

BENIN

Some Key Data

<u>Physical</u>	
Surface Area:	112,622 sq km (43,484 sq miles)
Park & Reserves:	8,447 sq km (844,885 ha)
Cultivable Area:	70,500 sq km (7,050,000 ha)
Cropland (Total):	18,890 sq km (1,860,000 ha)
Highest Altitude:	800 meters
Average rainfall:	1 500 mm

<u>Demographics</u>	
Population (1992 Est.):	5 Million
Pop. Growth Rate:(1985-90)	3.01%
Pop. Density:	42 persons per sq km
	> 2 persons per cult ha
Pop. Density in south:	213 persons per sq km
Pop. in Agric:	80%
Ave. Family Size:	> 5 persons

<u>Economy</u>		
GDP (1991)	Billon CFA 539.2	Billon US\$ 1.85
GDP per Capita (1991)	CFA 110,429	US\$ 380
Share of Agriculture in GDP (1991): %		37
Share of Industry in GDP (1991): %		14
<i>of which: Manufacturing: %</i>		9
Share of Services in GDP (1991): %		49
Growth Rate (1989-92): %		2.5
Primary Sector		5.4
- Agriculture		6.7
Secondary Sector		6.3
- Construction & Public Work		12.3
- Manufacturing & handicrafts		6.4
Tertiary Sector		6.5
- Commerce		9.0
- Services (transport, Public Adm, others)		5.2

<u>Finance</u>	
Total Government Expenditures (1989): (US\$)	197.75 Million
Expend as % of GDP:	21.74
% of expend for Defense:	8.75
% of Expend for Education	20.43
% of Expend for Health	5.58
% of expend for Social Services, Welfare & Housing	11.25
% of expend for Economic Services	N/A
Budget Deficit (17.9%GDP): (US\$)	150.1 Million
Inflation rate (1991 & 1992)	1.6% & 3.5%

<u>Social Factors</u>	
Health	
Life Expectancy at birth (1991): (Years)	51
Infant Mortality (1991): per 1000 births	112
Daily Calorie Supply (1989): (Calories)	2,305
Education	
Literacy - Total (1990): %	17
Literacy - Female (1990): %	18
Primary Enrollment - Total (1992): %	50
Primary Enrollment - Female (1992): %	43
Secondary Enrollment - Total (1985): %	17
Secondary Enrollment - Female (1985): %	10
Higher Education Enrollment (19): %	

EXECUTIVE SUMMARY

By virtually any standard, Benin is a poor country. Per capita income is estimated at \$380 and real economic growth has not surpassed the population growth rate. In 1989, Benin's economy was generating slightly fewer goods and services per person than it had at independence in 1960. Beninese fare even worse on the Human Development Indicators scale than would be predicted by their low per capita income.

While the country is small and not well-endowed with natural resources, the prime cause of historically poor economic performance has been political instability and very ill-advised economic policies and political systems. In 1972, General Kerekou's coup d'etat ended the post-independence cycle of political bickering, instability and coups. By 1975, the regime had installed a version of a Marxist-Leninist political and social system. Benin's government was highly centralized, repressive, and inward-looking.

In 1988, the formal economy collapsed. Enterprises went bankrupt, government salaries went unpaid, public debt went unhonored, banks closed and people lost their savings. When it became clear that resolving Benin's crisis would be fatally unpopular, the Marxist government was finally forced to seek public support. Some 500 local and overseas Beninese from all walks of life were invited to collectively come up with solutions to Benin's crisis. The now-famous National Conference became the foundation of Benin's democratic renewal. A national consensus for an austere economic restructuring program was established. However, in turn, the Beninese insisted on making the free-speech, consensus-building approach used for the National Conference part of the political system. A constitution was drawn up, an independent National Assembly elected and in 1991, Benin became the first African country to see a military president who had taken power by force, leave by the ballot box. Individual freedoms such as speech, press, assembly and religion, as well as human rights, are jealously guarded. A liberal economic system based on the free market and private ownership was reestablished.

Not unpredictably after 17 years of Marxist-military rule, Benin's democracy and free economic systems are very fragile. While the constitutional and democratic processes have been established, they are not yet well formed. Most laws and regulations still need to be rewritten. Government and Non-Government institutions are extremely weak, inefficient, and not adapted to the new realities of an open, participatory society and economy. The political culture is not developed. Beninese are not yet prepared -- collectively or individually -- to expect or demand oversight and accountability from Government. And despite very promising starts, the Government is not well geared to respond.

This is a critical time for Benin. Because the institutions of democracy and free enterprise are so fragile, daily events and actions continually set precedence for the future path of democracy. There is much recognition that the Beninese have provided great competence, leadership and enthusiasm in the democratization process. But most Beninese see themselves as worse off materially than they were under the

military regime. People are impatiently expecting results from their new government, results which because of poor economic performance, limited resources and inept public sector management are not materializing.

Benin's social services suffered greatly under Marxist rule and then, during the economic collapse. By the time of the National Conference, Benin's school system had completely collapsed. Salaries had not been paid for up to two years. Most teachers did not have access to an established curriculum or teaching guide. Few students had access to textbooks or teaching materials. Indeed, the Ministry of Education had not had discretionary funds for non-salary expenses in a decade. Planning was non-existent, organization was in disarray and financial accountability procedures had not been operational since the 60s. The National Conference specifically mandated that the newly elected government make reestablishing the education system, and particularly primary education, a high priority. Urgently wanting the U.S. to provide both symbolic and financial support to Benin's new democracy and free-market oriented economy, Benin's new government proposed that USAID support reform to primary education.

We see our role in Benin as one of assisting the Beninese to advance the objectives of economic restructuring and consolidating the open and participatory political decision-making processes begun during the National Conference. The political will and donor support are now in place to carry out the necessary austerity plan and reorient the economy and civil society to one based on individual initiatives, private sector-led growth and market orientation. However, the key to successfully and sustainably restoring Benin's economy now depends and will continue to depend heavily on the capability of individuals -- leaders in and outside Government -- to guide the reforms. It will also depend on the individuals -- particularly outside Government -- who will respond to the reforms. Strengthening Benin's human resource base received particular attention on the National Conference's agenda. USAID has made this our sub-goal.

Mission analyses confirm the findings of the new GOB that priority must go to primary education. Within education, primary education has the largest impact on the largest number of people. A poor system of primary education compromises the entire system of human capital development. It produces students who are poorly prepared for subsequent schooling and adults who are illiterate and undynamic. Most importantly, as far as Benin's new directions are concerned, it does not produce the truly educated parents, workers and managers who can participate in -- and demand accountability from -- public decision-makers who affect their destinies.

We believe education has a special relationship to our concepts of governance. On the one hand, education is the single most important component to assure long-term, informed participation in, and oversight of, government. On the other, primary education is a government service -- the largest in Benin -- touching a vast majority of families in the country. How government delivers this critical service is a good indication for how government performs overall: its effectiveness, its fairness and equity, its accountability and its transparency. Thus, we have structured our program to strengthen primary education along the lines suggested by our analyses of

democratization. Our approach to improving primary education emphasizes good government administrative and financial management in the provision of quality education services. It also promotes public sector accountability and transparency to assure efficient use of scarce resources. And we intend to push for wide-spread participation. Aligning parents, teachers, the National Assembly, an independent judiciary and other interested groups in the education reform process will guarantee that past public momentum and support for reform, and popular oversight of the Government's management of that reform, continues. The Mission has proposed five targets under our Strategic Objective:

- o Establishing and maintaining sufficient financing for primary education;*
- o Improving the institutional capacity for education planning, management and accountability;*
- o Upgrading key pedagogical systems to provide a quality learning environment for the Beninese pupil;*
- o Increasing equity of access for Beninese children to a quality primary education system;*
- o Promoting wide-spread public participation in primary education.*

During Mission preparation of the CPSP, we identified additional areas critical to developing Benin's human resource base and which would complement our primary education focus: improved community health with family planning and enhanced governance. While we do not believe that we could mount a second strategic objective at this time, we propose dedicating some Mission effort and assistance to better understanding these areas and working with the Government and extra-governmental agencies on how they see and wish to address these critical problems. By the preparation of the next CPSP, we will be in a position to know if an additional human resource development area might be appropriate as a second Strategic Objective.

To carry out our proposed strategy, we have estimated an annual budget level of \$15 million from DFA and \$4 million in Title II food aid. The Mission's assessment of resource requirements derives from our assessment of need, Benin's policy and institutional absorptive capacity and the identification of mechanisms which do not overburden a lean management approach. We are proposing a level of five USDH. The proposed approach assumes continued flexible use of Non Project Assistance to support structural adjustment, increased and more creative use of centrally funded and managed programs, and use of highly reliable and self-sufficient U.S. PVOs.

