CNPB's desire to establish its own mediation/arbitration center may also be fueled by a desire to distance itself from the CCIB, which the CNPB considers to be too closely affiliated with the government. Any private sector efforts to establish alternative dispute resolution centers catering towards well-established businesses are at an early stage of consideration.

The **Council of Private Investors in Benin** (*Council des Investisseurs Privés au Bénin* (CIPB)) is a private investor's group that has considerable overlap in its membership base with the CNPB. The CIPB functions more like an industry-lead think-tank to research and advocate for policy change to improve the business environment. The CIPB has identified and researched inadequacies in the judicial structure and the taxation system as top policy priorities. The work of the CIPB is relevant and much needed to stimulate a constructive dialogue on issues obstructing private sector growth.

Many associations and cooperatives exist for specific crops in Benin, as well as a tiered set of umbrella organizations for producers on the village, commune, regional, and national level. A frequently raised issue is that **producer cooperatives** are not managed well enough to be able to organize their members to supply a buyer with the quality and quantity of product that is crucial for processing and exporting operations. Considering that Benin is to a large extent made up of smallholder farms, cooperatives constitute an important mechanism for the supply of processing inputs. Several pineapple processors have created contract-farming arrangements with producer cooperatives to ensure consistent supply. However, one processor said that the management of the cooperative union it contracted with was poor and had not been able to deliver the pre-financed crop. The processor was working with the union to restructure the debt and to build a trusting relationship to continue the business relation, but due to the unpaid debt and fewer orders from their international suppliers, the processor was no longer able to offer pre-financing. For cooperatives to become more reliable and hence a more competitive supplier of agricultural products, they need support to organize their management structure to become compliant with the OHADA regulations and to acquire a greater understanding of contractual obligations.

Cooperatives frequently complain that the government needs to do more to organize the cooperative sector. Considering the historical cooperative regime mentioned above, which granted the government considerable influence, such statements are understandable. However, the team also met with associations, such as the *Union des Producteurs du Centre Bénin*, that had more of an entrepreneurial drive and had, with some donor support, expanded their markets by participating in the regional agricultural products exchange and were planning to purchase maize inputs from SONAPRA next year to resell for cash to farmers in the area.¹⁶⁷

¹⁶⁷ The annual "Les opportunités d'échanges de produits agricoles et agroalimentaires dans le Sahel et en Afrique de l'Ouest (CORPAO)," organized by CILSS. See <http://www.cilss.bf/spip.php?article308>.

To enable businesses to expand their trading networks, while mitigating their risks, businesses must learn about their potential trading partners' past performances in fulfilling contractual obligations. Although team members were not able to confirm this information, they were told by a processor that the

National Federation of Agricultural Product Buyers

(*Fédération Nationale des Acheteurs des Produits Agricoles* (FNAPA)) is considering creating and managing a reference list of trustworthy intermediaries that processors, wholesalers, and exporters could use to report on and learn about the fulfillment of past transactions. This type of information-sharing initiative could be very useful in evaluating a potential trading partner's trustworthiness, but considering FNAPA's strong position in the market place (see the *Competing Fairly* chapter for more information), it is important to ensure that such a tool is objective and not used to limit competition.

Information on other entrepreneurs' creditworthiness managed by a neutral third party such as a **credit bureau** is another avenue for a businesses to learn about other value chain actors' past performances. As discussed in more detail in the *Getting Credit* chapter, banks in Benin are required to share positive and negative credit information through the *Centrale des Risques*, but this information is only accessible to banks. Until recently, an information-sharing center for MFIs (*Centre d'Echange d'Information sur les Risques de Crédit des Institutions Financières*) was also in place. However, the center lacked sufficient operational funds, and when donor funding came to an end, the Information Sharing Center collapsed. As mentioned in the *Getting Credit* chapter, the World Bank and GoB are preparing the establishment of a credit bureau that will address the shortcomings from past experiences, including the provision of both positive and negative credit history and extension of the geographical coverage. The creation of a credit bureau that collects both positive and negative credit history from a range of trustworthy sources, and the creation of credit scores that businesses could access directly or indirectly (by having a potential trading partner supply its own credit score), would be helpful in determining how fit a enterprise is for obtaining pre-financing in commercial transactions.

SOCIAL DYNAMICS

A CULTURE OF INFORMAL CONTRACTING

Between smaller businesses, deals are often made verbally. In the words of one small business owner, "contracts are for bigger businesses, while we rely upon an understanding between us." The high illiteracy rate no doubt contributes to the widespread use of verbal contracts, but several smaller businesses expressed

concern that if they insisted on using a written contract, their counterparts would think that they did not trust them. Belonging to a business association or cooperative is helpful for building trust. For younger people entering the trade, it is important to be part of a group or be associated with someone more senior who can vouch for or even guarantee the younger person's honesty.

STRATEGIES FOR MINIMIZING RISK

A lot of transactions within the selected value chains, particularly in maize and cassava, take place in cash. Cash transactions involve a significantly lower risk than contractual relations, but to only deal in cash tends to limit the volume of trade. In cashew, pineapple, and (to some extent) shea, the use of contracts also applies to the extension of term credit of two to four weeks to collectors or wholesalers, and in pineapple, there are some contract farming and forward contracting arrangements. Larger amounts of term credit are typically only extended to a smaller group of businesses with whom the buyer has done business for a longer period of time. To secure the loan, some larger processors or exporters take the title to a building or land as a guarantee. Although this system works pretty well, it ties up a guarantee that might not be fully utilized from accessing other forms of credit. For others, extending term credit is a great risk. One processor said that he could lose 20 to 30 percent of what he pre-financed as his suppliers would not deliver the agreed-upon amount.

WOMEN IN SHEA KERNEL COLLECTION

Shea kernels are collected almost exclusively by women in rural areas. However, the women have many other domestic and communal responsibilities that preclude them from regulating their own time. As a result, traders further up the value chain said that it is often hard to obtain the order on time from the women gatherers. Membership in a well-organized cooperative gives the women the status of engaging in a profession, especially when the buyer pre-finances part of the order, which can allow them to carve out more time for their professional activity. Furthermore, women in cooperatives can venture further from the village to collect the kernels and share transportation costs, allowing them to collect more and deliver in a timelier manner. Hence, it is important for both the women gatherers and the value chain as a whole to strengthen the shea cooperative structure.

CULTURAL AVERSION TO ADVERSARIAL PROCESSES

The adversarial nature of a court process does not favor a continued business relationship, and several businesses stated that retaining the business relationship was more important than pursuing the matter in court, even when the outstanding debts were probably not going to be repaid for a long time, if

at all. Unpaid debts are typically regulated through renegotiation of the terms by extending the terms and payment of a debt over a longer period of time. Other lenders cut their losses and stop dealing with the defaulting counterpart. For most businesses, to take a dispute to court is the very last resort when everything else has been tried. Even when a business has a legitimate claim against another business, it often chooses not to go to court due to the cost and the time involved. Moreover, the counterpart can default on a loan because other decisions or circumstances have caused him or her to not be able to repay a debt, and there might therefore not be much to collect. For smaller businesses, especially those headed by women, the formal process may also be intimidating and the threshold to accessing the courts too high. As one smaller trader put it: “the courts are for those that “*fait les papiers*” (i.e., use written contracts), not people like us.” Several smaller and medium-sized businesses thought that a local mediation center would be helpful for settling business disputes in a more amicable way.

POLITICAL WILL FOR REFORM

Larger structural, institutional, and legislative judicial reforms have taken place in Benin during the last decade. These reforms have primarily been driven by the donor community and made possible by financial contribution from donors.¹⁶⁸ During the MCC Benin I Compact, the justice sector component was challenging to implement due to inadequate support and buy-in from the Ministry of Justice. For the MCC Benin II Compact, it is important to thoroughly gauge the commitment and interest of the Ministry of Justice if program activities within the Ministry’s jurisdiction are carried out.

RECOMMENDATIONS

Strengthen the reconciliation courts to expand their mandate to mediate business disputes and provide legal services to businesses and cooperatives.

The threshold for accessing courts is too high for most businesses in the agricultural sector. Businesses are risk-adverse and often forgo business opportunities because it is difficult to screen clients beyond one’s personal network and because it is costly, time-consuming, and often not very fruitful to pursue legal recourse to recover unpaid debts. A local, cheap, faster, and more amicable forum for settling business disputes would provide recourse to a larger segment of the agribusinesses

and may encourage the expansion of trading networks beyond trusted friends and family. The Reconciliation Courts could provide exactly this type of forum.

Reconciliation courts are already in place legally (and in some cases functionally) and are modeled after the more traditional ways of resolving conflicts through discussions and negotiations at a local level. Stakeholders consulted during this assessment found the idea to reenergize the mandate of the reconciliation courts valuable as it would fill a vacuum. In addition, the reconciliation courts could double as a legal service center where law students doing their internship could provide free legal services. This would be sustainable and keep the cost low, while giving law students practical experience with legal issues in the agricultural sector. Legal services pertinent to agricultural businesses, such as contract drafting, contract farming practices, or the new OHADA regulations on cooperatives, are severely lacking in areas outside urban centers, and it could be very beneficial to expand these services and knowledge to a segment of the population, notably women entrepreneurs, that do not otherwise have access to justice and legal services.

At least one reconciliation court should exist in each commune. However, it appears that some reconciliation courts are operating while others are not. Further research and consultation with stakeholders including the Ministry of Justice as well as a review of the current status of each reconciliation court in the country is needed. Law students should also be surveyed to ensure that they would be willing to move to smaller towns and villages to complete their internships in this fashion. Finally, attention should be paid to ensuring women have a voice on the bench for these courts to prevent gender discrimination in decisions on the basis of local custom or traditional norms.

¹⁶⁸ From 2003 to 2012, justice sector reforms obtained close to US\$53,000,000 in donor funding. Joseph Djogbenou, *Rapport sur le secteur de la justice et l’Etat de droit*, available at http://www.afriMAP.org/english/images/report/AfriMAP_Benin_Justice_Principal.pdf.



GENDER AND SOCIAL CONSIDERATIONS

This section of the report addresses two target groups, identified as marginalized groups in the agricultural sector—women and youth. Seventy percent of Benin’s population live in rural communities and anywhere from 60 to 80 percent work in the agricultural sector. An estimated 1.5 to 2 million women¹⁶⁹ could have involvement in various components of the sector. According to a representative of the University of Parakou, northern Benin is the most productive agricultural region in the country and is expected to lead the development of agricultural-sector entrepreneurship, especially in the area of processing. As a result, there are many merits to supporting the roles of both women and youth in revenue-generating activities in Benin’s agricultural sector. The GoB and the donor community are currently supporting these target groups in the sector, although efforts appear to be fragmented and the potential for sustainability is restricted to the level of financial support. Additional efforts are required to enhance support measures, particularly for women in associations and groups and unemployed young women, as well as to realign support to their specific developmental needs.

WOMEN

WOMEN IN THE AGRICULTURAL SECTOR

As previously stated, many women earn their livelihood in the agricultural sector, supporting themselves and their families through the income they generate from entrepreneurial activities. Their involvement not only increases sector outputs that are essential to growth within the sector and the economy as a whole but also makes a significant contribution to their family’s well-being. Because women in Benin are considered to be generally poorer than men (earning just 66 percent of the income men earn)¹⁷⁰ and to spend more of their income on their families, women’s entrepreneurship contributes to poverty alleviation and women’s employment creation.

Women in Benin’s agricultural sector are engaged in two levels of entrepreneurial activities—self-employment through membership in associations and groups and micro and small enterprise ownership—and make a significant contribution at different levels in various agricultural sector value chains. In addition to involvement in entrepreneurial activities, stakeholders estimate that women are equally employed in processing facilities, to the extent that one producer is providing day care and is now formulating plans for an on-site school.

As described in more detail in the value chain summaries, women in the five priority value chains (shea, cassava, maize, cashew, and pineapple) were determined to primarily contribute as collectors, processors, and traders and to play a lesser role in production and exporting. Although it was not possible to quantify the prevalence of women at each stage of the targeted value chains, the following estimations give some insight into the roles women play in Benin’s agricultural sector:

¹⁶⁹ Based on the estimate population in 2012 of 9.6 million, sex ratio of 1:1 for ages 15–64; 70% living in rural areas; 60–80% in agricultural sector (www.indexmundi.com/benin/demographics).

¹⁷⁰ <http://www.acdi-cida.gc.ca/acdi-cida/ACDI-CIDA.nsf/Eng/NIC-1124134038-PWF>.

“[W]e cannot achieve sustainable and equitable agriculture, or even effective rural development, without explicitly recognizing the important contribution of rural women. In an environment of poverty, food insecurity, rural exodus mostly male, and degradation of the environment, women continue to feed their families. However, they have limited access to land, capital and credit, technology, education, training, and information. In addition, the political and legal context is unfavorable. The perseverance with which they overcome these obstacles gives an idea of the vast untapped potential they can to serve the present and future generations to come.”

– Mr Jacques Diouf

Director General of Organisation des Nations Unies
pour l'Alimentation et l'Agriculture

Pineapple. Due to inheritance customs that limit women's access to land, women represent less than 20 percent of all pineapple producers. However, women are extensively involved in the processing and sale of the fruit, making up 90 percent of the wholesalers, retailers, and processors. There is only one woman involved in the international exportation of pineapple, although women may play a bigger role in exports within the region.

Cassava and maize. Cassava and maize are primarily produced on small family farms throughout the country. The main family plot is often attributed to the husband, although the wife may contribute much of the labor, particularly at harvest time. Some women maintain their own smaller plot with some maize and/or cassava grown for household consumption and/or additional income for the wife. By contrast, an estimated 95 percent of the processing and marketing of maize and cassava products is done by women.

Cashew. Very few women are involved in the production of cashew. A study by the African Cashew initiative found that only five percent of cashew plantations in Benin are owned by women.¹⁷¹ Women do, however, make up a significant amount of the labor force at harvest time and completely dominate the domestic processing and marketing chain (albeit representing a very small fraction of all cashew production). In the raw and processed cashew export chains, only a small number of inter-

mediary traders (10-20 percent) and almost no exporters are women. Women's role is relegated to paid employment in cashew processing factories, where they make up the majority of employees.¹⁷²

Shea. In the shea value chain, women make up more than 95 percent of all shea nut gatherers, working in their husbands' fields and in forests, often in the early morning before beginning other domestic or economic activities. Less than 2 percent of all women gatherers work in association, which limits their ability to pool resources and travel further from their homes for gathering. Shea processing is done to various levels from crude butter processing to the refined processing of butter, creams, and soaps for domestic and export markets. In the domestic marketing chain, women also represent more than 95 percent of all processors and traders, whereas the export marketing chain is dominated by men.

In many cases, the potential to increase women's involvement, productivity, and income in these value chains is hampered by a variety of constraints, including access to property; commercial credit and microfinance; technology and related training including quality control standards; information pertaining to support programs, the formalization process, taxation, and more; and education and training such as business management skills. These constraints constitute major barriers to growth.