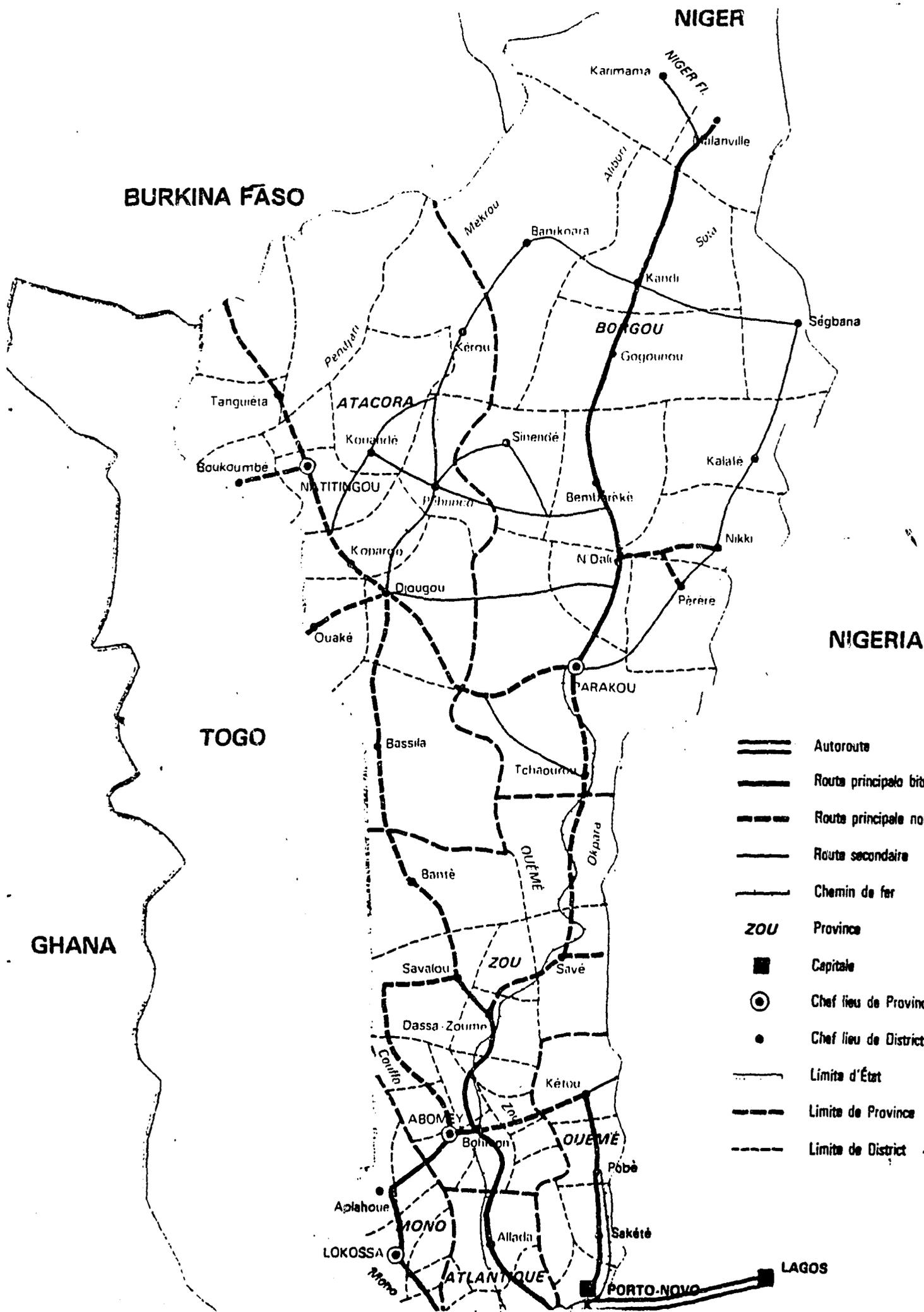


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I. An Overview of the Environment for Sustainable, Broad-Based, and Market-Oriented Economic Growth

A. Background.

Benin is a West African country bordered on the west by Togo, on the north by Burkina Faso and Niger, on the east by Nigeria, and on the south by the Atlantic Ocean. With a land area of about 43,475 square miles, the country is slightly larger than Ohio. At the beginning of 1993, the population totalled 5.0 million and was growing at an annual rate of approximately 3.1 percent, down slightly from the 3.2 percent figure estimated from the national census of 1989. The population is unequally distributed. Almost two thirds of the total is located on the southernmost 12 percent of the land area where the two largest cities are located. Cotonou, the seaport, commercial and administrative center, has an estimated population of 650,000. Another 160,000 reside in Porto Novo, the political capital. With the urban population growing at the comparatively high annual rate of eight percent in recent years, the concentration of people in the south will become even more dense. Owing to the fragility of the zone's top soils, as well other complications from increasing population density, demographics -- always an obstacle to Benin's development -- is rapidly becoming a critical factor in the country's future economic development.

The country's leading economic activities are agriculture and commerce. Agriculture alone accounts for about a third of the GDP, 60 percent of exports, and absorbs roughly three quarters of the total labor force. About 90 percent of the sector's output is in food crops: corn, sorghum, manioc, and yams. The remaining 10 percent are cash crops. Cotton is by far the most important and is Benin's leading export by a considerable margin. Other exported commodities include coffee, tobacco and decreasingly palm-oil. Thanks to agriculture's ability, up to now, to keep pace with the growing population, the country has been able to maintain, on balance, self sufficiency in foodstuffs. Commercial activity, three quarters of which is estimated to be carried out by the informal sector, accounts for an additional 15-20 percent of the GDP. An important proportion of commercial activity represents transit trade. Neighboring countries, particularly Nigeria, ship both their exports and imports through the Cotonou's port. With the recent political instability in Togo, Lome's traffic and commerce have been diverted to Cotonou as well. However, since such trade often depends on events -- often negative -- occurring beyond Benin's borders, it serves to make a good part of the national economy highly vulnerable to external developments.

Benin has led Africa's recent movement toward democracy. After 17 years of Marxist-Leninism, the February 1990 collection of some 500 Beninese from all walks of life, which became the renowned National Conference, has served as a model for democratization efforts elsewhere in Africa. Benin's new democratic leadership has made opening up this

formerly inward-looking country a cornerstone of its national agenda. The GOB has pushed to anchor Benin firmly in the international community. Local NGOs are encouraged to form partnerships with analogous overseas groups. Beninese have pushed to host almost every major conference and meeting on democracy, global issues, and change in Africa. Very importantly from a U.S. perspective, the new administration has aggressively sought to link its university, foundations, NGOs and research groups and students, with institutions in the United States. Benin's first international festival, *Ouidah '92*, was dedicated to reuniting Africans with the African diaspora in the Americas. Benin's Administration has actively sought out linkages with a wide variety of African-American organizations in the United States.

B. Economic Performance since Independence

Trends in the GDP.

Benin's recent real GDP performance is summarized in Annex D. For the decade of the 1980s as a whole the annual average rate of real growth was 1.8 percent. The figure is slightly below the 2.2 percent annual average rate of growth achieved between 1965 and 1980. Since 1989 the rate of growth has improved significantly, however. After successfully undertaking a sweeping structural adjustment program that will be discussed below, real GDP grew at 3.7 percent during 1990 and increased to 4.7 percent in 1991. The latest estimate for 1992 is 4.0 percent, implying an average annual rate of growth of 4.1 percent during 1990-1992.

In terms of real GDP per capita, the World Bank estimates that even though the volume of goods and services being produced in Benin was increasing on a sustained, long-term basis, growth in real GDP per person between 1965 and 1989 was a negative 0.1 percent. Benin's economy, in other words, was generating a slightly smaller volume of goods and services per person as the 1980s closed -- roughly \$380 annually -- than it had been generating as a recently independent nation a quarter of a century earlier!

Comparison of Benin's real per capita GDP performance with that of other low income countries at a similar level of economic development is similarly illuminating. According to the World Bank, all of the 41 countries (including Benin) that it considers to be in the low income category worldwide managed to achieve a *weighted* annual average growth rate in their real per capita GDPs during the 1965 to 1989 period of 2.9 percent. If India and China are removed from this group for being unduly atypical, the remaining 39 countries still managed to achieve a positive growth rate of 1.4 percent. Among African countries alone, the results are somewhat more favorable for Benin. While not quite comparable, in a different data series the World Bank notes that between 1973 and 1989 the average GDP per capita of all sub-Saharan African countries combined declined from \$558 to \$513. Thus, by any standard of comparison other than a purely African one, Benin's economic performance over a sustained period of time has been well below normal, even for a poor country. Within the African context, however, a few countries were found to have turned in poorer records of economic performance between 1965 and 1989. They are listed below. It is scarcely a membership list that would excite envy.

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Chad (-1.2%); Madagascar (-1.9%); Uganda (-2.8%); Zaire (-2.0%); Niger (-2.4%); Central African Republic (-0.5%); Ghana (-1.5%); Zambia (-2.0%); and Mauritania (-0.5%).

Trends in Employment.

The economically active population of Benin was estimated at 2.3 million in 1990. The great majority of those in this category are self employed in the primary sector. In addition to agriculture, the primary sector also includes livestock, forestry, and fishing activities. The relatively low productivity of the jobs found there is indicated by the fact that while it employs about 80 percent of the active population, the primary sector generates only about 40 percent of the GDP. Conversely, well over half of the GDP is produced by the remaining, more highly productive, 20 percent of the labor force engaged in all other activities, including commerce, industry, and services.

Official data are sufficiently scarce to preclude a comparison of the economy's employment performance over time. Moreover, they are available only for paid employees in the "formal," or modern sector, which numbered about 122,000, or a little over five percent of the active population, in 1990. The majority of paid employees -- nearly 70 percent -- work in the services sector. Over 80 percent of them are absorbed by public administration and community services activities alone. In contrast, the primary sector accounted for less than 10 percent of paid labor.

Available data indicate that during the decade of the eighties there was a profound shift in the composition of employees in the formal sector. Skilled workers' share increased from about one third of the total to slightly over 60 percent. Unskilled workers' share, on the other hand, decreased from about a quarter of the total at the beginning of the decade to only a little over 10 percent at the end. The slack was taken up by administrative employees, who managed to increase their share from 12 percent to 27 percent during the same period. As will be described in greater detail below, a number of steps have been taken recently to reform the civil service by reducing both the wage bill and the number of employees. In addition, the privatization of many parastatal enterprises has also led to a significant reduction in the number of workers employed by them. At the same time, however, offsetting measures are also contemplated that will stimulate employment in the private sector.

According to a survey of households funded by the UNDP in 1990, unemployment levels are relatively high. Open unemployment amounted to 24.5 percent of the economically active population. The overall underemployment rate, equivalent to real unemployment plus the rate of underemployment, was 30.9 percent. Given Benin's current policy reform objectives, these rates are only expected to improve marginally over the next 3-5 years.

A final category of Beninese workers are those that have immigrated abroad in search of more remunerative employment. Little is known about their numbers. They are, however, considered to be relatively well educated. In a sense, they are carrying on a tradition dating from the colonial period, when Beninese were widely employed throughout Francophone Africa for their superb administrative skills. The World Bank estimated their

net remittances to friends and family residing in Benin at \$57 million in 1989. Given the almost complete lack of information regarding the number of workers in this category, however, the estimate should be viewed with a healthy dose of skepticism. There have been a number of well known cases in recent years in which such estimates were subsequently discovered to have underestimated remittances by a considerable margin.

The Social Dimensions of GDP Performance.

The extent to which an economy is able to provide social services to its members is yet another important indicator of its overall performance. Unless education, health, and family planning services are available, it becomes much more difficult, if not impossible, for participating members to improve the quality of their lives and, ultimately, their ability to contribute productively in the labor force.

In the areas of health, nutrition, and family planning, indices of Benin's performance between 1965 and 1988-89 are mixed. Perhaps the most important conclusion that can be drawn from a review is that there has been, virtually without exception, improvement in every single category. Most notably:

- Birth, death, and total fertility rates have all declined;
- The ratios of physicians and nurses in relation to the population have improved;
- Infant mortality rates have declined appreciably;
- Life expectancy has increased; and
- Average daily caloric intake is up marginally.

A comparison of Benin's performance in providing these services with those of other countries at similar levels of income and economic development also appears in Table 2. Such an exercise quickly leads to two very obvious conclusions: 1) overall, relative to other low income countries, Benin's status in the great majority of the areas measured was initially somewhat below average; 2) despite Benin's improvement through 1989, the country remains marginally below average in most of these crucial indicators of health status. Unfortunately, data were not available that would have permitted a comparable comparison of Benin's performance relative to that of other low income sub-Saharan African countries. The World Bank data that have been cited frequently thus far, however, do permit such comparisons if each indicator is

examined individually. For example, the following sub-Saharan African countries had life expectancy at birth figures for 1989 that were lower than the 51 years achieved by Benin:

Mozambique (49); Ethiopia (48); Tanzania (49); Somalia (48); Malawi (48); Chad (47); Burundi (49); Sierra Leon (42); Uganda (49); Mali (48); Niger (45); Burkina Faso (48); Rwanda (49); Guinea (43); and Mauritania (46).

A similar exercise was performed with respect to the provision of education services. With the single exception of the primary school pupil/teacher ratio, Benin's indicators of educational performance indicate that Benin was somewhat below most other low-income countries in 1965. Despite substantial progress in every category of performance measured, the country closed out the decade of the 1980s remaining below average in every category with the single exception of the pupil/teacher ratio. Indeed, performance in eradicating illiteracy and enrolling females at both the primary and secondary levels was well below average, even for the low income countries as a group. In both areas the country ranks among the lowest in the world. Indeed, Chad and Nepal had the dubious distinction of being the only two countries in the world with higher levels of female illiteracy than Benin in 1989!

Conclusion.

Review of Benin's economic performance since independence leads to the conclusion that the country remained well behind most other low income countries. Although the real GDP registered positive growth, it failed to keep pace with the attendant increase in the population. The productivity of most members of the economically active population is very low. Few jobs have been created thus far in the modern sector and the majority of them have been in the area of public services. The economy's performance in providing social services has been similar. On both the health and education fronts Benin both started and finished well behind average. Indeed, in several keys areas of social performance, the country presently ranks among the bottom dozen performers in the world.

C. Factors Contributing to and Detracting From Growth during the 1980s.

An examination of Benin's economic performance during the 1980s has isolated a number of important influences that, on balance, either contributed to or detracted from the limited growth and social progress that did occur.

Factors Contributing to Growth During the 1980s.

1. Agriculture. In comparing Benin's economic performance with that of other low income countries during the 1980s, nowhere is the result more favorable than with respect to agriculture. Despite years of attempted collectivization and controlled marketing that resulted in disincentives to small-scale producers, the sector generated

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an average annual rate of growth of 4.2 percent during the decade. Recall that this was more than double the 1.8 percent growth rate achieved by the GDP as a whole during the same period. Moreover, it was well above the 2.5 percent figure achieved by all low income countries except for China and India during the same period. The result is especially impressive, given the fact that the nation's banking system, including the rural credit cooperatives, had virtually collapsed by 1988. The porous borders with Nigeria and Togo provided a source of relief to producers whose farms were close enough to enable them to take advantage of the opportunities for informal trade. Likewise, large-scale industrial investments in sugar and cotton ginning unquestionably accounted for some of the increase. Finally, the policy environment for small farmers improved as the decade progressed. Collectives were abolished and marketing of crops was decontrolled. Overall, however, credit for the extraordinary performance is due mainly to the myriad small farmers who managed, under adverse circumstances, to expand production of their food and cotton crops by levels that were nearly double those achieved by all low-income countries, other than China and India, as a group.

2. Strategic Geographic Location. Benin's strategic location, coupled with its highways, railroad, and seaport at Cotonou, facilitated the re-export trade, providing a significant volume of income and employment to Beninese in the process. Since the mid 1980s, for example, re-exports have regularly amounted to about 70 percent of nominal exports. Then too, as noted above, the country's relatively porous borders also provide ready markets, especially in Nigeria and Togo, for Benin's agricultural produce.

3. Industry. A number of large investment projects in the industrial sector that had started in the late 1970s came on stream early in the 1980s. Most of them were related to the processing of agricultural raw materials, such as cotton ginning and textiles, sugar and oil palm refining. Other sizable investments became operational in cement production and petroleum extraction in a small offshore field close to the Nigerian border. They were all organized as parastatal enterprises. Some of the projects were poorly designed and inadequately capitalized from the beginning. Most were managed and operated inefficiently from the outset, at a fraction of their true capacity and with padded payrolls. They, along with many other similarly administered and operated parastatals that eventually numbered about 50, required sizeable subsidies from the Government of Benin (GOB). Due to a combination of increasingly adverse international business conditions and poor economic policies and management within Benin, the volume of subsidies continued to grow progressively. By 1986-87 the subsidies, which the GOB had financed in large part with funds borrowed from the parastatal banks, had become a major contributing influence to the collapse of the banking system. Nonetheless, while they operated, they were an important source of growth to the economy. For the decade as a whole, the industrial sector averaged an annual rate of growth of 5.4 percent. The sector's performance was well above the 3.1 percent obtained by all low-income countries other than China and India.

Factors that Deterred Growth During the 1980s.

1. The Policy Environment. It would be misleading to characterize the economic policy environment in Benin during the 1980s as uniformly poor. Policies began to change gradually beginning in 1983. The tempo increased unevenly in bits and starts as economic conditions continued to deteriorate. Finally, by the time that the nation's financial institutions had collapsed in 1988, reforms in economic policy were being implemented that would change fundamentally the entire economy. Before the end of 1989 the GOB had adopted an ambitious World Bank/IMF sponsored structural adjustment program calling for another wave of sweeping reforms. Throughout, the trend was uniformly in the direction of reorienting the economy from central planning and comprehensive state ownership and/or control of the means of production toward an open economy in which resources are allocated by the marketplace and owned predominantly by private individuals or enterprises.

The initial changes in policy were in response to the GOB's growing budgetary deficits in the early 1980s. They included measures such as freezing the salaries of public sector employees in 1982 and deferring planned GOB investment projects early in 1983. Given the continuing drain of public funds in the form of subsidies to parastatal enterprises, a program for their restructuring, including the liquidation or privatization of nearly 20, was implemented in 1986. The cotton sector was also reorganized and food crop marketing was liberalized the same year. In addition, a freeze was placed in effect for public sector hiring.

Two years later, in 1988, with the financial system in complete disarray, the GOB decided to undertake a fundamental reorientation of its economic strategy by reducing the role of the public sector and moving toward increased reliance on free markets and the private sector.

2. Human Resources. The comparatively low level of achievement for Benin in the human resources area has already been established. The GOB acknowledged the effect of deficiencies in this area in its first *Policy Framework Paper*, which was prepared in mid-1989, when it wrote that "Accelerating output growth will require both quantitative and qualitative improvements in investment, *including investment in human capital*"). Better trained and educated workers at all levels, from small farmers to factory administrators, would have increased the country's productivity. Human resource development could easily have spared Benin significant resource lost through poor understanding of proper procedures at all levels of economic activity, ill advised investments, poor project design, poor administration, poor financial and audit procedures, and mistaken financial and economic policies. For example, World Bank studies a decade ago confirmed that only four years of primary education were sufficient to endow a small farmer with a permanent lifetime income earning differential of at least eight percent annually.

D. The Structural Adjustment Program.

Faced with increasingly severe consequences of the economy's decline, the military government started as early as 1987 with fundamental reorientation of its economic strategy. The effort was not enough. By 1988, Benin's formal economy and financial

sector had collapsed. For two years, government employees were not paid. Banks failed and people's savings disappeared. Even to cash checks, one went to Togo or Nigeria. The extent of the collapse, and therefore popular dissatisfaction with the Marxist model, explains Benin's adoption of one of the most profound structural readjustment programs in the world. From the first Structural Adjustment Program (SAP), strong emphasis was placed on rehabilitation of the banking system, reform of public finances and the civil service, and the creation of a more favorable environment for the private sector. SAP II contains an extensive package of measures encompassing further fiscal reforms and strengthening of the banking system. Overall objectives of SAP II are:

- improvement in the economic environment;
- improvement in management of public finances;
- restructuring, privatizing or liquidating parastatals;
- mobilization of donor resources;
- restructuring the banking system;
- reform (and downsizing) of the civil service;
- improvement in public investment program implementation;
- heightened attention to the social impacts of adjustment.

Benin's efforts at privatization of production have gone well beyond the conditions set in the SAP. The GOB originally proposed to liquidate six state enterprises. By 1992, 34 public sector enterprises had been liquidated. Of the remaining twelve targeted for divestiture, ten have been sold to private owners. Two are still under study, including the petroleum monopoly. Only electricity, water and telephone services are public corporations.