ACCESS TO PROPERTY

Although women in Benin have equal rights to own property under the Constitution and inherit property under the Rural Land Code, custom often prevails in rural areas. In the case of inheritance, daughters do not have the same rights when customs are respected. Priority is given to the allocation of land to sons and even brothers of the deceased. Cultivated land is generally owned by men who, as the head of households, are the managers of the land. Women generally operate in plots of land loaned or transferred by the manager or other landowners. Agricultural sex-disaggregated statistics show that of all the lands acquired through a secured procedure, only 13 percent belong to women.¹⁷³ The average size of women's landholdings is 0.98 hectares compared to 1.76 for men in Benin.¹⁷⁴ There is some evidence that the preference for male heirs is changing. One male pineapple producer in Allada proudly declared that he had distributed his land equally among his sons and daughters.

¹⁷² Id.

¹⁷³ Japan International Cooperation Agency (JICA), *Country Gender Profile* (Benin), 2009.

¹⁷⁴ FAO Corporate Document Repository, *Gender and Law Regional Overview*, §2.3.1.

¹⁷¹ African Cashew initiative, *Analysis of Benin Cashew Sector Value Chain* (2010).

ACCESS TO CREDIT

Access to credit is a major constraint reported by women in associations and groups in the agricultural sector. Women's lack of ability to provide the required security appears to be the major cause of this market failure. However, in the broader context, women need to develop financial literacy and business management skills if they are to grow their contribution to the agricultural sector; and in addition they need access to information on financing options. The low level of literacy in the adult female population (30.2 percent)¹⁷⁵ provides additional challenges in bringing women to the capacity level required for access to finance. The Getting Credit section of this report further discusses constraints in access to finance faced by women in the agricultural sector.

ACCESS TO TECHNOLOGY

Leaders of groups and associations and micro and small business owners met during the assessment strongly communicated the need for equipment and technical training. Not only does the lack of equipment impede women's ability to meet lender's security requirements, but it also restricts access to high-value agricultural markets for themselves and upstream value chain partners. For example, one company that produces dried pineapple was marketing a brand qualified as *Certifie Agriculture Biologique* and selling to four European countries. A routine inspection deemed that the company no longer met the certification requirements, since its suppliers (women's groups and associations) lacked the necessary equipment. Their certification was cancelled, and the company now only exports uncertified product to two European countries. This kind of situation could be avoided through supporting women's access to new equipment and technology.

ACCESS TO INFORMATION

Public and private sector stakeholders alike confirmed that in general, there is a paucity of information for women-led associations and groups on the many laws, regulations, and provisions favorable to their operations. This information does not appear to be sufficiently disseminated. Since women in rural communities encounter mobility and illiteracy constraints, the availability of information needs to be extended to rural communities, and service offerings should include information on where to go for financing, technical and nontechnical training, and capacity building.

¹⁷⁵ <http://datacatalog.worldbank.org/>.

ACCESS TO EDUCATION AND TRAINING

The GoB and international and local NGOs have maintained a sustained focus on the importance of education. Such measures have included the political support to prioritize improved access to education, bolstered by substantial increases in government and donor funding, and highly effective outreach campaigns to increase public perceptions of the value of education.

Benin had one of the world's lowest school enrollment rates in 1999 but is has made great strides towards universal primary education in recent years. Primary school completion jumped to 46 percent by 2010,¹⁷⁶ with 32 percent enrollment in secondary education. Females represented 17 percent of those enrolled in secondary school during 2010. Female literacy rates are increasing in the 15–24 age groups (currently 44.5 percent) but are low in the adult female cohort (reaching only 30.2 percent). The level of illiteracy in the adult female group is a barrier to gaining information and knowledge—and thus to the formalization and expansion of businesses for many women by impeding capacity building, networking, and knowledge of rights and responsibilities under the law.¹⁷⁷

In spite of these constraints some women lead successful associations and businesses in the agricultural sector. These women tend to be well-educated and bring their previous business experience and networks to their enterprises. Many of these women tend to “give back” by helping other women in the sector; such as by investing in savings groups, serving in leadership roles, and participating in women's business associations and entrepreneurship programs. One such interviewee had participated in the African Women's Entrepreneurship Program (AWEP) in the US.¹⁷⁸

LEGAL FRAMEWORK

A gender sensitive legal and regulatory environment is essential to support women's access to and ability to claim the same economic rights as men. It ensures that specific laws and regulations are enacted and enforceable to protect women from discriminatory customs and traditional norms that infringe their fundamental rights. Such a system also ensures gender equality with respect to economic empowerment, that is, “the capacity of women and men to participate in, contribute to, and benefit from growth processes in ways which

¹⁷⁶ Ibid.

¹⁷⁷ <http://datacatalog.worldbank.org/>.

¹⁷⁸ AWEP is an outreach, education, and engagement initiative that targets African women entrepreneurs to promote business growth, increase trade both regionally and to U.S. markets through the African Growth and Opportunity Act (AGOA), create better business environments, and empower African women entrepreneurs to become voices of change in their communities.

recognize the value of their contributions, respect their dignity and make it possible to negotiate a fairer distribution of economic resources and opportunities, including jobs, financial services, property and other productive assets, skills development and market information."¹⁷⁹ The framework should promote equality not just on its face but also through regulatory procedures that ensure women do not experience discrimination in practice by application of a seemingly gender-neutral law.

Benin's legal framework for gender equality is comprised of both international and national instruments. The Benin laws related to gender are based in the 1990 **Constitution** and prohibit discrimination based on race, sex, and religion, and grants men and women equal economic and social rights as citizens. Article 8 of the Constitution guarantees the equality of citizens in access to health care, education, cultural information, professional training, and employment. In addition, the Constitution provides for equality for women in the political, economic, and social spheres.

In 2004, a **Code of Persons and Family** was enacted to improve women's rights to inheritance, in marriage, and to property ownership. The Code outlaws forced marriages and female genital mutilation and ensures women are no longer subject to customary law by overriding customary law and other legislation unfavorable to women and by banning all discrimination against women while providing for the right to equal inheritance. According to the Social Institutions and Gender Index, OECD (Organisation for Economic Co-operation Development) analysis, customary law is no longer recognized by the courts in Benin. However, the **Benin Rural Landholding Law of 2007** enacted the principle of recognition of customary rights in land as equal to civil law property rights and provided written documents such as the rural landholding plan and rural landholding certificate as recognized instruments for assertion and protection of these rights.¹⁸⁰ This issue should be closely monitored and challenged wherever women face discrimination in access to land.

The GoB introduced a **National Policy for Gender Promotion** in 2009 with the overall aim of reducing gender-based disparities by the end of 2025. Benin's political will to

continue to promote gender equity¹⁸¹ and gender equality is further evidenced by the **Strategic Plan for Agricultural Sector Recovery (PSRSA)**, adopted by the government in 2011, which declares the promotion of gender (an action with nine operational and strategic priorities) as one of the 10 horizontal specific support actions and measures. This commitment is further augmented in the **National Action Plan for the Promotion of Gender in the Agricultural Sector: 2012–2015**, a detailed and ambitious plan designed to encourage more equitable access to resources and opportunities for women in the agricultural sector. The implementation of the plan appears to be contingent on the government raising funds for the budget of US\$4,701,965,000. It is unknown what results have been achieved to date.

Benin is also a member of a number of international conventions, treaties, and protocols designed to promote rights and opportunities for women worldwide. In 2004, Benin signed the **Protocol to the African Charter on Human and People's Right on the Rights of Women in Africa**, often referred to as the Maputo Protocol, which guarantees comprehensive rights to women including the right to take part in the political process, to social and political equality with men, to control of their reproductive health, and an end to female genital mutilation. Benin ratified the **Convention on the Elimination of All Forms of Discrimination against Women (CEDAW)** in 1992, which legally binds the country to put its provisions into practice and submit regular national reports, at least every four years, on measures taken to comply with treaty obligations. Benin submitted its initial, second, and third reports in 2005.

In 2012, Benin became one of 12 founding members of the **Equal Futures Partnership**, an initiative launched by then Secretary of State Hillary Clinton on behalf of the United States. Each founding member made national commitments to policy, legal, and regulatory reforms to promote two mutually reinforcing goals: (1) expanded economic opportunity for women and (2) increased political and civic participation by women at local, state and national levels. Multilateral stakeholders including UN Women and the World Bank and leading businesses and non-profit institutions also pledged support for the partnership.

¹⁷⁹ OECD, *Women's Economic Empowerment* (2011) p. 6.

¹⁸⁰ Millennium Challenge Corporation, *Property Rights and Land Policy*, available at <http://www.mcc.gov/pages/sectors/sector/property-rights-and-land-policy>. See also <http://www.mcc.gov/documents/reports/paper-2013001131901-world-bank-urban-landholders.pdf>.

¹⁸¹ Gender equity refers to the belief in basic equal rights and opportunities for members of both sexes within legal, social, and corporate establishments. Gender equality takes into consideration that women and men have different needs, preferences, and interests and thus different treatment or approaches are required.

KEY LAWS AND REGULATIONS

- Constitution of Benin (1990)
- Code of Persons and Family (2004)
- Benin Rural Landholding Law (2007)
- National Policy for the Promotion of Gender (2009)
- Strategic Plan for Agricultural Sector Recovery (2011) (PRSA)
- National Action Plan for the Promotion of Gender in the Agricultural Sector: 2012–2015
- Protocol to the African Charter on Human and People's Right on the Rights of Women in Africa
- Convention on the Elimination of All Forms of Discrimination against Women (CEDAW)
- Equal Futures Partnership (2012)
- Millennium Development Goals

Benin's adherence to the **Millennium Development Goals (MDG)** falls under a long-term vision called Benin 2015. The government drafted a program for medium-term action (2001–2006) called the Second Government Action Program. The second plan, a framework for the implementation of the MDGs, was based on a global strategy to counter poverty and integrate all development dimensions without ignoring the essential role of women in the development process.¹⁸² In July 2005, Benin presented its first official MDG report. The poverty and gender inequity situation was still alarming, and the report's conclusions—confirmed by civil society—raise doubts about the possibility of Benin achieving the objectives by 2015.¹⁸³

Despite government commitment to women's inclusion through these various laws, policies, and initiatives, Beninese women continue to experience significant gender inequality. This fact is evidenced by Benin's poor ranking in several global indicators of gender equality, including the 2012 Social Institutions and Gender Index (81 out of 86 countries),¹⁸⁴ the World Economic Forum Global Gender Gap Index 2012 (117 out of 135 countries),¹⁸⁵ and the Economist Intelligence Unit's Women's Economic Opportunity Index (WEOI), 2012 (101 overall out of 128 countries).¹⁸⁶

¹⁸² www.socialwatch.org/node/10939.

¹⁸³ *Ibid.*

¹⁸⁴ OCED, *Social Institutions and Gender Index 2012*, available at <http://stats.oecd.org/Index.aspx?datasetcode=GIDDB2012>.

¹⁸⁵ World Economic Forum, *The Global Gender Gap Report 2012*, available at http://www3.weforum.org/docs/WEF_GenderGap_Report_2012.pdf.

¹⁸⁶ Economist Intelligence Unit, *Women's Economic Opportunity Index 2012*, available at https://www.eiu.com/public/topical_report.aspx?campaignid=weoindex2012.

Between 1980 and 2011, Benin's Human Development Index (HDI) score for gender equality rose by 2.2 percent annually from 0.253 to 0.436, which gives the country a rank of 167 out of 187 countries with comparable data, classifying the country as "low development." The HDI of Sub-Saharan Africa as a region increased from 0.366 in 1980 to 0.475, placing Benin below the regional average.¹⁸⁷ More needs to be done to implement the legal framework through fair, transparent, and supportive institutions.

IMPLEMENTING INSTITUTIONS

Multiple government agencies are charged with implementing policies and strategies with respect to gender. The **Ministry of Microfinance and Employment of Women and Youth** has formal responsibility for policy relating to the employment of women and youth in Benin, and through the National Fund for the Promotion of Youth Employment and the National Microfinance Fund, it is tasked with the role of facilitating access to credit. The agency operates four main programs: (1) the Salaried Employment Support Program; (2) the Self-Employment Support Program, which aims to train, support, and finance entrepreneurs; (3) Capacity Building for Job Seekers; and (4) the Decentralized Partnership for Jobs, which aims to build the capacity of local governments in employment promotion. Guidance and monitoring of the ministry's activities is provided by a national coordination commission that includes the Ministry of Agriculture, Livestock, and Fisheries; the Ministry of Development of Economic Analysis and Forecasting; the Family Ministry of Social Affairs of the National Solidarity, Disabled Persons and Third Age; the BCEAO; the Professional Association of Banks and Financial Establishments of Benin; the Monitoring Decentralized Financial Systems Department; and the Directorate for the Promotion of Microfinance. The key to the ministry's success will be to ensure that it has adequate financial and human resources to provide the required reach.

The ministry also provides a loan guarantee program. However, it only covers a small portion of a loan—up to 10 percent of the total amount authorized. No information was available on the number of women who have accessed this program, nor what sectors of activities program participants operate in. Similarly, a grant program designed to help women associations purchase equipment for the purpose of eliminating child labor is offered by the **Ministry of Labor**, yet stakeholders report that the program is small and has a low up-take rate.

¹⁸⁷ UNDP, *Gender Inequality Index and related indicators 2011*, available at http://hdr.undp.org/en/media/HDR_2011_EN_Table4.pdf.

KEY IMPLEMENTING INSTITUTIONS

- Ministry of Microfinance and Employment of Women and Youth
- Ministry of Labor
- Ministry of Family and Solidarity, Office of Women's Promotion
- Directorate of Planning and Foresight
- Ministry in charge of the Department of Promotion of Women and Gender and Family
- Ministry of Agriculture, Livestock and Fisheries (MAEP)
- National Agency for the Promotion of Employment
- Ministry of Secondary Education and Technical and Professional Training

Overall responsibility for the protection and advancement of women's rights and welfare falls under the jurisdiction of the Office of Women's Promotion within the **Ministry of Family and Solidarity**. Implementation of the National Action Plan for the Promotion of Gender in the Agricultural Sector; however, is divided between a variety of institutions. The **Directorate of Planning and Foresight** is responsible for overall implementation and coordination of activities at the national level, while the Office of Women's Promotion within the Ministry of Family and Solidarity ensures the effectiveness and coherence of the action plan with other national policies to promote gender in Benin. The gender division within the **Ministry of Agriculture, Livestock and Fisheries (MAEP)** also plays a decisive role in the implementation of the action plan through working with various government departments, professional agricultural organizations, civil society organizations, regional centers for the promotion of agriculture, food security agencies, the National Platform of Peasant Organizations and Agricultural Producers, and NGOs, consultants, and evaluation teams.

SUPPORTING INSTITUTIONS

A number of institutions and associations and other actors support the promotion of gender equality in Benin, many of whom have specific commitments under the National Action Plan for the Promotion of Gender in the Agricultural Sector:

MICROFINANCE INSTITUTIONS

Under the Action Plan, certain MFIs will be selected through a competitive bid process and tasked with assisting in the design of appropriate programs for women in the agricultural sector and providing women with better access to credit.

PROFESSIONAL AGRICULTURAL ORGANIZATIONS

As discussed elsewhere in this report, agricultural associations play an important role in facilitating access to inputs, marketing, and finance, and should ensure that women are targeted groups as well as monitor the impact of programs on women. Women processors are fairly well-organized: many cashew roasters, whether they work individually or in groups, are members of the National Council of Cashew Processors, and 45-60 percent of shea processors work in associations to extract the butter.

By contrast, women are often poorly represented or outright excluded from producer and trader associations. The main pineapple producers' association, ARPA, effectively prohibits women's membership by making land ownership a prerequisite to joining the association. The main trading organizations for the cashew and shea sectors, GAPA and its parent federation, FNAPA, have only roughly ten percent women members.

LOCAL AND REGIONAL AUTHORITIES

Much of the activities geared at improving women's equality must be developed and implemented at the local level. Under the Action Plan, local and regional authorities will be tasked with the role of building the capacity of women within the agricultural sector. They must work with other actors within each region and monitor their progress in relation to incorporating gender components into their programs.

Civil society organizations are increasingly active in the agricultural sector in Benin. These institutions participate in discussions on gender policies and strategies and contribute their recommendations to better inform decision-making on all matters of agricultural policy pertaining to gender.

Several good support models for women entrepreneurs were also identified during the assessment process. These include:

ASSOCIATION OF BUSINESS WOMEN AND ENTREPRENEURS IN BENIN (AFACEB)

AFACEB is reported to be the largest association of business women in Benin. Created in 1998, the organization has 7,500 members throughout the country. Members are in diverse sectors, including agro-processing, hospitality, construction, services, and trade. Most recently, the association has partnered with the Ministry of Microfinance and Employment of Youth and Women and the UNDP to establish women enterprise centers in Cotonou, Porto Novo, and Parakou. Multiple workshops have been sponsored for women entrepreneurs under this initiative, and approximately 200 women to date have received training in business planning at the Cotonou Women's Enterprise Centre. These centers perform a much-needed service by providing information to women entrepreneurs on matters related to formalization. However, the reality is that the right to information and communication remains purely theoretical for women in rural areas.

Working with women living in the suburbs of Cotonou, AFACEB also grants small loans at an interest rate of around 2 percent per month through the *Mutuelle Femme Développement*. A training center is also managed by the association through which apprentices receive courses in pastry and culinary arts for a period of nine months to two years. Tuition fees are quite high, reaching CFA 6000 per month. According to AFACEB president, Mme. Grace Lawami, these costs do not allow the center to be self-sufficient and therefore AFACEB subsidizes this activity. The organization has also had support from UNDP and the World Bank to organize forums and seminars. As part of the World Association of Business Leaders, members are able to communicate and share ideas with other entrepreneurs.

One of the key roles of women business associations is to facilitate the exchange of information among members, promote business relationships, and enhance members' social capital. Although AFACEB has an impressive membership count, its capacity and resources for providing services that meet the needs of women entrepreneurs in all sectors of the economy and throughout the country is unknown. Information was not available on networking activities such as organizing trade fairs and exhibitions to showcase women's products and services, promoting entrepreneurship as an option among young women and students, or managing women's enterprise centers that provide counseling and technical assistance to women starting businesses or operating an existing one in rural communities.

KEY SUPPORTING INSTITUTIONS

- Microfinance institutions
- Professional agricultural organizations
- Local and regional authorities
- Civil society organizations

CENTRE DES ARTS ET METIERS DE LA FEMME DE PARAKOU (CAMFP)

The *Centre Des Arts et Metiers de la Femme de Parakou* (CAMFP) is funded by the UNDP, UNFPA, the city council office of Parakou, and the Ministry of Microfinance and Employment of Youth and Women. The project offers an 18-month resident program for 12 plus girls aged 14 to 20. In many cases, these young women have been in forced marriages with older men. In addition to developing enterprise skills, participants focus on building confidence and life skills. The first set of program graduates formed a shea-processing cooperative that is operational in Parakou. Project organizers also work with women in groups of up to 25 who process maize and soya products, shea butter, and shea soap. To date, 40 groups totaling 1,051 women have been assisted.

DEVELOPPEMENT DES MICROENTREPRISES DES FEMMES (DMEF)

Various programs are offered by financial institutions and NGOs with financial support from donor organizations to increase women's access to business support services. An example of a holistic support program is that of the project *Developpement des Microentreprises des Femmes* (DMEF), a Danish-sponsored NGO. The project objective is to increase the income of rural women by improving the quality and access to business support services. Working with over 400 established women on an individual basis, interventions have taken place in Adjohoun, Dangbo, Bonou, Agbangnizoun, Zakpota, and Djidja to improve management capacity, technology, and financing for women entrepreneurs. The four-year project will end in 2013, and the director was not sure what would happen with respect to continuing the project.

SOCIAL DYNAMICS

The developmental constraints for rural Beninese women show different patterns according to social, cultural, religious, and economic factors that limit women's willingness and belief in their own horizons as well as hamper their voice in the policy process.

CULTURAL CONSTRAINTS

Culture exerts a major influence on women's willingness to increase economic activities and to accept change. The Ministry of Microfinance and Employment of Youth and Women said that women, particularly uneducated rural women, are often in polygamous relationships, accepting of their circumstance, and do not wish to change. Although polygamy was outlawed in 2004, 42.3 percent of women aged 15 to 49 reported to be in a polygamous relationship in 2006.¹⁸⁸ Changing cultural practices is a delicate issue. It is only through the dissemination of information concerning rights will these customs change over time. Women, particularly uneducated women in rural communities, traditionally occupy a subordinate role in the family structure and are often required to hand over all of their income to their husbands. These strict limitations on financial independence and mobility restrict adult women's ability to change behaviors and norms within the family. Based on current cultural constraints, it will likely be the next generation of educated women who will achieve increased levels of economic activity in the agricultural sector.

REPRESENTATION AND PARTICIPATION OF WOMEN ENTREPRENEURS IN FORMAL PUBLIC-PRIVATE SECTOR DIALOGUE

Public-private policy dialogue is important to ensure that policies take into account the needs of the private sector; although this may sometimes be difficult in countries where broad-based consultative dialogue mechanisms and practices are not deeply entrenched. Since female members of the private sector may face different legal, regulatory, and other constraints in the business environment than men, it is important that women entrepreneurs or their representatives be given the opportunity to meet regularly with policymakers in order to ensure that women's perspectives are taken into account at the design and implementation stages of policies and strategies. In Benin, the head of the Benin Women's Association stated that the organization does participate in public-private dialogues; however, a formal platform for these contributions was not identified. One member mentioned that Beninese women do not like to share business experiences. She further

said that there is often a lack of trust between women. If women entrepreneurs are to enhance their levels of social capital, this will need to be addressed.

EFFORTS TO RAISE THE PROFILE OF WOMEN'S ROLE IN THE ECONOMY THROUGH ENTREPRENEURSHIP AND WOMEN ROLE MODELS

Raising the profile of women entrepreneurs and creating positive role models can be achieved primarily through the public promotion of women entrepreneurs. The literature review and interviews did not identify any initiatives that "showcase" the achievement of women entrepreneurs in Benin. However, Benin is actively participating in International Women's Day events, and in 2012, Benin specifically focused efforts on the recognition of the contributions of women in leadership positions, including a woman who fought for women's education and inheritance rights.

With respect to women role models, Benin is faced with the underrepresentation of women in decision-making circles. Only 8 of 83 Members of Parliament (MPs) are women (8.4 percent). Sixty-five women have been elected to local councils, and only one of these councilors was elected mayor. In public administration, approximately 26 percent of leadership positions are held by women.¹⁸⁹ A compendium of women's skills was established in 2013 in Cotonou after a General Assembly meeting with women leaders of Benin. The initiative was spearheaded by women leaders from Benin with financial support from the UNDP. The compendium will help to promote women's involvement in all areas of socio-economic life in Benin.¹⁹⁰

YOUTH

Poverty is greater in rural than urban areas of the country and affects mostly young people. In fact, only 33 percent of young people between the ages of 15 and 35 have succeeded in finding paid employment. This cohort accounts for approximately 60 percent of the population. Because of the dearth of agricultural businesses in the areas of production, collection, storage, processing, and distribution, there is an abundance of entrepreneurial opportunities for youth but very little opportunity for paid employment. Educated youth with the skills and training

¹⁸⁸ <http://genderindex.org/country/benin>.

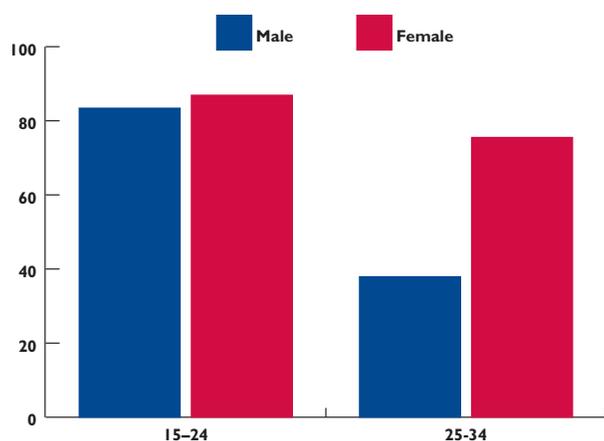
¹⁸⁹ <http://www.bj.undp.org/content/benin/fr/home/presscenter/articles/2013/07/24/un-compendium-pour-recenser-les-comp-tences-f-minines-au-b-nin/>.

¹⁹⁰ *Id.*

to engage in agricultural entrepreneurship are often dissuaded by the commonly held view that agriculture is merely a means of sustaining rural families rather than a true profession.

Figure 9 shows that although men and women are equally plagued by underemployment at ages 15 to 24, underemployment rates dip substantially for men ages 25 to 34 while the rate for women remains virtually unchanged at 75.5 percent. Underemployed workers are reported to be mainly self-employed, with no education, engaged mainly in agricultural work or informal activities in trade or services. This finding is consistent with the understanding that women are predominantly represented in the ranks of informal traders and processors. The small scale and informal nature of these businesses prevents most of these women from accessing the resources necessary to expand their activities and increase their income.

FIGURE 9: UNDEREMPLOYED BY GENDER IN RURAL COMMUNITIES, BY AGE GROUP, BY EARNINGS (%)



Source: Knowing the Benin labor market to better conceive a youth employment project: What do we learn?¹⁹¹

Youth employment issues are a policy priority for the GoB. The **Ministry of Microfinance and Employment of Youth and Women** has the formal responsibility for youth employment in Benin. The Ministry serves as an umbrella body for over 700 organizations that include cooperatives, NGOs, savings/credit associations, and government projects. A range of programs for strengthening this diverse sector is carried out on national and regional levels, including supporting companies that employ youth and making available funds for microfinance

¹⁹¹ Scrombessy, Felicien Donat Edgar-Towenan, *Knowing the Benin labor market to better conceive a youth employment project: What do we learn?*. World Bank (2013), available at http://www.iza.org/conference_files/worldb2013/accrombessy_f9073.pdf.

from MFIs. In 2010, the UNDP and Benin's National Agency for the Promotion of Employment launched a US\$1.4 million project to support youth in creating new businesses. A project output was the establishment of three business centers—Bohicon, Cotonou, and Parakou—with the aim of creating 500 new businesses.¹⁹²

The **National Agency for the Promotion of Employment** was founded in 2003. Its mission is to contribute to the development and implementation of a national policy of employment by addressing unemployment and underemployment issues through the orientation of job seekers, providing them with capacity building and training, and promoting their entrance into the labor market. The agency facilitates a partnership between the supply and demand sides of employment, i.e., between training providers and employers. The agency's main focuses are (1) increasing access to salaried employment through youth work readiness and internship programs and (2) the promotion of self-employment through business skills training using the International Labour Organization (ILO) "Start Your Own Business" method.¹⁹³

In addition, a **National Employment Policy, which places a strong focus on the underemployment of youth and women**, was adopted in 2012. Its main objectives are to (1) promote access to employment by increasing the supply of jobs and youth employability, (2) improve the functioning of the labor market, (3) reinforce the capacity of institutions in charge of the National Employment Policy, and (4) regulate professional migration.

In 2012, the **Ministry of Secondary Education and Technical and Professional Training** took a leadership role in the planning of Global Entrepreneurship Week in Benin.¹⁹⁴ Programs during the weeklong event included a Cleantech Open Global Ideas Competition,¹⁹⁵ an Entrepreneurship Boot Camp, a Students Forum on Development and Entrepreneurship, a Youth Enterprise Challenge, and various training workshops.¹⁹⁶ The number of female participants in the events is unknown.

¹⁹² <http://www.undp.org/content/undp/en/home/ourwork/povertyreduction/successstories/benin---de-nouvelles-opportunités-pour-les-jeunes-diplomés/>.

¹⁹³ http://www.youthpolicy.org/national/Benin_2011_Youth_Assessment_Report.pdf.

¹⁹⁴ Global Entrepreneurship Week (GEW) is an international initiative that introduces *entrepreneurship* to young people in six continents.

¹⁹⁵ The Cleantech Open is a not-for-profit organization that runs the world's largest accelerator for clean tech start-ups. Established in 2005 by leaders in Silicon Valley and Boston, the organization has established itself as the leading force for accelerating clean technology entrepreneurs.

¹⁹⁶ <http://www.unleashingideas.org/blog/ministry-supports-gewbenin-2012>.

Several additional initiatives that provide agricultural sector-related capacity-building programs for youth include:

- **CAMFP** – a residential program for out-of-school, uneducated young women, discussed above under Supporting Institutions.
- **Songhai** – a center for training, production, research, and development of sustainable agricultural practices. The center, further discussed in the Accessing Marketing Infrastructure chapter, seeks to train young agricultural entrepreneurs to run a self-sufficient farm.
- **The “Strengthening entrepreneurship among women and youth in North Benin” project** – a joint project between CINOP Global and the University of Parakou designed to reinforce the institutional and academic capacity of the university to reduce food insecurity through strengthening entrepreneurship training and activities for women and youth in northern Benin. The €1,000,000 project will be implemented by Parakou University through a consortium with Ecole de Management, Morocco, and will commence in the fall of 2013. The project is also expected to include an enterprise center that will assist former university graduates in starting businesses in the agricultural sector and an incubator facility for new start-ups.

While there are substantial efforts underway to address the unemployment and underemployment of youth in Benin, efforts must adequately ensure the equal involvement of young women to introduce viable business models apart from the small-scale informal trading that dominates women’s employment in the agricultural sector:

RECOMMENDATIONS

WOMEN

The GoB has adopted policy objectives to increase opportunity for women in the agricultural sector because of the economic growth potential to be realized from their higher levels of entrepreneurial activity. This approach is seen as a vehicle for generating jobs and growth, integrating young women into the labor market, achieving greater social inclusion, and reducing poverty. However, policies alone are not enough. The strengthening of women’s participation in the agricultural economy requires a deep understanding of the differential impact of the current legal and institutional environment on women in agriculture. In other words, attention must be paid to the cultural

context and the roles women play in the agricultural sector to better understand how the laws and practices of institutions may limit women’s access to economic opportunity and voice, even when the law or policy itself may be gender neutral on its face. As discussed elsewhere in this report and reiterated below, improvements to the business enabling environment in the areas of credit, taxation, competition, marketing infrastructure, and contract enforcement can benefit women in agriculture and promote a more level playing field for their participation in the agricultural economy.

Finance. Women entrepreneurs often lack access to land title, which impedes their ability to obtain formal credit. In addition, women are not generally familiar with formal financial institutions and their lending requirements. As a result, women turn to informal lending arrangements, such as tontines, to meet their short-term working capital needs but have little opportunity to obtain larger, longer-term loans that would be needed for business expansion.