Structural adjustment has paid off. Benin's economic decline reversed almost immediately, achieving a real GDP growth rate in 1990 of 3.7 percent, followed by a 4.7 percent and estimated 4.0 percent growth rate in 1991 and 1992. Even more remarkable, Benin's banking sector has been refloated and has already attracted over \$480 million in savings. Four regional private banks are operational and one international bank began operation in early 1993. Financial equilibrium has been achieved. In 1992, Benin is expected to run a surplus in its "sovereign" account. Only the downsizing of the administration, programmed for 2,000 employees per year, is lagging. There is resistance to defining a more modest role for the state in Benin; and the GOB is highly sensitive to the fact that it was the middle-class civil servants currently targeted for layoffs who led the democratization effort that ousted the former regime.

Despite the considerable success, Benin has far to go. For the nascent private sector to invest and thrive, the GOB must improve public sector management, promote a private sector-friendly civil service, and instill confidence in the public and potential investors.

E. The Democratic Renewal of 1990.

Benin's single-party, military-dominated regime that had been in place for 17 years came to an end in 1990. Widespread public discontent with the old regime, which manifested itself in 1989 in strikes and demonstrations, reached a climax at the beginning of the year. In February, 1990, a National Reform Conference voted to set the country on a democratic, multiparty course. Although President Mathieu Kerekou remained Chief of State during 1990, the Government was directed by a civilian transition team led by Prime Minister Nicephore Soglo, who was chosen by the February Conference. A 22-member High Council of the Republic acted as the interim parliamentary arm. Some 24 political parties were founded during 1990 and actively prepared to contest March 1991 legislative and presidential elections. A new constitution was approved by referendum on December 2. Local mayoral elections were held in November and national elections were held on schedule in March of the following year. Prime Minister Soglo was elected President and assumed office peacefully. Among the many achievements of the transition government, in addition to its strong support for the structural adjustment program, were the release of all remaining political prisoners, freedom of expression, facilitation of the return of political exiles, the implementation of the new constitution, and a call for a professional, depoliticized military oriented toward civic action, development, and anti-smuggling controls.

While Benin is a democracy, it is a very fragile one. In current parlance, Benin is a "developing democracy". On the one hand, it is not currently threatened by endemic violence. On the other, its democracy remains very poorly institutionalized, both culturally and organizationally. Neither fully stable and developed democratic attitudes toward government and politics, nor developed avenues or traditions for popular opinion and pressure yet exist. With notable exceptions, the non-government sector is unorganized and poorly financed. Media limitations are not administratively imposed, although financing limits press activity..

Private not-for-profit organizations are similarly constrained by lack of know-how and resources, not by government prohibition. Despite the adamant policy vision of high-level leaders, mid-level public employees are not yet comfortable with the independent non-governmental sector and do not yet have processes and systems for dealing with NGOs. The thousands of laws, codes, regulations and procedures governing daily life have either not yet been amended to conform to the new directions (and the new Constitution) or were so hastily rewritten as to be unenforceable. Benin's judiciary, which should arbitrate under these circumstances, is poorly trained, poorly equipped, and poorly paid.

If the Beninese people do not perceive an improvement in their overall well-being, they may attribute lack of progress to the democratic system. While it is doubtful that the public would permit a return to the suppression and abuses of the past, there are many in Benin who would exploit discontent. Thus the 1990s will be a period of both opportunity and risk for Benin's democracy.

F. Prospects and Constraints for Broad-Based Development in the Medium-Term.

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Since independence, Benin has lagged behind in most indicators of development. A long decline in the 1980s came to an end with political and economic reform. Looking to the medium-term future, Benin's advantages include a pivotal location among large markets and an image of stability and confidence brought on by its recent democratization. Therefore, the best prospects for contributing to broad-based growth in the 1990s are the services sector, including business services; export of manufacturing and agricultural products; and to a limited extent mining.

Principal constraints to broad-based development are (1) a generally low level of human resource development; and (2) an economic and political environment that, while improving, still inhibits individual and community initiative. After a debilitating heritage of colonialism, post-colonialism and marxism, Benin very much needs to -- and wants to -- catch up.

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The Legislative and Regulatory Environment is Seriously Incomplete.

Benin's 1991 Constitution laid the groundwork needed to reorient the political and economic processes and establish "rules of the game". The National Conference also considered the problems of Benin's laws contradicting the premises of the new Constitution. However, the short time available for Conference deliberations led to a decision to leave law-writing and institutional reorganization to those who would be Benin's duly elected representatives. There are currently 255 urgent bills before Benin's Legislative required to adapt the legal environment to the country's new directions. The most urgent laws were approved first (trade regime, labor, investment, family and women's rights, education policy, public acquisition, and privatization) in an attempt to provide some assurances to potential private investors. However, in the press of getting revised laws on the books, many appear to have a "temporary flavor", making some investors wary. Legislation on the Investment Code and the Mining Code have particularly serious internal inconsistencies.

A larger number of laws still need rewriting and debate. On the political level, simply getting national consensus on which laws need revision is difficult. For example, Benin has yet to tackle the 1920 law prohibiting promotion of family planning. On a technical level, neither the National Assembly nor interested private groups have the resources to adequately review and rewrite key legislation.

Second-Order Reforms Progress Only as Fit Stabilization Priorities.

Learning from experience of the 60s, Benin's new Government has two overriding priorities: 1) political stability based on consensus; and 2) economic stabilization based on a balanced budget. While unstated, no other reform will be supported if it jeopardizes the overriding stability priorities. In the case of private sector reform, tax revenues are a significant brake on the establishment or profits of private enterprise. However, balancing the budget immediately -- in anyway possible -- has dominated political decision-making, with some donors' blessing. In the case of education reform, costs of a bloated and uncontrolled university are a big part of what deprives the rest of the education system. However, the Government has been timid about addressing the issue in any direct fashion, as students have made it known they make life for the Government miserable.

Management of Government Remains Ineffective, Inefficient and Continues to Lack Accountability and Transparency.

Despite a clear nation-wide message -- embodied in the National Conference mandates -- that secretive, centralized and unresponsive government would no longer be tolerated, Benin's public sector has been slow to adapt. Government remains overstaffed and unionized resistance to downsizing has made administrative reform a highly politicized issue. At donor prodding, this bloated, untrained, unorganized and lethargic public sector is moving to change. However, every agency of government requires dramatic reorganization, "right-sizing", new procedures and redelegations. And more progressive ministries are held back by a need for uniformity in national civil service structure and procedures. Hardest of all is the attempt to modify bureaucratic

attitudes and habits to be more conducive to service, public demands and transparent decision-making. Public services such as education, health, and infrastructure construction have begun to show results; but some of the reason for the apparent results are that agencies were doing nothing for so long. At every step, administrative reform has become a highly sensitive issue for a new Government whose highest priority is maintaining a national sense of stability and confidence in the future. Austerity measures further complicate arriving at solutions as they limit funds available for training, non salary operating expenses and salary incentives critical to improving civil servant performance.

Public sector financial management and accountability remain particularly weak, jeopardizing the whole effort to inspire citizen, investor, and donor confidence. The Marxist government went to great lengths to dismantle a relatively effective national I.G. system. Today, Benin has no certified public auditors in active service. Neither is there a bureaucratic culture which appreciates the importance of financial controls. The Government's budget is now subject to genuinely independent scrutiny and approval by a very determined National Assembly. However, the National Assembly does not have staff or resources to exercise fully their oversight responsibilities. Once approved budget execution is slow and imperfect. The Supreme Audit Authority in the Supreme Court (Chambre des Comptes) and the I.G. in the Ministry of Finance are not well endowed, trained or supported bureaucratically. Both are ineffective. Sadder yet, the public is not accustomed to demanding -- or even expecting -- such accountability.

Benin's highest social priority -- the education sector -- provides a pertinent example of the problems of public sector management. The institutions responsible for the administration of the sector, from the central ministry to the school, are unable to effectively perform a number of basic management functions. The Ministry is in a perpetual mode of crisis management and thus medium or long term planning suffers. Because of over-centralization, contradictory delegations of authority and lack of controls, attempts to translate decisions into action -- particularly at the school level - - are hobbled. As the Ministry of Education has in fact little control over the final budget, there has been no real motivation to link budgets to objectives. Because of a lack of a rational incentive system, internal and external controls, transparent procedures, and an independent audit capacity, there is little or no accountability at any level of the system: no one from the teacher to the Minister, passing through financial and personnel managers, has been made truly responsible for their actions or ministry performance.

Independent Adjudication of Decisions is not Institutionalized.

The judicial branch is poorly organized, poorly equipped, poorly trained and poorly paid. Worse than the counter-productive working conditions is the fact that the judicial branch is not functionally independent of the executive branch. The Constitution creates the judiciary as a separate branch of Government, but historical French structures and Beninese operating practices clearly create judicial dependency on the Executive. This adversely affects the ability to adjudicate among private investors and public corporations in contract disputes or to fulfill the Judiciary's role

as Benin's Supreme Audit Authority. Few are pushing for judicial independence, except a feisty Supreme Court and some members of the National Assembly and NGOs. Judicial independence is also critical to the financial accountability issue, since the Supreme Court's "Chambre des Comptes" serves as the country's supreme audit authority. In a highly publicized battle of judicial precedence, the Executive branch has been sluggish in submitting past year budget expenditures to the Supreme Court for review. Running out of patience, the Supreme Court has held Benin's treasurer in contempt of court and imposed a \$25 a day fine until the 1991 budget has been submitted to the Court for review. A cavalier attitude by the Executive Branch on this important issue will set precedence on the issue of accountability for years to come.

Rank-and-File GOB Enthusiasm for Private Sector and NGO-led Initiatives is Wanting.

The GOB has made privatizing the economy its cornerstone of economic recovery. With some false-starts, the Legislative Branch has been cooperative in approving required legislation. However, despite the Executive Branch senior level determination to restructure the Beninese economy along private sector lines, implementation is left to the same mid-level bureaucrats who ran the last regime. In the absence of new laws, guidance, or training, and by force of the many habits left over from the old days, the troops have not changed their suspicious and negative attitudes about private initiatives. Goal-oriented bureaucrats fear losing control and the less dedicated continue to enjoy some still-unchecked autocratic power. When it is not paternalistic to the private sector, Benin's bureaucracy is usually unhelpful and sometimes downright hostile.

Private Enterprises Remain Dependent on the State.

Beninese enterprises face two market obstacles. First, with a small population and low per capita income, local effective demand for production is weak. This situation is made worse by income distribution discrepancies between the rural and urban populations. Markets are not formally open in neighboring countries such as Nigeria where trade and commercial agreements are lacking. The CFA is overvalued, particularly vis-a-vis the Naira. While clear impediments remain for the formal private sector, an underground private sector has arisen taking advantage of the porous borders. As in the case of the public sector, old business habits also die hard: Private enterprises are used to depending on Government business, even though the Government has been a notorious deadbeat.

Civil Society: The Political Culture is not Developed.

Given the poor communications, education levels and newness of Benin's democracy, it is not surprising that the political culture required to sustain democratic society remains undeveloped. Most Beninese, particularly women, are unaware of their new and considerable protections under the 1991 Constitution. With few exceptions, such as the press, the National Assembly and some pioneering NGOs and unions, the general public is not organized to demand accountability from, or dialogue with, the Government. Indeed, they don't even expect it.

In a recent study of parents' associations (PTAs), parents were asked to whom, in their opinion, the school belonged. Invariably they responded: "the school belongs to the State". The school is often viewed as a foreign body in communities. It was brought in by the colonists and then maintained by the State. It has not been viewed as an entity which is either controlled by, or accountable to, the community. On the other hand, parents in Benin have demonstrated their commitment to their primary schools. During the period 1988-89, as the public sector collapsed, many schools remained open because parents directly supported them.

This paradox of the heritage of dependence on the state versus the willingness of communities to use initiative to serve their own interests, illustrates an important transition in Beninese society today. Over 300 NGOs have been established in the last two years. They sense they can provide help to their members and exert pressure on public officials if they organize. They are, however, poorly organized, lack experience and have no financing. Associations and NGOs, like the parents' associations, will face serious legislative, bureaucratic and financial obstacles as they attempt to take their destinies into their own hands.

Benin's dwarfed private sector also shows the heritage of 17 years of Marxist-Leninist rule. What private enterprises do still function, do so inefficiently and well below capacity. Many have yet to shed their dependency mentality on the State or concede their oligopolistic position. However, new entrants have responded to reforms. Twelve major private industries have replaced former public sector enterprises, including insurance and the informal sector continues to grow. Hundreds of small enterprises have been established.

Mistrust of Government Persists

While members of the private sector acknowledge that the business climate has improved and is better than most other countries of the region (including Nigeria), they continue to express concerns and suspicions. Customs remains corrupt, but COTECNA, the agency set up to catch invoicing fraud on the part of importers, is prominent, aggressive, and very inefficient. The GOB continues to allow the state forwarding and handling company to compete with private companies. A national freight monopoly still exists. Bureaucratic clearing procedures have not improved and drastic fees are imposed for demurrage. While much of the Government's role as facilitator remains cumbersome and inefficient, application of controls and taxes on the private sector are zealously enforced. And decisions affecting the private sector are taken, allegedly for their benefit, but often without their input.

Interest Intermediation: The Channels are not in Place.

As civil society expands in size and confidence, and the role of the public sector in the economy shrinks, conflicts among groups are inevitable. Intermediation among these interests can take three forms: between the interested private groups themselves via associations, between public sector and private sector via debate over laws, policies

and regulations, and between all parties via adjudication by an independent judiciary. Today the only effective and highly used means of conflict resolution is an aggressive use by everybody of a very independent mass media.

The Human Resource Factor: Weak Individual and Community Capacity.

Benin's human resource base is one of stark contrasts. Even today, Benin enjoys a renown as the "Latin Quarter" of West Africa in recognition of the highly qualified administrative, legal and intellectual talent the country has supplied to West African governments, international organizations and French society. Yet, its education system -- when functioning at all -- has either been elitist or a confused Marxist shambles. Parents finally pulled their children out of school because they weren't learning anything. At 74 percent, overall literacy is among the lowest in the world.

Health status has the same dramatic contradictions. Benin was honored in April 1993 for having one of the most innovative public health programs on the continent. And yet, by almost any indicator of health quality -- morbidity and mortality statistics or life expectancy, Benin lies at the bottom of the list, even in Africa. Indeed, by any composite set of quality-of-life indicators, Benin has lagged even behind its dismal historical economic performance.

The contradictions themselves present an obstacle, as the country grapples to develop required national consensus on defining social priorities and approaches.

Benin's National Conference, having put its Constitutional house in order, recognized that the single greatest obstacle to keeping the country's new democratic and economic orientations on track would be the poor state of Benin's human resource base. Our analyses concur. After 17 years of education, training and health care dictated by Marxist-Leninist allegiance rather than development needs, Benin's population is -- in and outside Government -- poorly equipped to take on the vast responsibilities associated with its dramatic program of economic restructuring and democratization.

Under Marxist rule, exposure to outside ways of working and doing business were cut off. The private sector lacks leadership, organization and entrepreneurial skills from the worker to the manager. And the public sector is ill-equipped or ill-disposed to orient itself to promoting or even facilitating private initiatives. From the grass-roots to high government officials, potential leaders lack a sense of competency, dynamism, creativity, innovativeness, self-help and cooperation and accountability.

Benin's Collapsed Education System is Just Beginning to Resuscitate.

Historically, Benin enjoyed a quality, if elitist education system. Its colonial role for supplying administrators, however, left it with a legacy of a training ill-adapted for a dynamic economy and a narrow-based education pyramid. Primary school enrollment rates always lagged behind even other poor countries. In 1985, only 57 percent of school age children were enrolled in primary schools. By 1988, the Marxist regime's practice of flooding the teaching corps with poorly trained ideologues created a

teaching culture of incompetency, poor performance and cynicism. Finally, with no resources to finance the anarchic system, the system collapsed entirely. Teachers were not paid and unless PTAs financed the school, the teachers simply left. Supplies had already dried up before the collapse and buildings deteriorated, some beyond repair. Attendance rates dropped to under 50 percent. Since initiation of education reform in 1991, still only 59 percent of Benin's 1 million eligible children attend primary school, despite the fact the country now spends almost \$100 million (30 percent of its National Budget) on education.

Poor Financial Management: Poor financial management, as much as lack of resources, lies at the very heart of Benin's problems with education. Benin has among the highest per student expenditures in the developing world. Poor budget processes, which link programmatic goals with resource needs, is a critical deficiency. Financial control and oversight is another. Finally, the tremendous unit costs of supporting almost 10,000 university students adversely effects the entire education system's ability to provide an equitable and affordable education to the greatest number of deserving children. Forty percent of the national education budget is dedicated to primary education, leaving sixty percent for the 18,000 secondary school students and 10,000 university students. For the priority primary education sector, there is little left after salaries to pay non-salary expenses.

Despite parents' own suffering brought on by the economic collapse, virtually all non-salary expenditures for the primary education sector have fallen to parents. Parents have expressed a willingness to continue to support some of the burden, if the Government can assure accountability of funds.

Inequity: Girls fare even worse in the already disastrous education system. Only 43 percent of all eligible girls attend school. Only a third of children enrolled in primary school are girls; this figure drops to under one-fifth in the northern provinces. And their graduation rates are extremely poor. Indeed, inequity and lack of access to basic education is another significant problem with the current education system. While overall access rates are 59 percent in the poorer north are less than half that of the wealthier south. Another indication of inequity of access in the disparity of quality of schools. The great majority of primary schools in Benin are of low quality. Higher drop out and repetition statistics suggest that schools in the north are of lower quality than those in the south. And the sharp drop-out of girl's in later grades suggests that girls do not receive the same quality of education as boys.

Public Pressure for Oversight is Wanting: The National Conference mandated that the new Government should make rehabilitating the national education system one of its highest priorities. However, with the economic collapse behind them and the urgency of popular oversight of mismanaged government dissipating, Benin runs the risk of losing the momentum created by the original public pressure. Pressure and oversight of Government's management of the education reform process -- by the National Assembly, the PTAs and other interested private groups -- is on the wane as what appears to be the worst of the crisis is over.

Low Level of Skills in Workers, Managers and Entrepreneurs.

Beninese have enjoyed a reputation for competency, hard work and strong administrative and conceptual skills, usually among those outside Benin. Indeed, self-taught Beninese or those educated elsewhere are recognized as creative, flexible and hard-working. However for 17 years, primary schooling quality was so poor that basic competencies in language, math and problem solving are extremely weak among a quickly growing segment of the work-force. At the higher levels, the system never readjusted from its colonial legacy of aiming at producing administrators, lawyers and scholars, skills not helpful for a dynamic, private-sector economy. Today, Benin's university graduates approximately 1000 students a year who are unemployable.

Entrepreneurial Spirit is Lacking.

Since historically, the best talent was recruited by the public sector, the private sector enjoyed the less capable employees. These employees -- with the exception of expatriates -- were comfortable with the stifling bureaucratic oversight. Management is poorly trained promoting an emphasis on the routine over the innovative. Today, the private sector's recruitment pool consists of two groups: those "RIF'd" by the GOB under the Structural Adjustment Program, and young unemployed graduates who no longer will have automatic access to a government job. Neither group enjoys appropriate training, financial resources or entrepreneurial spirit. Very bright Beninese are finding it hard to divest themselves of the bureaucrat's convoluted mentality of waiting for the state to start up private initiatives.

Rapid Population Growth

The dimensions of the population constraint are not fully known. However, it is clear that the estimated 3.1 percent population growth rate threatens to negate any economic performance in the future. Benin's population growth rate will double the current population within 25 years, which in turn will put additional pressure on social services -- such as education and health services -- already overwhelmed.