To encourage banks to lend to women entrepreneurs, it is recommended that financial and technical support be provided to a guarantee fund capable of assuming up to 50 percent of the risk on agribusiness and agro-industrial loans, with a special focus on informing and educating women-owned enterprises on the objectives, terms, and access to, and use of the guarantee fund. The guarantee scheme should include a business development services (BDS) component to help applicants, particularly women applicants, to determine their borrowing needs, complete applications for financing, and ensure the successful implementation of financing programs. In addition, training is needed for the banking industry to better understand the risks faced by agribusinesses, including women-owned agribusinesses, through seminars, training programs, and study tours to neighboring countries with similar agricultural lending environments.

Taxation. The vast majority of women who are active in Benin’s agricultural sector operate small-scale businesses with varying degrees of informality. That is not to say, however, that these women do not pay taxes. Informal traders are still subject to various market fees, and small-scale but visible processing businesses may be a target for harassment under the opaque calculation procedure of the *regime forfait*. The current system is particularly harsh on rural women, who may be illiterate, unaware of their rights and obligations, and intimidated by confrontations with tax inspectors. Moreover, due to the small size and informal nature of their businesses, women are effectively excluded from accessing the lucrative tax incentives received by large enterprises who qualify for a *zone franche industrielle* classification.

Comprehensive reforms to the tax system, including reducing corruption in the tax administration and a rationalization of tax rates and expenditures, would level the playing field for all agribusinesses and reduce the cost and risk currently associated with operating a formal enterprise.

Competition. The current legal framework governing the market structure for the shea and cashew sectors restricts competition within the sector and reduces the power of cashew producers and shea gatherers in negotiations with intermediaries. This dynamic has a particularly acute impact on women shea gatherers, who are often forced to dry and store shea kernels for an extended period of time only to be forced to sell during the campaign when quantities are high and prices drop. A thorough review and reform of the legal framework governing commercial relationships is needed, and it should be paired with the passage of a comprehensive law of competition that removes these barriers to value chain integration and aligns Benin's legal framework with the principles of the WAEMU Treaty on Competition.

Marketing infrastructure. Women make up the bulk of agricultural processors and traders across the five priority value chains and thus need access to a wide variety of both "hard" and "soft" agricultural infrastructure to carry out their activities. Yet this infrastructure is often out of reach due to restrictions on women's mobility and the inability to access credit needed to invest in storage or processing equipment. Reforms to improve the rural road network should pay close attention to the mobility patterns of women entrepreneurs, and women should be represented in the policy process for the design and maintenance of the rural transportation routes. In the design of a market information system, an analysis of consumer needs should include a particular focus on the way in which women share and receive information.

Contract enforcement. Lack of adequate recourse in the event of a breach of contract has a widespread chilling effect on the development of commercial relationships and coordination of activities along the value chain. In shea, for example, less than two percent of all women gatherers operate in groups, which would enable them to travel farther and more regularly than their domestic and other obligations currently allow. Consequently, traders complain that it is often hard to obtain an order on time from women gatherers. This unpredictability limits the trader's ability to invest and expand his business and the woman gatherer's ability to contract for future sales.

Introduction of a local, low-cost, neutral dispute resolution forum would enable a wider range of value chain relationships to emerge. The reconciliation courts could be an excellent avenue for achieving this goal. More research is needed to determine whether the reconciliation courts could serve as a viable forum for women business owners, with careful attention to the role of local custom and possible gender biases in the operation and decision-making of court staff.

YOUTH

Assume the leadership role in the creation of an Agricultural Innovation Center at Parakou University.

Youth, particularly young women, in Benin lack viable business models for entrepreneurial success in the agricultural sector. Absent paid employment, most youth resort to small-scale informal trading or field labor. The project proposed by Parakou University, "Strengthening entrepreneurship among women and youth in North Benin to reduce food insecurity," will create an enterprise center and incubator facility at the university for the development of new agribusiness ventures. To increase the impact of this project, the UCF should create an alliance with Parakou University, international donors, and related government departments (such as the Ministry of Microfinance and Employment of Youth and Women and Ministry of Agriculture and Livestock) to raise funds required to create an Agricultural Innovation Center at the university, which would provide a platform whereby students and former graduates can conduct research to identify new value-added agricultural products and receive commercialization support through the proposed university enterprise center.



SUMMARY OF RECOMMENDATIONS

This report has sought to delineate the key policy, legal, regulatory, institutional, and social dynamics that limit agribusiness investment and agricultural sector growth in Benin. Now begins the difficult task of determining a path forward. This section contains a full outline of each AgCLIR recommendation, detailing its feasibility, anticipated resource requirements, and estimated impact on MCC's investment goals and intended beneficiaries. Further research should be conducted to confirm and elaborate on these proposals.

In addition, it is important to note that while each recommendation is listed separately, no aspect of the business enabling environment operates in a vacuum. Rather, the various components (whether taxation or contract enforcement or financial regulation) that make up the BEE together create a complex system of power structures and market incentives that impact economic development and investment. When incentives are corrected in one area, poor market behavior often simply migrates to another weaker part of the system. Or a reform may fail to live up to its potential impact because in removing barriers to investment in one area, the reformer failed to recognize another powerful disincentive elsewhere in the system. Thus effective BEE reform must take a systemic perspective, combining a set of activities that support market development in multiple areas simultaneously and take into account, to the greatest extent possible, the complex web of incentives that govern private sector decision-making.

KEY THEMES IN THE ANALYSIS

Two key overarching themes permeate all aspects of the analysis of the BEE for the agricultural sector in Benin: (1) the prevalence and heavy cost of informality and (2) the lack of effective vertical and horizontal organization along the value chain.

THE HEAVY COST OF INFORMALITY

Approximately 95 percent of Beninese businesses operate in the informal sector, and informal cross-border trade is estimated to represent up to 75 percent of Benin's GDP.¹⁹⁷ This dynamic exacts a high cost on fiscal revenue. One study suggests that the formalization of just 5 percent of the informal

economy could increase tax revenue by 4.3 percent.¹⁹⁸ Businesses in the informal sector suffer as well, frequently finding it difficult to access the finance and services needed to take their operations to the next level. In Benin, this constraint is particularly burdensome on women, who make up the vast majority of informal agricultural processors and traders in all five value chains studied. The causes of informality are many, but businesses cite high rates of taxation and official corruption as chief motivations for hiding in the informal sector. Introducing harsh penalties for those engaged in informal business activity would be counterproductive. Formality must be incentivized through lowering the transaction costs and risks associated with formalization.

LACK OF ORGANIZATION WITHIN THE VALUE CHAIN

One of the chief obstacles to agricultural sector growth is the dearth of effective commercial associations and cooperative business models, whether horizontal or vertical in nature. A common refrain heard from stakeholders throughout this assessment was that commodity chains in Benin are not organized and that this lack of organization is why they do not function effectively. This repeated observation seemed, at least on a superficial level, to be at variance with another observation, namely, that there is a very large number of producer and trader associations, both commodity and territorially specific, across the agricultural sector. Associational density, however, does not equate with real organization or the type of commercial collaboration needed to promote efficiency within the value chain. In fact, the only truly successful forms of private

¹⁹⁷ UNCTAD, *Economic Development in Africa Report* (2013), available at http://unctad.org/en/PublicationsLibrary/aldcafrica2013_en.pdf.

¹⁹⁸ CAPOD, *Problématique d'élargissement de l'assiette fiscale au Bénin: Analyse de la contribution des centres de gestion agréés* (2010).

sector organization witnessed by the assessment team were attributable to associations that seem to exist solely for the purpose of augmenting anticompetitive behavior such as price collusion and market control. Poor organization increases transaction costs, limits access to finance, and prevents the application of quality standards and aggregation of supply needed to reach high-value markets. In the shea sector, for example, most women gatherers operate independently, which limits the amount they can collect as well as the price they can demand for their product.

The government's Marxist-Leninist past continues to permeate the legal framework and contribute to a top-down heavy-handed government approach to organizing agricultural sector actors that seems more focused on ensuring careful control of market dynamics and outcomes than on encouraging private sector growth. Horizontal and vertical linkages within the agricultural sector are further impeded by lack of access to good market information and low-cost dispute resolution mechanisms. These factors combine to create among value chain actors a culture of distrust that encourages highly individualistic approaches to doing business.

In addition, it is recommended that further research be undertaken into several topics that were not part of AgCLIR Benin but that arose during stakeholder discussions. These issues include labor and working conditions for formal and informal agricultural sector workers, the need for readily available sources of potable water, the impact of Nigerian trade policies on incentives to formalize a business in Benin, and the current status of donor involvement in any existing or proposed agricultural input market reforms.

ABBREVIATION KEY FOR RECOMMENDATION TABLES

LEVEL AND TYPE OF IMPACT	
L	Low
M	Medium
H	High
D	Direct
I	Indirect

GETTING CREDIT

Recommendation: Provide capital and technical support for a guarantee fund capable of assuming up to 50 percent of the risk on specific types of agribusiness loans, subject to clear borrower and lender eligibility criteria, and requiring a borrower investment of at least 20 percent of project cost as part of the loan transaction.

AgCLIR Chapter: Getting Credit

WHY IS THIS REFORM NEEDED?

Impact of constraint	The absence of a guarantee fund with the capacity to appraise and accord loan guarantees to agricultural businesses is locking out many otherwise viable businesses that cannot meet loan security requirements of banks and other formal lending institutions.
Benefits of reform	Support for an agricultural guarantee fund will permit producers, processors, and processor/exporters to access the loan capital they need to meet their working capital needs and make medium-term investments in equipment and infrastructure for business and market expansion.

FEASIBILITY

Political will and stakeholder buy-in	The political will exists in GoB as part of its current strategy for agricultural sector development. Commercial banks and private businesses at each level of the target value chains have signaled their interest in taking part in a loan transaction with a partial loan guarantee.
Obstacles to reform	The key constraints to establishing a public guarantee fund is lack of government consensus on where it is to be situated and how it would interface with GoB's current strategy for agricultural sector development.
Fit with country's stated policies and priorities	Under its current strategy for developing the agricultural sector, the GoB envisions putting in place a guarantee facility to enable access to credit for those actors in the agricultural sector in need of credit.
Fit with other donors	Belgian cooperation is assisting MAEP by marketing FNDA to other donors, which would largely subsidize interest rates and make longer-term funds available to banks. A private agricultural loan guarantee fund (FINAGRO) is seeking share purchasers and technical partners in order to extend agricultural loan guarantees.

BEST PRACTICES

Examples of loan guarantees for SMEs in Africa have largely been guarantee funds set up by governments or donors to provide loan guarantees to SMEs at large and not specifically aimed at helping to secure financing for agricultural SMEs. The African Development Bank Growth-Oriented Women Entrepreneurs (GOWE) Guarantee Program for banks provided USD 10 million in Kenya, Euro 10 million in Cameroon and a technical assistance facility of USD 3 million to support the training and mentoring of women entrepreneurs.

BDS (Advisory Services) complimenting financing programmes include the 2007 partnership between Exim Bank and the IFC to establish a program to serve women entrepreneurs in Tanzania. The program began with a US \$5 million loan from IFC for loans to businesswomen and for advisory services. The latter provided gender-sensitization training to Exim Bank staff to enhance their ability to reach the women's market, supported the establishment of Exim's Women Program Unit, and helped develop financial services products that better respond to the needs of businesswomen.

TIME AND RESOURCES

Resources required	Medium – The cost of supporting a guarantee fund for agricultural business over five years would be about \$3 million in capital participation, plus about \$150,000 for providing technical support to the fund staff in project and risk appraisal for agricultural projects.
Time frame for reform	6–8 months – Support to an agricultural loan guarantee fund should undergo further feasibility analysis and be established within the first six to eight months of the MCC Benin II Compact.

ACTION STEPS

1. Evaluate the previous experience of FONAGA in appraising loan dossiers and extending guarantees for agricultural investment loans.
2. Examine objectives, structures, and technical proposals of two other guarantee funds that have been proposed for agricultural lending, including the FINAGRO private guarantee fund currently seeking capital and technical support, and the previously proposed FNDA public loan facilitation fund for agricultural businesses.

IMPACT OF THE REFORM ON KEY DEVELOPMENT GOALS

	L	M	H	Assumptions/Data
Economic Growth	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	The successful establishment of a facility for guaranteeing agricultural loans will impact every level of the key value chains targeted by UCF for AgCLIR analysis and other value chains. The facility will be setting in place a risk-sharing mechanism with banks and other financial institutions that has the potential to overcome barriers to access to finance at production, processing, and marketing levels in the largest sector of Benin's economy.
Poverty Reduction	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	A functioning guarantee fund will significantly expand access to credit for producer associations and the processors that buy from them, impacting a large number of small farmers.
Gender/Social Inequality	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	An agricultural loan guarantee fund would potentially reach significant numbers of women who produce and process agricultural products for sale to buyers and/or intermediaries and second-stage processors in some of Benin's growing value chains.

IMPACT OF THE REFORM ON DIRECT AND INDIRECT BENEFICIARIES						
	D	I	L	M	H	Assumptions/Data
Input Suppliers	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Input suppliers would indirectly benefit as a functioning agricultural loan guarantee fund would extend access to production credit to more farmers.
Producers	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Large numbers of producers who presently cannot access agricultural credit would benefit from increased access to production working capital and loans for medium-term investments.
Processors	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Small and medium-scale processors would benefit from access to medium-term loans enabling them to invest in larger and improved agricultural processing equipment.
Traders	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Intermediaries between farmer groups and processors and wholesalers of agricultural products would be able to extend more buyer credit to producers.
Exporters	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Due to increased farmer access to improved inputs and working capital to purchase and utilize them for production, exporters of agricultural products would be able to source and purchase larger quantities of products that meet quality standards for export.
Women	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Women would have access to otherwise inaccessible working capital, enabling them to produce and/or process and sell higher volumes of agricultural products in target value chains.
Rural Poor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Rural poor would benefit directly by realizing higher household incomes from producing and first-stage processing for domestic or export markets.
Other: Unemployed Youth	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Unemployed rural youth would benefit indirectly as family farms expand production and sales of agricultural products and first-stage processing units expand activities.
Pineapple	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Support for a credit guarantee fund would enable more producers to access production credit and more processors to continually buy large quantities for processing for export.
Maize	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Access to guarantees for production loans would enable small maize producers to produce and deliver larger quantities of higher quality maize to buyers for processing or resale.
Cassava	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Access to guarantees for working capital loans would enable buyers and or processors of cassava to purchase higher quantities of raw product for transformation into the locally popular gari.
Cashew	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Access to medium-term loan guarantees would enable established processors to purchase more cashews from farmers and increase production of processed cashews for export markets.
Shea	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Access to loan guarantees for small investment credits would enable primary processors (mostly women) to improve the quality and/or the quantity of processed butter sold.