Equally striking is the disastrous impact that population pressures are exerting on the fragile land and ecological systems. Studies in the 1970s argued that an average family needed 5 hectares to produce an adequate food supply. In Southern Benin, the average family farm plot is about 1 hectare today. It has been estimated that by the year 2000, Benin will be able to produce enough to feed only 95 percent of its people.

Any efforts to address the constraint of high population growth will be hindered by a series of historical, political and cultural factors. Pro-natalism in Benin springs from a history of ethnic rivalry, the presence of a very populous neighbor in Nigeria, and the imposition of colonial pro-natalist laws. While the new Government has formulated a population policy, it has not yet been ratified or put into practice. For example, the colonial 1920 law prohibiting abortion or contraceptive use is still on the books. In another example, governmental policies, such as generous income tax exemptions for more children and "child allowances", provide incentives to having children, especially among the poorer urban classes. Those involved in family planning programs are at

the mercy of arbitrary legal or bureaucratic interpretations of what is allowed. Even educated Beninese are divided on the wisdom of reducing population growth. Women's socio-economic situations -- heretofore limited legal rights, no access to land ownership and illiteracy also play an important role. Women have remained highly dependent on their husband's views, see children as their security in their older years, and have very limited access to information on family planning.

Poor Health and Nutrition

Health status in Benin has always lagged behind even similarly poor countries. Infant mortality in Benin is 112 per 1000 live births. And for the Beninese who do survive at birth, life expectancy is only 51 years, compared to the average for low income countries of 62. Despite some strides, such as a 70 percent child vaccination rate, and commendable innovations in self-financing community-level health services, the public health care system in Benin has not done its job. Benin has 15,940 people per physician and only 34 births are attended by any kind of health care-giver. Regions of Benin have among the highest rates of morbidity for Guinea worm and other water-borne diseases which lower the body's ability to efficiently absorb vitamins and other nutrients.

Acute and chronic malnutrition continues to persist in this food self-sufficient country. At least 6,000 children suffer acute malnutrition severe enough to require in-patient care at one of the country's 15 rehabilitation centers. Only 33 percent of Beninese have access to drinkable water. And there are large differentials between rural and urban areas. Predictably diarrheal diseases and dehydration rates among children are high, further complicating the nutrition problem.

Efforts to improve maternal and child health are significantly affected by the exponentially increasing number of births. Benin's estimated infant mortality rate (IMR) of 113 per 1000 live births and a child mortality rate (CMR) of 215 (UNDP 1992) are very close to the WCA average of 118 IMR and 220 CMR (and very far from the high-income economies average of 8 and 11 respectively). It is well-known that, on the average, babies born less than 2 years after their next oldest sibling are twice as likely to die as babies born after at least a 2-year interval. The older sibling is 1.5 times more likely to die if a new infant is born within 2 years of the older child's birth. It has been estimated that birth spacing alone could prevent 20 percent of infant deaths. It has also been estimated that maternal deaths could be reduced by almost one-third per year by avoiding births to women who desire no more children yet are not using any method of FP.

Malaria and guinea worm are endemic and AIDS continues to grow as a health menace. The GOB health strategy and correspondent institutions remain poorly organized and even donors do not enjoy a singularity of view on approach.

While the Government is trying to address the issue of providing services, few efforts exist at the community level to sensitize villagers to basic issues of health and use of available services. Neither are sufficient efforts being made to assist villages develop incomes sufficient to avail themselves of the "pay-as-you-go social services."

Family resources and the level of community development play a very direct role in health status and education. Studies have shown that even in rich regions of relatively well-off African countries, farmers have identified money for food as the second most serious problem they faced with money for the education of their children as first. Preventive and curative health care follow far behind. All three -- school fees, nutrition, and health -- are directly correlated with the child's ability to attend -- and benefit from -- the school system.

The Impact of Poor Social Services Performance on the Next Generation: Educability, Health and Community Development.

Children who are hungry, malnourished, sick, or impaired of vision and hearing cannot take full advantage of whatever educational opportunities are available to them. Poor nutritional and health status erodes a child's active learning capacity, that is, the child's propensity and ability to interact with and take optimal advantage of the full complement of resources offered by any formal or informal learning environment.

According to studies, active learning ability is determined by three sets of variables: health/nutrition status; hunger level; and cultural support. Secondary variables include the quality of caretaker-child interaction, schooling history, learning receptiveness, and aptitude. The low ALC child cannot be an active partner in the learning process and is unlikely to be a lifelong learner once participation in formal education has ended.

Studies elsewhere in Africa by A.I.D. and other donors have found that in some countries, children have lost 30 to 35 percent of their educability because their ability to learn has been eroded by loss of physical stamina stemming from health problems. The poor health and nutrition status and lack of community involvement continue to present constraints to improving the scholastic achievement of Benin's children.

Other Constraints

Deteriorated Infrastructure

The last 20 years left Benin's infrastructure in chaos. Despite Benin's critical position as a transit point and communications hub, the serious deteriorated infrastructure adds considerably to the cost of doing business. If alternatives such as Nigeria and Togo open up, Benin will lose what could well be its major comparative advantage.

Land Transportation: Benin has 727 miles of paved roadway: the relatively new and long North South axis and the Nigeria-Togo highway, which is totally insufficient for the traffic served. The rest of the system consists of dirt roads, including the majority of roads in Cotonou and Porto Novo. Feeder road tariffs on major transit roads are high, as are the informal charges applied by local police supplementing income. Both add significantly to transport costs. The remaining rail link between Cotonou and the regional Northern capital of Parakou is somehow still nominally operational, but is not the route of choice by any but the most desperate.

The Port Authority: Benin enjoys a deep-water port which is larger than Lome's. However, its physical structure is in disrepair, is poorly managed and fraught with clearance obstacles that make shippers the biggest supporters of the restoration of peace in Togo. Demurrage, handling and storage charges are extremely high, as are the informal salary supplements, and are major disincentives to private importers and exporters. The port and airports lack sufficient warehouses and loading equipment.

Telecommunication: Benin recently inaugurated a very efficient new telephone system. However, telecommunications continues to be run by an inefficient state monopoly which charges exorbitant rates (Cotonou-U.S. telephone calls are \$10 per minute vs. \$1.00 for the same call from the U.S. to Cotonou). The state monopoly is also far from being client-friendly. Ignoring the "service with a smile complaint", Benin is one of the few countries in West Africa that has not introduced special lines for computer-to-computer communications.

Energy and Water: Benin's energy situation is characterized by a high dependency on foreign production (Ghana), lower demand than electricity supply, and a large disparity between urban and rural availability. Where available, electricity and water are highly reliable, but extremely expensive. A house with an air-conditioner will spend more on monthly electric costs than on rent.

Fragile and Shrinking Natural Resources

The fate of Benin's forest cover illustrates the country's environmental crisis. Just under half of Benin's original 8,725 square miles of forest cover has already disappeared since 1969, possibly irrecoverably. Today, forests are disappearing at the rate of 965 square miles per year. If that rate continues, there would be no forests in Benin by the end of the CPSP period.

A predominantly agrarian society, Benin has traditionally depended heavily on its somewhat fragile soils, which are now experiencing severe degradation. Traditional practices such as using forest cover for fuelwood and shifting slash and burn cultivation go unchecked. Cereal and root crop cultivation, fires and resulting erosion deplete soil minerals far greater than eventual restitution through fertilizers can offset. The increasing use of fertilizers -- particularly for cotton -- is leading to pollution of the rivers and lagoons, adversely affecting aquatic life.

Benin's rapid population growth results in crushing demographic pressures on the land. The 3.1 percent natural growth rate is compounded by migration southward. Northern neighbors move to Benin from countries where soils are already depleted. Beninese move south. Today, the southern 12 percent of Benin's territory hosts over 60 percent of the population. The resulting population density is 1,275 persons per square mile. The competition between farming, stock raising and forestry has become fierce. Lands can no longer be allowed to lie fallow. Gazetted forests suffer from poaching, bush fires and encroachment by farmers, who do not understand the reasons for GOB protection policies and are not involved in management of resources in any way.

B. Opportunities for Growth

General

If Benin can overcome its many constraints, the country currently enjoys three significant attractions to potential foreign and local investors:

- o a pivotal location among large markets;**
- o an image of stability and confidence brought on by its recent democratization and its successful efforts at banking and financial stabilization; and**
- o a work force which, for the time being, is considered generally superior to those of other countries of the region.**

There are also potentially lucrative niches in small industry and agriculture which enterprising investors may be able to exploit. Flexibility, adaptability and efficiency of Benin's management and work force will be essential to identify and exploit the opportunities and the country's new freedoms of choice.

Trade and Transit Services:

Benin's geographical location is one of its greatest assets, as a robust and clever informal sector found out while Marxist development experts' attention was turned to non-viable industrial and agricultural schemes. Some of the trading opportunities take advantage of Benin's location. Others result from the bad economic policies, political instability or infrastructure inadequacies of its neighbors. Analysts believe that there will always be a role for Benin in providing transportation, entrepot and transit services for its neighbors.

Business Services:

As Benin successfully capitalizes on its transit services and financial reliability, its transit role should lead to ancillary activities such as freight forwarding, banking and insurance. Benin's communication and electricity infrastructure is reliable and under expansion. In light of the current problems in Nigeria and Lome, freight forwarding and expediting services have boomed. Benin has been a highly visible leader of the Economic Organization of West African States (ECOWAS), since it must expand beyond the French-dominated CFA zone if it is to capture the Nigerian and Ghanaian service markets it covets. Financial and monetary stability will be key. Today, Nigerians use the cfa franc as their store of wealth and currency of trade.

Agriculture:

Benin's agricultural sector has always outperformed the rest of its economy -- even regionally -- never achieving under 5 percent growth per year. Benin's small cotton and foodstuffs farmers have been responsible, taking advantage of good farmgate prices and Benin's porous borders. Historically, cotton and palm oil have been Benin's chief exports. The marxist policies and international competition served to ruin Benin's palm oil export prospects forever. However, Benin's relatively high quality cotton will help recovery in the short run and provide \$100 million of export receipts. Marginality of additional planting areas and limitations on ginning capacity will serve to cause a plateau in Benin's cotton exports after 1994.