ADDITIONAL ASSUMPTIONS/DATA

As noted above, a more in-depth analysis needs to be undertaken, beginning with (1) an impact evaluation of the present FONAGA guarantee fund on agricultural lending, (2) an examination of the present capacity of the CePEPE business advisory service program to conduct project and risk analysis, and (3) borrower due diligence on agricultural projects. An in-depth analysis should be done on the potential advantages and disadvantages in extending capital and technical support to other credit facilitation funds being proposed for establishment in this market. Principal targets for this examination are the FINAGRO private guarantee fund and the public FNDA credit facilitation fund. Once these analyses are complete and a credit facilitation support opportunity has been identified for the MCC Benin II Compact, consideration should be given to leveraging UCF support for a guarantee fund that provides technical support to an established business development services program such as CePEPE, the purpose of which is to improve the skills of business advisory staff to understand and work with inherent risks in agricultural lending at all levels of the target value chains. This should include training and on-site technical assistance in project analysis and borrower due diligence. A formal “agricultural lending certification” program (akin to that described in the next recommendation) could be a prerequisite for financial institutions to access the guarantee fund.

Recommendation: Provide a program of support services for financial institutions and agribusiness actors at all levels of the target value chains, such as joint seminars, a lender training program, and/or a “study visit” program, to address the technical skills needed to analyze agricultural products and projects and evaluate risk.

AgCLIR Chapter: Getting Credit

WHY IS THIS REFORM NEEDED?

Impact of constraint	<p>Formal financial institutions and key actors in leading agricultural value chains are not communicating effectively about the capital needs of the sector; the real risks involved, and mechanisms through which borrowers and lenders can share risks with respect to agribusiness activities. This serves as a barrier to agribusiness operators in seeking credit when they need it and to financial institutions in making the adjustments needed to share risk with the borrower.</p> <p>Credit staff at commercial banks, credit cooperative associations, and MFIs also lack skills in analyzing agribusiness projects and related risks. This is one factor which has made financial institutions hesitant to lend to even well-established agricultural enterprises without excessive collateral requirements.</p>
Benefits of reform	<p>Regular seminars and study visits between financial institutions and key actors in the target agricultural value chains will give the two parties of credit transactions an open forum to discuss the roles that various agribusiness actors play in growing the economy, the risk perceptions of financial institutions, as well as mechanisms that might be employed to share credit risk between the lender and the borrower. The proposed training would improve the credit and risk analysis skills of financial institutions which are in the position to provide agricultural loans.</p>

FEASIBILITY

Political will and stakeholder buy-in	<p>The recommended intervention fits with the Government’s stated priority of strengthening the agricultural sector to be an economic driver and the desire of agribusiness operators to work with financial institutions on a more shared-risk basis. Talks with financial institutions involved in and/or in the position to make agribusiness loans signal that the proposed training would add value by increasing their ability to appraise and make such loans. There would be no visible reluctance on the part of GoB to deliver such training.</p>
Obstacles to reform	<p>The key challenge will be generating the interest of financial institutions in the dialogue and risk sharing process. This suggests that the strategy for introducing these dialogues must be carefully thought out with an eye toward effectively presenting the potential benefits to lenders.</p>
Fit with country’s stated policies and priorities	<p>The proposed program fits well within the GoB’s current strategy for generating growth in the agricultural sector; specifically in reducing financing risks and facilitating greater access to credit for agribusinesses, through enhancing the familiarity of banks and other financial institutions with agricultural risks and by improving their capacity to appraise projects and risks to make sound loan decisions.</p>
Fit with other donors	<p>Regular dialogues between the financial sector and key actors in the agribusiness sector would align well with the efforts of GoB to facilitate credit access as part of their current agricultural sector development program.</p>

BEST PRACTICES

The kind of dialogues proposed between lenders and key agribusiness actors have taken place in Ghana in the mid to late 1990s with some success. They generated increased agricultural lending at key points in select value chains, under initiatives including the USAID-supported Trade and Investment Program (TIP) and Trade and Investment Reform Project (TIRP). Study visit tours have been carried out with support from the West Africa Trade Hub (WATH) located in Accra, Ghana, to facilitate access of West African owned and operated agribusinesses to overseas buyers under AGOA. In that process they have also introduced alternative financing mechanisms to key stakeholders.

TIME AND RESOURCES

Resources required	Medium – High – The organizing and hosting joint seminars, at two per year over 3 years, would be an estimated \$20,000 per year; whereas the cost of delivery of a lender training program would be an estimated \$180,000 over 3 years, at two deliveries per year (\$30,000 per session) over the first three years of MCC Benin II Compact. Study tours of the kind proposed, if carried out at the rate of two per year over the first two years of the MCC Benin II Compact, would cost an estimated \$300,000, assuming that up to 25 participants were supported to visit lending models in at least two other African countries, on two occasions over each of two years.
Time frame for reform	4-12 months – Joint seminars could be organized and started within the first four months of the first year of the MCC Benin II Compact. The training program could be adapted from existing “best practice” training materials and delivered to the first round of financial institution recipients before a guarantee fund is launched, preferably during the first 5 months of the MCC Benin II Compact. Study visits could be implemented beginning in the second half of the first year of the MCC Benin II Compact.

ACTION STEPS

1. For the joint seminar program, the key actions required of UCF would be to develop an effective program and to reach out to the lending community and the private sector agribusiness community within the first three months of the MCC Benin II Compact.
2. For the lender training program, market research should be conducted to identify appropriate existing training course modules that could be adapted to training for agricultural lending in a Francophone financial sector. Once identified, adapted course training modules should be used as the basis for framing the Terms of Reference and engaging a capable contract training team to adapt modules and deliver them to financial sector participants over a three year period.
3. To prepare for implementation of the proposed study tours, the UCF should take the following steps:
 - a. Identify and reach out to financial institutions in relevant other African countries which have successfully developed shared risk lending models for agricultural lending and their level of interest in sharing them.
 - b. Survey the financial sector institutions and key agribusiness players in Benin to assess their level of interest in taking part in such study tours.
 - c. Use identified models and interest of local lending institutions and agribusinesses to develop the Terms of Reference for recruiting a consultant team to design and carry out the study tours in at least two relevant countries (examples: Cote d'Ivoire, Ghana).

IMPACT OF THE REFORM ON KEY DEVELOPMENT GOALS

	L	M	H	Assumptions/Data
Economic Growth	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Successful dialogue, training, and the joint examination of alternative shared risk lending models would contribute substantially to generating higher levels of agricultural lending in Benin and leverage support to a guarantee fund.
Poverty Reduction	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Poverty reduction would result indirectly if the program led to increased willingness by financial institutions to share risk on loans to small producer groups.
Gender/Social Inequality	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Women's access to credit would be enhanced if the program resulted in increased willingness by financial institutions to lend to women's enterprises and the use of alternative risk sharing mechanisms in place of the current practice of requested property titles.

IMPACT OF THE REFORM ON DIRECT AND INDIRECT BENEFICIARIES

	D	I	L	M	H	Assumptions/Data
Input Suppliers	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Input suppliers would benefit indirectly and at a low level if the program increased financial institution willingness to lend to agricultural producers in need of inputs.
Producers	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Producers would benefit directly if the program increased financial institution willingness to lend to agricultural producers for inputs and for equipment finance.
Processors	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Processors would benefit directly if the program increased financial institution willingness to lend to them for crop purchase and equipment/plant expansion, or to extend agricultural production credits.
Traders	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Traders would be able to purchase larger quantities of products as producer's access more input credit.
Exporters	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Impact would be direct if the program resulted in increased willingness of financial institutions to make investment loans and increased business owners' willingness to share risk.
Women	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Impact on women as agricultural enterprise operators would be direct if the program resulted in increased financial institution willingness to make production and processing loans to women-owned and operated enterprises, at terms that meet women's needs and capacity to provide security.
Rural Poor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The rural poor would be directly impacted if the program increased financial institution willingness to extend short term credit to producers or producers' groups.
Other: Unemployed Youth	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Impact would be indirect if the program increased financial institution willingness to extend production credit to agribusinesses, particularly new ventures from young entrepreneurs and larger businesses capable of hiring youth for paid employment.
Pineapple	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Pineapple producers would be impacted at medium level if the program resulted in higher levels of financial institution willingness to provide production credit in various forms and models.
Maize	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Maize producers would benefit directly if the program increased financial institution willingness to lend to farmer groups for maize production.
Cassava	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Cassava growers and first stage processors would be impacted if the program increased lender willingness to extend credit to second stage buyers/processors.
Cashew	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Cashew farmers and their buyers would benefit directly if the program increased lender willingness to extend medium-term expansion credit to cashew buyers/processors.
Shea	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Shea processors at first and second stages would benefit directly if the program resulted in increased lender willingness to extend medium-term investment credit to them.

ADDITIONAL ASSUMPTIONS/DATA

Additional information necessary to launch this program includes:

1. A clearer breakdown of the key actors at each stage of the target value chains. This should be gathered within the first three months of the MCC Benin II Compact through consultations by UCF with producer and export associations promoting the growth of each of the target value chains.
2. Identification of successfully tested and delivered agricultural credit training modules that could be adapted and disseminated to banks, cooperative credit associations and MFIs in Benin, taking into consideration the Francophone banking system.
3. Information on location and relative success of other shared risk lending models for agricultural lending, degree of interest on part of other financial institutions in sharing them, and degree of interest in participating in study tours to other countries on the part of financial institutions and private sector agribusiness actors in Benin.

PAYING TAXES

Recommendation: Improve voluntary tax compliance through reform of the system for the declaration, payment, and auditing of taxes, reducing opportunities for corruption and increasing transparency in tax administration. This reform should also include a thorough review and rationalization of tax rates and expenditures in line with GoB priorities.

AgCLIR Chapter: Paying Taxes

WHY IS THIS REFORM NEEDED?

Impact of constraint The prevalence of corruption within the tax service has led to intense mistrust between taxpayers and the DGID and the leakage of large amounts of tax revenue into the pockets of tax inspectors. Business owners' personal anecdotes suggest that for every US\$2 that makes its way into a formal settlement agreement, US\$1 is paid to the tax inspector.

Benefits of reform Breaking this cycle of tax evasion and illegal settlement payments would increase national revenue and reduce the burden on tax administrative resources.

FEASIBILITY

Political will and stakeholder buy-in The GoB has no reason to object to this proposal. Taxation is essential to the functioning of the state, and the current size of the tax base leaves little revenue for spending on government priorities. Although there could be some concern on the part of the GoB in the event the reforms propose lowering tax rates, particularly the corporate tax, there are ample examples of similar reforms around the world that have resulted in substantial increases in tax revenue despite the lowering of rates. See Best Practices below.

Obstacles to reform The chief objections to such a proposal would come from the DGID, particularly the ranks of tax inspectors who stand to lose a substantial amount of power and additional income. Other DGID staff, including those at the highest levels, may resist the fundamental shift in mentality that will be required. The reform may also face opposition from some large taxpayers that stand to lose considerable tax holidays through the rationalization of tax expenditures.

Fit with country's stated policies and priorities The GoB, and the President in particular, has made forceful statements regarding the commitment to fighting corruption.

Fit with other donors This reform would complement and reinforce existing initiatives to implement online filing as a means to increase administrative efficiency and reduce the opportunity for corruption.

BEST PRACTICES

In 2004, Egypt engaged in a comprehensive tax reform package that reduced rates, eliminated the practice of "deal making" between tax officials and taxpayers, and in the process raised revenue and encouraged the voluntary compliance of more than one million new taxpayers.

TIME AND RESOURCES

Resources required **Medium** – The reform will require a substantial overhaul of tax administrative procedures, a thorough retraining of tax officials, and a large-scale public awareness campaign.

Time frame for reform **4–5 years** – The legislative reforms could be enacted within a year. Substantial groundwork has already been laid by the *Groupe de Travail Fiscalité*, and a framework exists for public-private consultation through the *Cadre de Concertation*. Implementation of the trainings, public awareness campaign, and a transitional period will be required for both taxpayers and tax officials. Once the system is functioning, it should be monitored and supported and any additional small adjustments made over a period of two to three years.

ACTION STEPS

1. Conduct a review of tax system to rationalize and reduce rates and cut any taxes that are unnecessary or of low value relative to their administrative cost. This review should include a cost-benefit analysis of all existing tax exemption and expenditures and should eliminate any expenditures that do not serve the economic development goals of the GoB.
2. In consultation with the private sector and based on case studies of successful reforms worldwide, revise the tax declaration, payment, and auditing process to reduce opportunities for corruption. For example, the DGID could introduce a system in which the taxpayer's self-assessment is automatically accepted, subject to random or risk-based audit over a period of five years. Penalties for willful misconduct on the part of the taxpayer, his or her accountant, or the auditor should be increased and possibly criminalized.
3. Establish the *Commission des Impôts* with private sector representation to ensure fairness and transparency in tax appeals.
4. Train tax authority staff thoroughly in the new procedures and introduce a zero tolerance policy for corruption. A thorough review will be needed to understand the current salary and incentive structure for tax inspectors to determine a new policy that successfully rewards good behavior.
5. Raise public awareness of the new system through a broad public education campaign and distribution of a Taxpayer's Bill of Rights. A transitional period should provide amnesty for back taxes and penalties and ready access to advisory services to assist taxpayers in complying with the new rules.
6. Reduce budgetary pressure on the DGID temporarily to allow space for reform through reducing revenue targets for several years following the reform. Depending on the timeline and the response of taxpayers, the reforms may increase tax revenue in the first year after reform. However, realistically, a dip in revenue should be expected as all parties become accustomed to the new system.

IMPACT OF THE REFORM ON KEY DEVELOPMENT GOALS

	L	M	H	Assumptions/Data
Economic Growth	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Making the tax system more fair and transparent will encourage more taxpayers to join the system, reduce revenue leakage due to corruption, and provide the government with more revenue to engage in long-term poverty reduction and economic growth strategies for the agricultural sector as a whole.
Poverty Reduction	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Gender/Social Inequality	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	The current system is particularly harsh on women, who are more likely to be illiterate, unaware of their rights and responsibilities under the law, and intimidated by confrontations with tax inspectors.

IMPACT OF THE REFORM ON DIRECT AND INDIRECT BENEFICIARIES						
	D	I	L	M	H	Assumptions/Data
Input Suppliers	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	This reform would have a direct impact on all taxpayers, with a higher impact on those who currently pay the brunt of informal bribes to officials. As there are few examples of private input suppliers, it is not possible at this time to determine the level of impact on this class of beneficiary.
Producers	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	As producers are not currently subject to tax, this reform would only indirectly impact them through increased government spending on rural development and possibly higher farmgate prices.
Processors	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Processors and traders who run small businesses are mostly subject to the regime forfai, and their liability is currently determined exclusively by the tax inspector. With little transparency in these assessments, it is difficult for the taxpayer to determine what he or she truly owes and it is easier to hide one's wealth than to fight the tax assessment. These taxpayers would benefit greatly from increased transparency in the way the forfai is calculated and collected.
Traders	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Exporters	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Exporters and other large businesses are subject to some of the most egregious redressements, but also some of the most lucrative tax holidays and investment incentives. Further study is needed to determine whether reforms to the tax administration and tax expenditures would benefit harm, or have little monetary impact on these companies. The reforms would, however, introduce stability in what the firm owes, which allows for more long-term planning and investment.
Women	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Women in agriculture are largely processors and traders who would benefit substantially from this reform, as described above.
Rural Poor	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	This calculation is based on the assumption that agricultural producers form the bulk of the rural poor and thus are not currently subject to tax.
Other: Unemployed Youth	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Although unemployed youth would not be directly impacted by the reform, security in the knowledge of their tax rights and responsibilities may help to entice them to start their own businesses.
Pineapple	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	There were no regional differences in complaints about the lack of transparency of the tax administration, and all five value chains are treated equally under the Code. Thus, the impact will depend on the type of taxpayer rather than the value chain. However, all five stand to gain from increased national revenue if the government reinvests that money into the development of the sector.
Maize	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Cassava	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Cashew	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Shea	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

ADDITIONAL ASSUMPTIONS/DATA

Based on anecdotal accounts, the going rate for a pay-off to a tax official seems to be approximately one half of the amount that appears on the formal settlement agreement. Thus a settlement of CFA 22 million could result in a second unofficial payment to the tax inspector of CFA 10 million (equivalent to US\$20,000). Further research into the total amount netted by the DGID each year in redressements could give a rough estimate of the amount of lost revenue going into the pockets of the DGID staff.

The related calculation of the amount of revenue lost through negotiation and settlement of the adjusted tax liability could not be determined. It is clear that some taxpayers willfully under-declare their income, while others (such as those with European or American sister companies with strict accounting practices) adhere firmly to the letter of the law. Both experience redressements, and all such adjustments result in some amount of additional payment to the DGID.

COMPETING FAIRLY

Recommendation: Review Benin’s key agricultural laws, decrees, and administrative practices against treaty obligations to WAEMA, OHADA, and WTO and assist to bring them into compliance with the letter and spirit of treaty terms that promise the greatest potential impact.

AgCLIR Chapter: Competing Fairly

WHY IS THIS REFORM NEEDED?

Impact of constraint Old, unclear, conflicting and heavy-handed rules that do not align with international treaty obligations create market confusion, undermine private sector confidence and ability to organize, and decrease investment and output.

Benefits of reform Depending on the level of change achieved, benefits are increased business certainty, investment, and output; increased integration of Benin into regional and international markets; and clarification of the respective roles of business and government.

FEASIBILITY

Political will and stakeholder buy-in The recommendation is for a process to build awareness and then consensus on needed changes. The goal is not to fix all Benin business laws and regulations, but rather to identify those out of line with treaty obligations, and where fixing them could have a large, positive impact on the market. Only those with sufficient backing will proceed.

Obstacles to reform Potential obstacles include administrative comfort level with the way things are and resistance to changes that might limit administrative discretion or control over private sector and cooperatives, lack of information, lack of sophistication about impacts of law on business at lower level of value chains, and resistance from intermediaries.

Fit with country’s stated policies and priorities The reform asks the government to clean house and come into line with the spirit and letter of existing treaty obligations.

Fit with other donors There is close alignment with UNCTAD and treaty organization interests. Depending on the focus topic, research may be needed to ensure there is no overlap with other donor efforts.

BEST PRACTICES

In Vietnam, the use of the WTO Accession process in Vietnam under the USAID-funded STAR program implemented major changes in Vietnamese business law and administrative practice.

TIME AND RESOURCES

Resources required **Medium** – The reform will require some donor support and payment for local consultants, conferences, and perhaps travel. The review could require substantial political capital, depending on resistance met. Higher cost would be incurred if the decision is made to support government officials in anything but “laissez faire” changes (for example, to help the SPS agency with labs or testing) or private sector in compliance (such as helping cooperatives to get their statutes in line with OHADA).

Time frame for reform **0–2 years** – Review can start immediately. The process of revision and fixing implementation can take a few years after the review.

ACTION STEPS

1. Review key treaty obligations against national law, going into much more detail than what was possible thus far. Identify “letter and spirit” discrepancies, and make initial recommendations for conforming changes. This should be conducted by a small team of external and Beninese experts.
2. Once the topics are focused, a somewhat larger working group of perhaps 15 people, consisting of mostly well-regarded private sector players, academics, and reform-oriented government actors, should be created to study the review, make revisions, and do an informed assessment of who could win and lose from it and what it might cost. This group should then prepare draft revised legal acts they believe are conforming, politically feasible, and of potentially high impact for the agricultural sector.
3. The results of this working group should be made the object of a larger public-private discussion, with the goal of getting buy-in and support for legal revisions, including from the affected ministries, if possible.
4. Change the identified legal acts.
5. Train relevant affected private and public sector actors in the differences caused by the changes and, where needed, train them to change their systems and behavior accordingly.

IMPACT OF THE REFORM ON KEY DEVELOPMENT GOALS

	L	M	H	Assumptions/Data
Economic Growth	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	High impact can be expected for all three goals if the reform increases producer income and desire and ability to increase production. Producer and producer cooperative surveys would be needed to establish the possible impact of removing what appear to be blocks on paper, but may be less important in practice. Focus on “where it hurts.”
Poverty Reduction	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Gender/Social Inequality	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

IMPACT OF THE REFORM ON DIRECT AND INDIRECT BENEFICIARIES

	D	I	L	M	H	Assumptions/Data
Input Suppliers	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Effective liberalization of the agricultural input markets should have a large impact on the ability of input suppliers to provide needed inputs in a timely manner.
Producers	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Improved access to proper inputs at the right time, greater competition between buyers, and an increased incentive to organize into cooperatives should have a direct, large impact on producers’ ability to increase their production and income.
Processors	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Processors should see an increase in the amount and quality of crops they receive—other than for shea, for which inputs are not needed. They should also find it easier to contract directly with producers for their supply.
Traders	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Traders should see increases in the amount and quality of crops they receive—other than for shea, for which inputs are not needed. They would be directly impacted by increased competition, which might give them more opportunities, but might also decrease their income.
Exporters	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Similar impact to traders, except that exporters would directly benefit from the removal of barriers to establishing direct purchasing arrangements with producers.
Women	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Women whose families are involved in productions should see improvements in the ability of their families to increase yields with more reliable inputs. Shea collectors should be able to increase income, if allegations of collusive behavior among intermediaries is correct and the reforms can help address that.

Rural Poor	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Rural poor could be affected directly and indirectly, depending on their status. If they are engaged in the production or distribution of food, an increase in food production would benefit them. If not, increased prosperity of subsistence farmers may provide indirect benefits to them by creating additional opportunities to provide trade or services to their neighbors.
Other: Unemployed Youth	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Increased prosperity of subsistence farmers may provide indirect benefits to unemployed youth by creating additional opportunities to provide trade or services to their neighbors.
Pineapple	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	The impact of this reform on specific value chains cannot be determined until the review of key treaty obligations against national law has been conducted and detailed reform recommendations have been made. However, if the assumptions below are true, there would likely be a high direct impact on all value chains through increased coordination and competition and increased access to inputs. This impact would be slightly muted for the shea sector, as shea is a wild crop needing no fertilizer, pesticides, or herbicides.
Maize	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Cassava	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Cashew	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Shea	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

ADDITIONAL ASSUMPTIONS/DATA

The recommendation is for MCC to support a process of reform of a variety of legal acts and administrative methods, not to “place bets” on one specific reform at this time. As it is impossible to know what will come of this process, it is premature to provide direct estimates of beneficiaries. For purposes of this exercise, however, the following assumptions are made:

1. The current law on cooperatives has had the effect of making cooperatives passive, non-financeable, and ineffective because all of their actions can be second-guessed and undone by bureaucrats at any time. This activity will change the law to make cooperatives truly self-regulating and independent (as contemplated by OHADA), active and more able to secure financing, and especially at the producer level willing to get higher prices from intermediaries. This will in turn encourage producers to grow and collect more crops, increasing Benin’s GDP and food security for the poorest.
2. The current law on commercial activity violates Benin’s treaty obligations, in particular by prohibiting producers from stocking their own goods for later sale and by prohibiting producers and wholesalers from dealing directly with each other, thus forcing them to go through intermediaries. This reform will change the law, enabling producers and their cooperatives to build warehouses, deal directly with wholesalers and exporters, and receive increased income, again encouraging more production and improving food security for the most needy.
3. It is assumed that one of the main constraints to importing fertilizer, insecticide, and herbicide is the strict, expensive, and unpredictable requirements imposed by MAEP on the private sector. It is assumed that this has a direct, negative impact on agricultural production and producers’ income. It is assumed further that revising the current SPS law to bring it in full compliance with the letter and spirit of the SPS treaty will lead to a steady supply of good-quality, needed inputs at competitively set prices. Further research is needed to confirm these assumptions in sufficient detail.

Recommendation: As GoB plans for the liberalization of the cotton market, provide assistance to help ensure the creation of a competitive, sustainable, and open market to supply timely, quality agricultural inputs to non-cotton value chains.

AgCLIR Chapter: Competing Fairly

WHY IS THIS REFORM NEEDED?

Impact of constraint	The state domination of the cotton input market leaves no room for serious, competitive private sector entrants to supply needed inputs to any other agricultural value chains.
Benefits of reform	Farmers will be able to buy the inputs they need when they need them, ensuring greater productivity and increase income.

FEASIBILITY

Political will and stakeholder buy-in	The 2012 nationalization of the cotton market may have created an opportunity to re-open the market for agricultural inputs in a way that was not previously possible under the old, monopolized system.
Obstacles to reform	It may be difficult to separate other agricultural inputs from cotton in a way that can create a viable market for other agricultural inputs, especially given the informal usage of subsidized cotton inputs for other crops. Cotton is highly politicized with a great deal of money at stake, and there may be unwillingness to carve out an area of “competing fairly” for other crops, given the past history of great concentration of benefits in very few hands.
Fit with country’s stated policies and priorities	Consistent, as GOB state policy is to improve.
Fit with other donors	Both the International Monetary Fund (IMF) and the World Bank want to see a proper liberalization of the agricultural inputs market and are very aware of the problems.

BEST PRACTICES

Research is needed into successful models of agricultural input liberalization in a subsidized context, with one dominant product.

TIME AND RESOURCES

Resources required	Medium – Medium cost to do needed research and change supporting law and policies accordingly. Private sector investment needed in building brands and distribution. As noted above, possible cost in helping improve MAEP testing and approval process.
Time frame for reform	2+ years – It would take two years to get laws and policies established and to start to attract serious, competitive input suppliers. It would take several years to get private distribution and marketing working or to get CARDER to serve as a market neutral distribution agent.

ACTION STEPS

1. Start with a donor-coordinated marketing and legal study of both opportunities and barriers for agricultural inputs, looking at a few key value chains (i.e., maize and cassava). Prepare a business plan for potential entrants with constraints identified and ways to remove them outlined. The plan should be vetted with major potential inputs suppliers as well as with producers’ cooperatives.
2. Address major government-caused risk factors in the plan. For example, ways to expedite approvals for new inputs may be developed, such as accepting recognition of well-studied, branded inputs that been approved for use internationally and proven safe in conditions similar to Benin. Outline effective and credible ways to protect potential market entrants from the market distortions caused by cotton. Legal and administrative solutions, binding on the government (perhaps backed with donor loan conditionality or even a right to make international arbitration claims), would be put into place to encourage competitive market entry. The plan and solutions would then be “shopped” to reputable international firms and producers associations, perhaps facilitated by a business conference and public outreach campaign, where supply and demand can meet.
3. Consider producer training in the safe use of new inputs.

IMPACT OF THE REFORM ON KEY DEVELOPMENT GOALS

	L	M	H	Assumptions/Data
Economic Growth	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	High impact through increases to producer level income.
Poverty Reduction	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Gender/Social Inequality	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

IMPACT OF THE REFORM ON DIRECT AND INDIRECT BENEFICIARIES

	D	I	L	M	H	Assumptions/Data
Input Suppliers	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Reliable and appropriate supply of agricultural inputs through functioning markets should have a large impact on the ability of input suppliers to provide needed inputs in a timely manner.
Producers	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Improved access to proper inputs at the right time should have a direct, large impact on producers' ability to grow non-cotton crops.
Processors	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Processors should see an increase in the amount and quality of crops they receive—other than for shea, for which inputs are not needed.
Traders	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Traders should also see an increase in the amount and quality of crops they receive—other than for shea, for which inputs are not needed.
Exporters	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Similar impact to traders.
Women	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Women whose families are involved in production should see improvements in the ability of their families to increase yields with more reliable inputs.
Rural Poor	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Rural poor could be affected directly and indirectly, depending on their status. If they are engaged in the production or distribution of food, an increase in food production should benefit them. If not, increased prosperity of subsistence farmers may provide indirect benefits to them by creating additional opportunities to provide trade or services to their neighbors.
Other: Unemployed Youth	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Increased prosperity of subsistence farmers may provide indirect benefits to unemployed youth by creating additional opportunities to provide trade or services to their neighbors.
Pineapple	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Direct, large impact on the value chain through increased output.
Maize	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Direct, large impact on the value chain through increased output.
Cassava	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Direct, large impact on the value chain through increased output.
Cashew	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Direct, large impact on the value chain through increased output.
Shea	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	No direct impact, because shea is a natural product.

ADDITIONAL ASSUMPTIONS/DATA

Throughout the interview process, we were repeatedly told that agricultural inputs for crops other than cotton were often difficult to get, leading to decreased production. Studies discuss the diversion of subsidized cotton inputs to other crops. In suggesting this intervention, we assume that this is a major, systemic problem and that alternate and appropriate inputs are often very hard to get. We assume a market failure exists because of massive state intervention, even since the end of a state-created cotton monopoly in 2012. These assumptions should be further tested empirically to get a better sense of true market distortions and shortfalls.

Recommendation: Review the legal framework governing competition, including the draft competition law, and support the passage and implementation of a new WAEMU-compliant competition framework that promotes effective competition and consumer protection.

AgCLIR Chapter: Competing Fairly

WHY IS THIS REFORM NEEDED?

Impact of constraint	The lack of limits on the state to be a market actor in the agricultural sector crowds out private sector actors and creates confusion and dependence. The lack of any effective controls on cartel behavior lets private sector actors divide up markets and restrict competition.
Benefits of reform	Market entry would be eased, consumer prices decreased, producer income increased, and production of agricultural products increased.

FEASIBILITY

Political will and stakeholder buy-in	Will and buy-in feasibility is unclear and needs to be carefully vetted. There is a resistance to the current draft law both within government and private sector, indicating that support is likely to be more widely distributed than resistance but would not be organized.
Obstacles to reform	Public and private actors who benefit from collusion or market control will resist.
Fit with country's stated policies and priorities	Theoretically, this reform fits with Benin's policies and priorities and would comply with existing WAEMU obligations.
Fit with other donors	It is unknown if such a reform fits with the efforts of other donors.

BEST PRACTICES

See <http://www.ftc.gov/oia/wkshp/docs/exp.pdf> for overview.

TIME AND RESOURCES

Resources required	Variable – The cost depends on the level of involvement. The cost to review and comment on the existing legal framework and draft law, and try to support proponents of reform, is low. The cost to support creation of a new competition agency, if that is what the review proposes, is high.
Time frame for reform	2–10 years – Two years for legal reform and up to a decade for assistance with agency set-up. The Federal Trade Commission would be the main USG agency for such support.