In the short and medium terms, improved input supply and extension services will enhance growth prospects of foodcrops, fruits and vegetables. Beninese farmers already export 20 percent of their production informally to neighboring countries. And some fruits, nuts, and winter vegetables will be able to take advantage of Europe's off-season markets. However, over time land quality, severe population pressures, and international competition will require reorienting toward higher value crops, and greater entrance into formal export channels, and identifying agricultural targets of opportunity.

As a coastal country with many internal waterways, aquaculture has also been identified by private investment teams as a good target, providing environmental problems can be addressed.

Mining:

In the 1980s, oil exports accounted for 5 percent of foreign exchange earnings. However, disputes with investors in the mid 1980s led to suspension of exploration. Benin's peak production level of 2.7 million barrels in 1985 has been declining rapidly and known reserves are projected to be depleted by the mid 1990s. The GOB is working with investors on reactivating exploration. Benin's limestone deposits caused it to enter into the ill-fated co-investments in cement production. Private entrepreneurs have taken over capital in the two cement companies, but serious questions remain concerning Nigeria's markets.

Export Oriented Manufacturing:

A number of large investment projects, such as sugar refining, food processing and cement production, were started in the late 1970s. Despite poor design and increasingly adverse international business conditions and poor economic policies, these still constituted an important source of growth to the economy, averaging an annual growth rate of 5.4 percent. Benin's cost structures are high. The long term prospects for manufacturing in general do not appear good. Analysts believe, however, that some targeted development of high value production for export will be possible. One possible candidate, given Benin's relatively high quality cotton, would be quality textiles and garments.

Tourism:

If Benin succeeds in becoming a significant transit point, it may well succeed in developing a modest role in Conference center/tourism. No fewer than 50 international conferences have been held in Cotonou in 1993, some attracting well-known international figures such as former presidents Jimmy Carter and Banana of Zimbabwe.

One of the three major departure points for African slave traders, Benin has already begun exploiting its special cultural ties with the African-American diaspora. Benin is the birthplace of Haiti's liberator Toussaint L'Ouverture and the origin of voodoo. Many Haitians and Brazilian families still carry Beninese surnames. And Benin intends to be the first African country to offer dual Beninese-American nationality to interested African-Americans. The country's first annual African-American Reunion festival in Ouidah (the former slaving port) attracted interest in the United States, an interest that is expected to grow as Benin better organizes its public relations efforts.

III. GOB Sectoral Plans and Other Donor Activities.

General.

Prior to 1986, yearly donor assistance to Benin never exceeded \$100 million. France was the major donor, with some support from the Soviet Union, Libya, and China. Since introduction of Benin's economic reform 1988 and subsequent democratization, donor interest has surged. In 1991, total ODA reached \$258.4 million. In 1992 donor assistance was \$222.1 million or 10% of GDP and 85% of domestic receipts. Donor assistance per capita is approximately \$50. For the first time historically, France relinquished first place among donors to the EEC, Germany and the World Bank.

DONOR PROGRAMS

Donor	1991 disbursement (\$000)	1992 disbursement (\$000)	Major Sectors										
			S T R U C T U R A L A D J	A G R I C U L T U R E	T R A N S P O R T	E D U C A T I O N	H E A L T H	I N D U S T R Y	P O P	E N V I R	E N E R G Y	I N F R A S T R U C T U R E	P R I V E S E C
France	\$76,435	\$23,659	X	X	X	X	X	X			X	X	X
World Bank	\$24,124	\$32,240	X	X	X		X	X		X	X	X	X
EEC	\$15,700	\$40,193	X	X			X			X		X	
IMF	\$14,872	\$0	X										
Germany	\$16,439	\$35,378	X	X			X	X		X	X	X	
Netherlands	\$11,890	\$8,244	X	X			X						
Switzerland	\$8,766	\$12,225	X				X						
Denmark	\$5,636						X				X		
China	\$2,000	\$2,169		X	X		X	X			X		
Japan	\$2,238	\$8,244	X				X						
UN Family	\$18,025	\$14,586		X		X	X	X	X	X	X		X
Af Dev Fund	\$9,900	\$10,361			X		X			X			
Canada	\$1,624	N/A				X	X						
BADEA	\$1,166	\$3,076										X	
W Af Dev Bk	\$641	\$3,340			X		X			X			
USAID	\$22,812	\$11,615	X			X							

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Approximately 54.7% of donor assistance goes to for investment projects, 25.1% technical assistance and 19.4% to balance of payments. By sector, 25.1% of resources go to strengthen economic management, 13% for regional development and 12.2% for Communications.

Donor Coordination

Structural Adjustment is so critical to Benin's economic recovery that a highly structured GOB/donor monitoring mechanism has been set up under Benin's President. Donors are summoned to a quarterly review of GOB progress and issues and Ministers' and donors' views and explanations are elicited. A conditionality checklist is reviewed, and results of the meeting distributed. These sessions are attended by the eight senior ministers directly involved in restructuring and often chaired by the President of the Republic himself in CEO fashion. In the President's absence, the Minister of Finance acts as Executive Director of the review group. President, Ministers and donors are well aware of where things stand at all times. Usually, the press and National Assembly know, too.

In 1991, the UNDP reestablished the Round Table mechanism for Benin. As a result of new donor interest, second Round Table was held in Geneva in 1992 to allow the GOB to report to prospective new donors progress on its reform program and present its sectoral strategies and investment requirements. Emphasis in the Round Table exercise is on investment needs and sectoral strategies. In 1992, 30 donors were represented. Six sectoral Round Tables were established at the Geneva meeting: Agriculture, Infrastructure, Health, Education, Private Sector and Social Dimensions to Development. The sectoral round tables are to be held in early 1994 and results presented to the next plenary Round Table. Since operational budgets, recurrent costs and sectoral strategies are intertwined, there is some overlap, duplication of efforts and even inconsistencies between the SAP process and the Round Table exercise. USAID has urged that efforts be made to coordinate objectives of the two approaches.

Not surprising for a large donor group working together for fewer than three years, the quality of donor coordination varies depending on the sector. When donor coordination is lacking, major determinants appear to be an excessive number of donors involved in a sector and incompatibility of donor philosophies. Coordination problems exist in health, agriculture, and private sector development. Donor coordination in democratization is non-existent. Donor coordination appears good in infrastructure, and natural resource management. While donor communication is strong in education, differing philosophies and objectives have served to weaken education reform, as has World Bank delays in initiating their program. The Round Table exercise at the sectoral level may help to improve donor coordination if the UNDP coordination capacity is strengthened.

Non-Governmental Organizations.

International NGOs have developed a similarly increased interest in Benin. Benin currently has one US PVO with a major program: PL 480-financed Catholic Relief Services. Global 2000 (Carter Foundation), the World Wildlife Foundation and the Helen Keller Foundation all have small activities in-country. USAID has actively worked to encourage major U.S. NGOs to establish representation in Benin.



AFRICARE and Medical Development Services have signed bilateral agreements with the GOB and has held discussions with the GOB on assisting in community development. IFESH, OIC, and CARE are exploring programs with Beninese groups. French, German, Swiss, Canadian, Dutch, and Scandinavian NGOs are growing rapidly.

1. The GOB, Donors, and the Structural Readjustment. Structural Adjustment and Benin's need for budget support will perforce dominate Benin's development priorities over the CPSP period and probably the entire decade. Benin has adapted one of the most far-reaching Structural Adjustment programs world-wide. Priorities include: 1) improving the economic environment through removal of import licenses, price controls and customs reform; 2) improving public financing including adopting a balanced budget; 3) Privatization, liquidation or restructuring of public enterprises; 4) Mobilizing donor financing; 5) restructuring the banking system; and 6) reforming the public sector and civil service.

Stabilization and structural adjustment are the single largest recipient of donor assistance. Overall donor support of structural adjustment is approximately \$43 million. The IMF averages 7 million per year in an enhanced structural adjustment facility. The World Bank provides \$20 million. The French have linked some of their cash disbursements to progress in the SAP target of revamping Social Security and the EEC provides cash incentives for the voluntary departure program for civil servants. The Netherlands, Germany and Japan provide cash assistance directly linked to SAP performance. A.I.D. participates actively in the SAP review exercise.

2. The GOB, Donors and the Private Sector Strategy. Moving Benin to a private sector-driven, market oriented economy is the stated cornerstone of Benin's restructuring. An underlying principle of the private sector strategy is the objective of private sector employment generation to offset the dramatic downsizing of government administration, public enterprises and the military. Thus, particular emphasis has been put on employment generating options such as small and medium enterprises and free trade zone development. The World Bank's \$15 million Public Enterprise Reform program and its follow-on Private Sector Assistance Project makes it the leading donor in the area. UNDP has promoted training and investment guarantees for new small entrepreneurs. Numerous NGOs are providing small assistance to credit unions and savings cooperative movements. USAID provides training support through HRDA. There is, however, conflict between the stabilization objective and the need within to generate more public sector revenues and the effect such mechanisms (such as taxes) have on private sector development. Differences also exist on what constitutes a proper role for the Government in private sector promotion. Benin's Private Sector Round Table is expected to address such questions.

3. The GOB, Donors and Democratization and Governance. The strength and success of Benin's democratization movement is that it was neither donor-sponsored or even externally inspired. Thus, donors speak glowingly of Benin's democracy and often help it, but have taken great care in their support to follow the lead of both the Government and private groups. International donors financed the management and financial audits required of each GOB ministry by the National Conference. They have provided help in executing audit recommendations.

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Donors have also provided informational support and some training to Beninese groups interested in democratization themes such as the independence of the judiciary (World Bank and US), the role of the press (France, USIS and UN) and human rights (France, US, UNICEF). Germany and German NGOs have provided the greatest assistance to date. However, the World Bank, IMF and UNDP have been weak in pushing for financial management and accountability.