ACTION STEPS

1. Provide specific action steps outlining the key actions necessary by each actor to enact the recommendation.
2. This open-ended recommendation encourages engagement with the government in reviewing, commenting on, and then passing a new WAEMU-compliant legal framework for competition in Benin, including an overarching law on competition. This is, in some ways, a subset of the first recommendation in this chapter, but because of its context and potential importance, it is presented separately. While the first recommendation considers treaty compliant changes in general, this considers the specific case of the draft competition law, which is working its way through government, reportedly in the face of substantial opposition. If government counterparts are willing and able to share a copy of this draft and get comments on it, this could help improve the draft. If bill proponents believe that donor coordination, public outreach, and publicity on the draft could help secure its passage, this should be supported.
3. In addition, a thorough review should be conducted of the existing legal framework governing commercial relationships, including the Commercial Activities Law, Permanent Commission Decree, and Price and Stock Law, to ensure that the entire legal framework is brought in line with the principles of the WAEMU Competition Treaty via passage of the new law on competition.
4. After passage of legal reforms, the government would need substantial assistance to help promote effective competition and improved consumer protection, including assistance in setting up an independent competition regulatory authority.

IMPACT OF THE REFORM ON KEY DEVELOPMENT GOALS

	L	M	H	Assumptions/Data
Economic Growth	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Increase in growth through more efficient markets.
Poverty Reduction	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Reduction in poverty through less concentration of income from collusive practices.
Gender/Social Inequality	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	If shea allegations are correct, stopping intermediary collusion would increase women gatherers' income.

IMPACT OF THE REFORM ON DIRECT AND INDIRECT BENEFICIARIES

	D	I	L	M	H	Assumptions/Data
Input Suppliers	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Applying monopoly laws to inputs, especially state-sponsored highly concentrated input suppliers under agreement could open supply markets, with high impact.
Producers	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Improved access to proper inputs at the right time from a non-collusive market should have a direct, large impact on producers' ability to grow non-cotton crops.
Processors	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Depending on the current level of cartel or monopolistic behavior in the market, processors may see increases in raw materials at better prices.
Traders	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Traders would be directly impacted by increased competition, which might give them more opportunities but might also decrease their income.
Exporters	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Similar impact to traders.
Women	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Shea gatherers should be able to increase income, if allegations of collusive behavior among intermediaries are correct and the reforms can help address that.
Rural Poor	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Impact will vary depending on the degree to which the rural poor may pay higher prices or have decreased opportunities in collusively controlled markets.
Other: Unemployed Youth	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Impact will vary depending on degree to which others may pay higher prices or have decreased opportunities in collusively controlled markets.
Pineapple	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Impact will vary depending on degree of monopolistic or collusive behavior.
Maize	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Impact will vary depending on degree of monopolistic or collusive behavior.
Cassava	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Impact will vary depending on degree of monopolistic or collusive behavior.
Cashew	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Impact will vary depending on degree of monopolistic or collusive behavior.
Shea	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Impact will vary depending on degree of monopolistic or collusive behavior.

ADDITIONAL ASSUMPTIONS/DATA

See prior additional assumptions. Although the passage of a new law could take place fairly quickly, developing the will and capacity to bring competition cases is a long-term commitment. It is not possible to estimate when, where, or to whom benefits might accrue, as one cannot know in advance what cases might be brought, when, for what markets, and with which results. It should be expected that no concrete results would be seen for at least three, and more likely five, years after the passage of a new law.

ACCESSING MARKETING INFRASTRUCTURE

Recommendation: Create commune-level rural roads action groups with public and private sector representation to inject local ownership and accountability into the development of the rural road network.

AgCLIR Chapter: Accessing Marketing Infrastructure

WHY IS THIS REFORM NEEDED?

Impact of constraint	Too much agricultural production either never reaches the market and is lost to waste, or is never planted and harvested in the first place because physical accessibility to markets remains too distant and difficult on account of an under-developed and poorly maintained network of rural feeder roads. The state of the rural road network is an obstacle to the effective consolidation of supply.
Benefits of reform	The reform would support increased production and an enhanced ability to direct commodity flow to where output can be geographically consolidated. Over time this aggregation of supply will increasingly attract larger scale agro-industrial processing interests and related businesses to invest in more stable contracting relationships with capable producer groups.

FEASIBILITY

Political will and stakeholder buy-in	The DTP and the municipal governments would be the principal stakeholders with input from the Ministry of Agriculture and the Ministry of Decentralization, Local Governance, Administration and Planning. Given that municipal governments have primary responsibility for and low capacity to deliver on development and maintenance of the tertiary road network and that the DTP is effectively responsible for the nonperformance of local governments in the achievement of national level development strategies, the interests of these primary stakeholders should be aligned.
Obstacles to reform	The principal obstacles are largely financial as there remains much work to do on the national road network for which DTP has sole responsibility. Competing claims on scarce resources and the possibility of political intrusion and a power grab that could divert resources away from rural road development remains high. It is essential to develop checks on power between the DTP and municipal governments and transparency in the actions of these groups vis-à-vis their communities to lower the risk of corruption.
Fit with country's stated policies and priorities	The GoB state policy of a "relancement" ("re-launching") of the agricultural sector is a clearly stated national priority and the proposed rural roads action groups are fully in line with the notion of boosting output, increasing rural income, and improving infrastructure.
Fit with other donors	This reform would support MCC's efforts to invest transparently and sustainably in the development of Benin's road infrastructure under the second Compact.

BEST PRACTICES

Côte d'Ivoire and Ghana have both made some impressive strides in rural road expansion. In the former, it has been through parastatal agencies that have supported the coffee sector, while in the latter, public-private partnerships in cocoa and the mining sector have helped develop rural roads, but not always to the benefit of food crop development. The best approach for effective rural road expansion depends on the context, and further research is needed in Benin to determine the most effective institutional structure and operating guidelines for these action groups to ensure transparency and accountability in their work.

TIME AND RESOURCES

Resources required	Low – Forming locally-based rural roads action groups entails a low resource requirement. An assessment should be made of how the current rural road network is mapped and any information on the physical state of these roads. This also should be a low level of resource commitment. Acting on the priority recommendations of the group would likely require a medium to high level of resource outlay. MCC has a good understanding of the costs of rural and national road development in West Africa in terms of the cost per linear kilometer of studies and works.
Time frame for reform	0-6 months – Legal authority for the creation of rural roads action groups could be established by administrative decree within 6 months depending on the level of political commitment. Deciding upon the composition and operating guidelines for these groups, however, could take longer.

ACTION STEPS

1. Pass an administrative decree establishing the action groups and delineating basic composition, functions, operating principles, sources and use of funding, reporting requirements, and clear checks on national and local power to interfere with the transparent and accountable functioning of the groups. These public-private working groups should be made up of local community and business leaders and municipal government representatives charged with selecting areas for expansion and monitoring maintenance needs in their areas. Particular attention should be paid to ensure that women have a voice in these groups.
2. Conduct local awareness raising and hold public forums to discuss the function of the proposed groups and select public and private community leaders to participate. Special attention should be paid to ensure women are represented in these groups.
3. Develop technical capacity of new group representatives and support and monitor the establishment of operational and budgetary procedures for each group that align with national guidelines. To give the actions of these groups some bite, their agendas should be supported through a transparently administered local road development fund with money raised from local tax earmarks, private donations, and other sources of financing identified with the assistance of the DTP. Assist each group in establishing a set of criteria for identifying and financing priority interventions/investments.
4. Carry out an assessment of the state of the rural road networks, including any existing cartography and current maintenance activity within DTP and across the municipal governments.
5. Carry out field studies in each commune to identify short-term (1-3 year) priority works programs and medium-term programs (3-5 years).
6. Convene a series of workshops and expert meetings to determine feasibility, ensure the alignment of local and national priorities, and support the transparency and accountability of municipal governments to follow through with their proposals. Ensure that the groups establish and respect reporting mechanisms to the DTP for coordination of overall national strategy and maintenance of a local-scale road network database. The DTP should also be empowered to hold the groups to task, to recommend areas of intervention based on identified holes in the larger network that impact their areas, and to intervene when needed if local politics or corruption threaten to eclipse the transparency or public-private nature of their work.

IMPACT OF THE REFORM ON KEY DEVELOPMENT GOALS

	L	M	H	Assumptions/Data
Economic Growth	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Increasing agriculture supply in the market through expanded rural road development creates market size effects allowing a greater number of market participants to benefit from the gains from trade.
Poverty Reduction	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Developing the rural road network also facilitates access to critical social services in addition to expanding market opportunity.
Gender/Social Inequality	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Enhancing the opportunity for mobility for all persons is widely shown to benefit both men and women almost equally.

IMPACT OF THE REFORM ON DIRECT AND INDIRECT BENEFICIARIES						
	D	I	L	M	H	Assumptions/Data
Input Suppliers	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	As the rural road network expands, so does the scope and extent of the market. Accordingly input suppliers will have a more broad and accessible client base.
Producers	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Producers will be able to more efficiently obtain inputs and move output as rural roads improve, reducing post-harvest losses and creating incentives for expanded production.
Processors	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	As the capacity for enhanced mobility and access to certain production zones increases, so does the ability to make more efficient location decisions for new or expanded investment in agro-processing activity.
Traders	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Improved access to production zones will bring about a more efficient consolidation of supply and gradually permit more stable forms of contracting to evolve thereby further enhancing the development of viable markets.
Exporters	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Exporters will benefit more of the medium term as transportation efficiencies and steady sources of supply develop, including export activity into a broader base of agricultural commodities.
Women	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Expansion of rural roads improves rural mobility, economic opportunity and access to critical social services.
Rural Poor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Expansion of rural roads improves rural mobility, economic opportunity and access to critical social services.
Other: Unemployed Youth	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Greater economic integration between rural and intermediate markets also increases the viability of rural employment and investment.
Pineapple	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Although pineapple activity is relatively more concentrated in the southern portion of the country where the road network is denser, the impact will still be high considering the perishable nature and the importance of farm-to-market efficiency to minimize post-harvest losses which are some of the highest of any commodity in Benin.
Maize	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Staple foods sectors represent perhaps the highest impact among the listed commodity chains because of the number of producers, traders, and households involved.
Cassava	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Again, the welfare-enhancing aspects of investments in rural roads have clear demand and supply-side benefits for production and consumption to stabilize at higher levels over the long-run.
Cashew	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	As an export sector the impact of road development for cashew trade will foster more efficient location decisions about investment in processing and gains securing steady sources of supply.
Shea	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Same as previous, and this is likely to be of particular benefit to women who are important actors in the shea sector.

ADDITIONAL ASSUMPTIONS/DATA

The key rationale for establishing rural roads action groups is to elevate the status of rural roads on the national and local agricultural development agendas. Decentralization has placed this issue at a level of government where it cannot be effectively addressed. The extent to which such groups can be charged with designing and carrying out procurements for actual feasibility studies and development works is unlikely unless they are given considerable resources. However, there is a non-trivial risk that the groups will be able to manage these resources effectively without strong training and input from DTP or from donor groups. This kind of institutional development could be an important long-term process of capacity building but it could compromise the desire to achieve tangible infrastructure results in the near-term. This is an issue which should be debated by MCC and its government counterparts as there are meaningful trade-offs in both courses of action.

Recommendation: Open up the market information system to private-sector service providers.

AgCLIR Chapter: Accessing Marketing Infrastructure

WHY IS THIS REFORM NEEDED?

Impact of constraint	The current system is too centralized, too focused on the cereal sector, and largely irrelevant to most large and small private sector operators. Given the many other obstacles producers and traders face in commercializing agricultural output, an MIS that balances worthy food security objectives with market development and coordination efforts in helping markets to clear at higher levels of output is a pressing need for value chain development.
Benefits of reform	The principal benefits include higher quality information, more timely information, and more actionable information for market actors to conclude actual transactions, all of which are essential for long-term market development, coordination, and making Benin more food secure.

FEASIBILITY

Political will and stakeholder buy-in	This is unclear given a rather pervasive mistrust of freewheeling private sector operators on the part of the GoB, particularly in a sensitive area like information and what entities control it in terms of content, access, and dissemination.
Obstacles to reform	ONASA is likely to oppose an opening up of its mandate to private sector service providers because it will signal an inadequacy in its current mechanism for providing market information. The aforementioned political issues will also have to be addressed at a higher level within the Ministry of Agriculture (MAEP) in order to convince policy-makers about the utility of injecting a broader and more dynamic set of concerns into a system that is heavily centralized and rather sleepy in its approach to market information.
Fit with country's stated policies and priorities	The GoB is still preoccupied with overcoming the food price and shortage crisis of 2008–2010 and might have concerns about compromising the mission of ONASA in any fundamental way. However, its growth and poverty alleviation objectives also have to be linked to a view of food security that promotes real market development and the critical information systems that underlie well-functioning markets.
Fit with other donors	The World Bank's current work on e-government in Benin should be regarded as an important catalyst for a broader rethinking of the strategic nature of information, openness, and innovative solutions, including the role of service providers who can be honest brokers in such critical areas.

BEST PRACTICES

Ghana, Senegal, and Mali have or are all actively experimenting with different private sector–led models of market information systems. The case of Ghana is probably most advanced where ESOKO has reached high levels of subscribership to its different categories of service.

TIME AND RESOURCES

Resources required	Low – The resources required for opening up the MIS are small, but any legal or regulatory reform required for private sector participation in MIS has not yet been examined. Inviting actual service providers to operate in Benin would also be a low-level resource outlay; however, if the government was to promote adoption at least in the initial years through cross-subsidy arrangements with the service provider(s), the resource commitments could reach a medium level.
Time frame for reform	Unknown, at least until the issue has been discussed within the MAEP.

ACTION STEPS

1. Study tour is conducted to neighboring countries, especially Ghana, to understand the benefits of the role of private providers and seeing how they can co-exist with state institutions.
2. The MAEP undertakes a feasibility study of the benefits of private sector participation in MIS in Benin.
3. Decision is made at a cabinet level to proceed with a public-private partnership between ONASA and a qualified participant.
4. The MAEP designs and carries out a solicitation for pre-qualification.
5. The MAEP establishes the modalities of the public-private partnership (PPP) and a division of responsibilities between a private sector operator and ONASA, including use of government field agents, fee-for-service provisions, and the extent and duration of cross-subsidy arrangements in view of business plan projections for financial solvency of the PPP, monitoring and evaluation criteria, and the type and duration of contract to be bid out (management contract, concession, multi-actor license, etc.).
6. The MAEP designs bidding documents and launches the call for bids. Convene a series of workshops and expert meetings to determine feasibility of bids. Evaluation of bids and award of contract should take into account whether the system proposed will adequately address the ways in which women entrepreneurs share and receive information.
7. Conduct a public awareness campaign to sensitize private sector actors to the existence and use of the new market information system when launched.
8. Introduce a short-term cross-subsidy arrangement with the private service providers, at least in an initial period, to be able to roll out the MIS and other services to farmers, or better yet, groups of farmers in order to build up a sufficient user base which could then be a real platform for supply and demand information as well as stock and flow transactions.

IMPACT OF THE REFORM ON KEY DEVELOPMENT GOALS

	L	M	H	Assumptions/Data
Economic Growth	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Measurable results should be obtainable if, as in other subscriber-based MIS, volume transactions are recorded by a server and conducted through a banking institution.
Poverty Reduction	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	A user-subscriber system for MIS provides a valuable sample population that can be used to estimate the income effects if the system is geared toward facilitating stock and flow transactions, which exists in some of the countries mentioned in the Accessing Marketing Infrastructure chapter. Cross-subsidy arrangements with external funding can be used to help fund subscribership of targeted beneficiary groups in order to track the welfare-enhancing aspects of the system.
Gender/Social Inequality	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Given the importance of women in many aspects of agro-processing and wholesale/retail activity in Benin, a more robust and market-relevant MIS will enhance decision-making about the timeliness of marketing strategies for greater livelihood and household consumption impacts.

IMPACT OF THE REFORM ON DIRECT AND INDIRECT BENEFICIARIES

	D	I	L	M	H	Assumptions/Data
Input Suppliers	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	As a group, input suppliers are not likely to be the most direct beneficiary group as their activities are slightly more upstream of the activities of MIS, which are more focused on price-quantity relationships of agricultural products. However, the system could be extended to operate in key input areas such as chemical products and fertilizer.
Producers	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	All potential subscribers to a private operator system are directly implicated in stock and flow transactions.
Processors	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Traders	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Exporters	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Women	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Expansion of rural roads improves rural mobility, economic opportunity and access to critical social services.
Rural Poor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The rural poor and other disadvantaged groups are direct beneficiaries of markets that clear at a higher level of output, which will lead over time to less volatility in the relationship between price and quantity.
Other: Unemployed Youth	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Pineapple	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Although the current MIS is oriented to staple food commodities, its opening to private sector service providers will quickly allow for an extension into other food and export crops. In fact, these latter crops (pineapple, cashew, and shea in particular) are founded upon more formalized and stable buyer-supplier relationships, which can help orient the design of the system in its earliest stages in terms of specifying volume, quality, price, location, and timing.
Maize	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Cassava	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Cashew	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Shea	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

ADDITIONAL ASSUMPTIONS/DATA

Private sector service provision usually means fee-for-service arrangements, but many of these business models have different grades of service with access to price information being the lowest grade of service and usually free. The fees usually are introduced when subscribers wish to connect to a buyer as a seller, or vice versa. Numerous cross-subsidy and donor participation options have been introduced to varying degrees of effectiveness, but it comes down to a question of scale and the size of the user base, which in turn is a question of adoption rates.

ENFORCING CONTRACTS

Recommendation: Investigate the feasibility of strengthening the reconciliation courts to expand their mandate to mediate business disputes and provide legal services to businesses and cooperatives.

AgCLIR Chapter: Enforcing Contracts

WHY IS THIS REFORM NEEDED?

Impact of constraint	<p>The threshold for accessing courts is too high for most businesses in the agricultural sector. Businesses are risk-adverse and are forgoing business opportunities because it is difficult to screen clients beyond one's personal network and because it is costly, time-consuming, and often not very fruitful to pursue legal recourse to recover unpaid debts.</p> <p>Legal services pertinent to agricultural businesses, such as drafting of contracts, contract farming practices, or the new OHADA regulations on cooperatives, is lacking in areas outside of the urban centers.</p>
Benefits of reform	<p>A local, cheap, and more informal and amicable forum for settling business disputes would expand a recourse option to a larger segment of the agricultural business sector, most of which does not perceive courts as accessible to them. By settling disputes, business relations can be sustained and businesses might become more comfortable in expanding their trading networks beyond the known.</p> <p>The reconciliation courts could also double as a legal service center where law students doing their internship could provide free or very inexpensive legal services. This would be sustainable and keep the cost low, while giving law students a practical experience of legal issues in the agricultural sector. It could be very beneficial for local cooperatives to get help in conforming with the new OHADA rules on cooperatives or advising clients on contracting practices or contract drafting.</p>

FEASIBILITY

Political will and stakeholder buy-in	<p>The legal framework for the reconciliation courts (<i>Tribunaux de Conciliation</i>) is already in place and they are modeled after the more traditional ways of resolving conflicts through discussions and negotiations at a local level. A reconciliation court should exist in each <i>commune</i>. The President and the two councilors of the court are currently unpaid, well-respected members of the local community.</p> <p>The law faculty at the University in Cotonou expressed a great interest in a partnership that would allow their students to intern in the reconciliation courts and gain practical legal experience. The law faculty could prepare the students prior to the internship and provide continued support and supervision during the internship. Some financial resources would be required for the university (or universities) to develop the program. Considering that law students now need to find their internships by themselves and the options appears to be somewhat limited considering how many law students there are, this appears to be an interesting option for law students. Although the law faculty has expressed a great interest, it will also be important to ensure that there is an interest from students to move to smaller towns for their internship.</p>
Obstacles to reform	<p>It will be important to investigate further why some reconciliation courts are operating while some seem not to function. Their mandate is currently limited, but it is not clear that there are any formal obstacles to expand their mandate. The Presidents of the trial courts in Cotonou and Parakou seemed to think that it was a viable idea since it is a sector otherwise not served by the judiciary—and that if mediation fails, the case would be referred to the court.</p> <p>Discussions with the Ministry of Justice would have to be held to gauge their interest in strengthening the reconciliation courts.</p>
Fit with country's stated policies and priorities	<p>The reform would create greater access to justice and strengthen agricultural businesses and the cooperative sector.</p>
Fit with other donors	<p>No other donors appear to be working in this particular area of the justice sector. However, coordination with the EU and the World Bank, active in justice sector reforms, should take place. Consultation with the Belgium Development Agency (CTB) should also take place as it is reported to have worked with some reconciliation courts in the past.</p>

BEST PRACTICES

Senegal is expanding a network of Maison de Justice, which provides mediation services in a traditional setting. The Maison de Justice is formally attached to the Judiciary, just like the reconciliation courts.

TIME AND RESOURCES

Resources required	Low-medium – A more detailed study of existing infrastructure is needed to determine the cost.
Time frame or reform	A feasibility study needs to be conducted, and if no major obstacles are detected, the reform could be rolled out within two to three years.

ACTION STEPS

1. Conduct a fact-finding and feasibility study to determine the current network of the reconciliation courts; their capacity; the interest from the Ministry of Justice, the trial courts, and the mayor's office to support strengthening the reconciliations courts; and the interest from users. Discussions with the faculty of law, students, and other donors are also recommended.
2. Assess the perception of the reconciliation courts in the local communities with a special focus on how women entrepreneurs perceive their fairness and accessibility.
3. Based upon the findings, study the experience of the *Maison de Justice* from Senegal and other potential examples.
4. Determine whether the proposed reform is viable and thereafter devise a more detailed action agenda.

IMPACT OF THE REFORM ON KEY DEVELOPMENT GOALS

	L	M	H	Assumptions/Data
Economic Growth	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	The legal counseling services will give businesses and cooperatives a greater understanding of contractual obligations. Mediation of commercial disputes in an accessible and local forum would provide agricultural businesses a venue to settle their disputes and thereby mitigate the risk to engage in more complex transactions (especially various forms of credit arrangements). By providing recourse for commercial disputes, smaller and medium-size businesses could become less risk-adverse and engage in more and/or more complex transactions.
Poverty Reduction	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Providing businesses with an accessible recourse to settle commercial disputes, coupled with the implementation of other BEE reforms identified in this report in the longer run, one could expect more entrepreneurial businesses to expand their business and thereby create more wealth and more employment opportunities.
Gender/Social Inequality	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Free or inexpensive legal services and greater access to commercial dispute resolution would in particular benefit women entrepreneurs, the rural population, and the economically disadvantaged as those groups are less likely to access such services when they are more expensive, located further away, and conducted in a more formal way.

IMPACT OF THE REFORM ON DIRECT AND INDIRECT BENEFICIARIES

	D	I	L	M	H	Assumptions/Data
Input Suppliers	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	There are currently very few input suppliers supplying the private sector; but increased prominence would become an important tool for private input suppliers, especially if they are selling on credit.
Producers	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Many smaller producers sell their crop in cash or get paid within a week after delivery. Producers would primarily benefit from legal advice and education on contractual arrangements and contract negotiation strategies. Producer cooperatives could get assistance in aligning their by-laws to adhere with the new OHADA law on cooperatives.
Processors	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Processors extending credit to traders or directly to producers find it difficult and costly to recover unpaid debt. This would give them a cheaper, local avenue for recovering debt, especially when the debt is small and it might not be worthwhile to go to court.

Traders	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Traders extending credit to producers would benefit from being able to recover unpaid debt in a local forum close to the producers. For products like shea where late deliveries are an issue, the reconciliation courts would also help the traders in conveying the importance of timely deliveries.
Exporters	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Exporters extending credit to their suppliers would benefit from reconciliation courts. However, exporters dealing in larger amounts of money might still prefer to go to court to recover unpaid debts.
Women	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Reconciliation courts that are located at the local level, that are free to access, and that are less formalistic and less confrontational would benefit women. The cost, distance, and confrontational nature of the courts are prohibitive to many women. Even more successful business women would prefer to first negotiate a solution, which the reconciliation courts would do. Women would also benefit from the legal advice and education aspect of the courts.
Rural Poor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	For the rural poor the courts are located far away, but more important their claims are often smaller, which does not justify the cost, time, and logistics of a court process. Therefore, a local and free reconciliation court that seeks to settle disputes in a less confrontational manner is better suited for this part of the population, which otherwise do not access courts. In addition, legal advice and information on contractual practices would educate this part of the population about buyers' expectations such as timely delivery—especially in forward or contract arrangements.
Other: Unemployed Youth	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	One could expect more entrepreneurial businesses that are able to settle their disputes to be able to expand their business in the longer run and thereby create more employment opportunities. But this is an indirect effect that is most likely going to take a while to be realized.
Pineapple	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Contract farming is more common in the pineapple sector, and mediation to bring about greater adherence (especially side selling) to the contractual obligations would be greatly beneficial. One pineapple processor believed that education of contract farmers was also needed to make them understand the contractual arrangement.
Maize	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Many transactions in maize involve cash and there are therefore fewer disputes. However, larger traders and processors that extend credit would benefit from being able to mediate disputes with their suppliers at the reconciliation courts.
Cassava	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Many transactions in cassava involve cash and there are therefore fewer disputes. However, larger traders and processors that extend credit would benefit from being able to mediate disputes with their suppliers at the reconciliation courts.
Cashew	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Traders and processors are commonly extending credit when purchasing cashews. The reconciliation court would facilitate recovering unpaid debts due to nondeliveries.
Shea	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	One of the greater issues for contracting in shea is the late or insufficient quantity deliveries of kernels. Traders said that they are trying to educate women collectors on the importance of timely, quality delivery. The counseling and education would supplement the activities the traders are already undertaking.

ADDITIONAL ASSUMPTIONS/DATA

Additional research is required to better understand the structure and politics (if any) of the reconciliation courts. Those consulted by the team were rather positive to the idea, but further research into the issue is necessary to decide whether this is politically doable.

It will also be important to ensure that the reconciliation courts are sensitive to special considerations to accommodate women and that women are represented in the court leadership. One of the prerequisites to be appointed as a court leader is to be a retired government official, which may limit the number of women eligible to serve. The anticipated impact of this restriction should be further evaluated.

GENDER AND SOCIAL CONSIDERATIONS

Recommendation: Assume a leadership role in the creation of an Agricultural Innovation Center at Parakou University, in collaboration with the university, international donors, and related government departments such as MAEP and the Ministry of Microfinance and Employment of Youth and Women.

AgCLIR Chapter: Gender and Social Considerations

WHY IS THIS REFORM NEEDED?

Impact of constraint The mandate of the center would be to provide an innovation platform whereby students and former graduates can conduct research to identify new value-added products for the agricultural sector and provide commercialization support through the proposed university business development center.

Benefits of reform The center would create new business opportunities and reduce unemployment among educated youth. New products would expand revenue-generating activities in the market.

FEASIBILITY

Political will and stakeholder buy-in Both the government and international donors have an interest in undertaking programs to create employment opportunities for youth, particularly in the agricultural sector.

Obstacles to reform Potential obstacles include a lack of financial and human resources.

Fit with country's stated policies and priorities The project would align with the GoB's current employment policy and stated commitment to youth employment.

Fit with other donors The project is aligned with youth job creation goals and the goal to generate higher growth within the agricultural sector.

BEST PRACTICES

The Saskatoon Research Centre (SRC) is one of Agriculture and Agri-Food Canada's (AAFC) national network of 19 research centers. It is located on the campus of the University of Saskatchewan. The center manages three field sites: the Melfort Research Farm, the Scott Research Farm, and the Outlook Canada-Saskatchewan Irrigation Diversification Centre (CSIDC). This center emphasizes collaboration between several private and public research organizations that operate from the Agricultural Innovation Centre, which develops integrated crop management strategies for sustainable cropping systems on the Canadian prairies. In response to an emerging priority, it also focuses on leading research to develop sustainable management of clubroot on canola.

The Southern Crop Protection and Food Research Centre (SCPFRC), also one of AAFC's 19 centers, conducts research in the areas of genomics, biotechnology, and integrated pest management (insects and plant diseases). A satellite research location associated with the SCPFRC is located in Vineland, Ontario. The Vineland Research Farm is a Minor Use Pesticide Program Site, which supports the center's mission to develop alternative and environmentally acceptable technologies to protect crops. It is also the main site of tree fruit research. The center focuses its research in three key areas: (1) crop genomics, bioproducts, and biopesticides; (2) protection and improvement of fruits and vegetable crops; and (3) soil and water quality.

TIME AND RESOURCES

Resources required **Medium – High**, depending on whether physical infrastructure for the center must be constructed.

Time frame for reform Commence discussions late 2013. Implementation target 2015.

ACTION STEPS

1. UCF holds an initial meeting with Parakou University and convenes a meeting with stakeholders to discuss the project and confirm that there is sufficient interest.
2. Research good practice models; obtain information on set-up, capital investments, start-up costs, operational costs, research and development activities, commercialization rates, impact on the agricultural sector, and impact on job creation.
3. Raise funds to support capital, start-up, and operational costs.
4. Commence construction.
5. Recruit center management and leading research team.
6. Set criteria for appropriate research activities.
7. Issue call for research proposals.
8. Select research proposals.
9. Commence operations.

IMPACT OF THE REFORM ON KEY DEVELOPMENT GOALS

	L	M	H	Assumptions/Data
Economic Growth	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Growth would be experienced through new opportunities in agricultural food sub-sectors.
Poverty Reduction	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	New business opportunities and related job creation would assist in reducing poverty levels among youth.
Gender/Social Inequality	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Successful research outputs and commercialization (new business start-ups) would assist in meeting the need to create employment for youth.

IMPACT OF THE REFORM ON DIRECT AND INDIRECT BENEFICIARIES

	D	I	L	M	H	Assumptions/Data
Input Suppliers	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	While the true impact of the reform will depend on the specific projects selected, innovations will have the potential to lead to increases in yields or new bioproducts and therefore increase overall value-added activity in the agricultural sector, creating new enterprises and jobs, and increasing income at various levels of the value chain.
Producers	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Processors	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Traders	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	It has the potential to directly impact producers and processors throughout the five value chains and indirectly affect the traders who work with them.
Exporters	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Women	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Rural Poor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Other: Unemployed Youth	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Pineapple	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Maize	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Cassava	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Cashew	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Shea	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

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This report was funded by MCC and produced by the USAID/Enabling Agricultural Trade (EAT) project, implemented by Fintrac Inc.

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