4. The GOB, Donors and the Agricultural Opportunities and Natural Resources Constraints. The GOB strategy in agriculture is to 1) revamp principle serves through reorganization, privatization and training; 2) promote food security and diversification through improvement of information flows and cost stability; 3) improvement of livestock management; 4) strengthening cotton production; and 4) revitalizing agricultural credit through the public and private credit unions movements. The World Bank's projects in Agricultural Diversification stress food security, natural resources management, revitalizing agricultural credit and the reorganization of agricultural services. France is also highly active in strengthening extension services (CARDER) and institutional reform. With World Bank assistance, the GOB has just approved a National Resources Management Strategy which will be financed primarily by UNDP, World Bank, France, Denmark and NGOs.

5. The GOB, Donors and Health, Nutrition and Population Constraints.

Health: In March 1993, the GOB undertook an overall review of Benin health care system. The objective was to evaluate both the organization and the quality of the system. The results are expected to help formulate the national health policy and strategy to be presented at the health sector donors round table in February, 1994. The new health policy will emphasize the importance of a reliable information and data management system, the extension of the community-based health care experience (the Bamako initiative), an improvement of mother and child health and the rehabilitation of health infrastructure.

In the meantime, foreign assistance is very active with the World Bank, the European Development Fund (FED), Switzerland, UNICEF, USAID, UNDP, Germany and Canada being the major donors in the sector. The major World Bank vehicle is the Health Services Development Project which aims to improve the overall efficiency and cost-effectiveness of the sector by: 1) strengthening institutional as well as financial management capacities in the sector; 2) increasing community participation through the replication of Bamako initiative consistently with the public health system; 3) improving the quality of services in both urban and rural areas; and 4) developing human resources through training. Switzerland, co-financier of the Health Services Development Project, is also sponsoring major primary health care, infrastructure rehabilitation and training in the Borgou and Zou departments. The FED program includes 1) HIV prevention activities; 2) the improvement of primary health care system and infrastructure; and 3) institutional support to the Ministry of Health. The UNDP-sponsored activities include the establishment of cooperative health clinics, MCH and IEC. Germany is mainly involved in the development of primary health care system, the staffing of public health centers, health facility construction and rehabilitation. Canada remains one the GOB major partners in the Extended Vaccination Program in the Zou department in addition to the rehabilitation and equipment of health facilities.

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Nutrition: UNICEF is helping establish a data collection and reporting network to prevent malnutrition and is very active in aligning donors to incorporate infant and child malnutrition into health strategies. UNICEF also sponsors the supply of essential drugs and the promotion of small food production activities to enhance food security in target areas. "Terre des Hommes", a Swiss NGO, also plays a key role in the prevention of children malnutrition through their two pediatric centers in the Zou department. USAID's Title II program to improve mother and child nutrition through educational and food distribution activities, implemented by the Catholic Relief Services is the single largest nutritional activity in the country

Population: Despite GOB's overt commitment to reduce the population growth rate within the next decade, there is no clear policy nor is there a definition of targets to attain. This situation is being corrected with UNFPA assistance which includes the building of a basic data collection and research capacity, population policy formulation, integration of Family Planning services into MCH and IEC activities. The World Bank is supporting a major effort to integrate Family Planning, MCH, safe motherhood and AIDS prevention activities into the general health care system as part of their Health Services Development Project. USAID's involvement in this sector has been, mostly limited to commodity supply effort and short-term training opportunities for both government and non-government technical personnel.

Education: As instructed by Benin's National Conference, the GOB has strived to reform its education sector through a far reaching program of cost and operational efficiencies and in establishing primary education as the nation's highest educational priority. In addition to committing to a vast institutional reorganization and decentralization process, the GOB has agreed to reforms assessing greater equity and participation of parents.

Currently, four donors -- the World Bank, UNDP, France and the U.S. -- participate in the education sector meetings. A look at the evolution of donor work in the education sector demonstrates the potential for improving coordination, however. Beginning in 1989, UNESCO assisted Benin in drawing up a nation-wide assessment of the state of the education sector, a financial and management audit of the Ministry of Education, and a series of overall Organizational and Institutional Action Plans. The World Bank agreed on the importance of an Education Sector loan, but required that there be both progress on organizational reform and better definition of strategies to implement the GOB's new programs. USAID, working with the World Bank, developed a framework for reform in the primary education sector: quality, equity, efficiency and sustainability, which would serve as a model for other areas of the education sector, thereby facilitating not only the Bank program and inciting other donor interest. Today, the Danes, Canadians and Swiss have expressed an interest in contributing to the education sector and France began in 1992 to contribute technical assistance.

6. The GOB, Donors and Infrastructure Constraints.

Donor assistance has picked up in recent time in infrastructure as donors become more interested in Benin and as Benin struggles to upgrade its infrastructure to meet the new demands of a growing economy. Major areas of intervention are:

Port: World Bank

Telecommunications: France, Denmark, World Bank

Electricity: World Bank, France

Roads: World Bank, Germans, EC, French, Chinese, WA Dev Bk

Water Supply: EEC, Germans, World Bank, French, Japan, UNICEF,
Netherlands, Sweden, USAID and Peace Corps

IV. Lessons Learned: USAID's Role and Experience in Addressing these Constraints and Exploiting these Opportunities

A. Background

In 1991, the newly democratized GOB welcomed USAID's -- and other donors' -- renewed interest in Benin. Benin's pledge was that it would continue to adhere to a very far-reaching economic reform program, while at the same time reforming key social sectors to help mitigate the austerity impacts and assure a critical level of long-term socio-economic investments. Benin has known five years of structural adjustment, and has far to go before recovery will be reached. The country has only been a functioning democracy since 1991. Thus, relevant USAID and other donor experience in Benin is limited.

Prior to opening the USAID Mission, Benin had a major rural water project monitored from Lome, a scholarship program, Self-help and 116e activities. USAID's major entrance into Benin came in 1991 through the major primary education reform program. The Children's Learning Equity Foundations (CLEF) was designed to continue through 1999 and provide funding through 1996, i.e., through the proposed CPSP period. Through a joint Non-project assistance/project activity, CLEF provides substantial general budgetary support to the GOB in coordination with the multi-donor Structural Adjustment Program. Program conditionality and project support are aimed at the GOB's highest socio-economic investment priority: re-establishment of a functioning primary education system.

B. Lessons Learned

-- From HRDA and ATLAS: Leadership Skills training programs are vital for a country trying to reorient its development approach. Exposure to U.S. and successful third World experience is critical in helping future leaders see things differently. Such exposure also enables leaders to see concrete examples of, and ask technical questions about, the kinds of institutions and processes they envisage for Benin. We have found it is also possible to move democratization forward in the public eye simply by the example of how we do business. We have attracted considerable attention by reforming the GOB scholarship selection process to be more transparent, fair and to encourage women. Other donors have followed our lead. However, it requires taking decision-making out of the hands of the old GOB networks and developing new institutions such as the Joint GOB/NGO selection

committee. NGO or centrally contractor managed implementation which is not well done, places enormous burdens on a small Mission. We have also found particularly short term training programs to be Mission labor-intensive.

-- From Rural Water: People can change their knowledge, attitudes and practices if well-designed programs and close follow-up are established. Communities are willing to work to improve their future. Indeed, they prefer to take on direct responsibility for development activities rather than leaving them to Cotonou-based bureaucrats, but they face real constraints in coming up with user-costs. Community-based projects which include revenue generating activities have the best chances of succeeding. The USAID approach of relying on village-level responsibility and resources in solving health problems became a model nation-wide. Success engenders pressures to continue. The GOB has pushed for USAID to expand its assistance in the area of community health. A review of the files demonstrate that community development projects managed from outside the country rarely fare well unless there is extraordinary commitment by the contractor and counterpart government. Successful community-level projects are essential for both the GOB to demonstrate its effectiveness and for the USG to demonstrate its commitment to participatory growth.

-- From CLEF: Sectoral reform works best when there is a lead major donor who follows a government-led vision and strategy. Leadership in key government positions plays an important role. Dialogue at all levels of government must be regular, well-thought-out and in good faith. Good institutional and procedural development must be emphasized in the initial phases of the program if subsequent interventions are to be effective. Personnel delays on either donor or counterpart side can significantly delay program success. A dynamic, competent, and collaborative project coordinator is critical for both Government and Mission credibility.

-- From NPA: NPA can be labor-intensive because it is essentially a large collection of ambitious projects. In addition, it requires intensive dialogue on all aspects of public administration as well as technical expertise. An accompanying project is indispensable if NPA is to be effective and less of a management burden to the Mission. Conversely, flexible NPA mechanism is absolutely necessary if true sectoral reform is to occur. In Benin, the Ministry of Finance receives a general budget support in exchange for the Ministry of Education's performance. The National Assembly approves budget activities and the IG and the Supreme Audit authority reviews the audits. This process replicates much more closely the process Benin will face when there is no more NPA. Receipts presumably will come from taxes or customs instead of USG largesse, but the negotiations, procedures and decision-making involved between establishing and implementing sectoral reform and the budget limitations imposed will remain regardless of the source of financing. NPA promotes sustainability.

Public accountability must be addressed from the top down. Beginning at the sectoral level such as with the Ministry of Education is not very effective since organs of oversight and control are in the IG of Finance and the Judiciary.

Public participation is essential if the pressure which pushed for action reform are to be sustained and not led by donors.

-- From PL-480 Title II: Well-run U.S. PVO activities can be implemented without great Mission workload. A.I.D. may not get full credit for working with the needy or vulnerable groups if agreement between the U.S. PVO and A.I.D. is not well established on publicity.

-- From Centrally Funded Population Activities: Local NGOs suffer from hostile "tutelage ministries" and their own lethargy. Benin's IBPF-affiliated (private sector) Beninese Family Planning Association provides clinical family planning services at 2 sites but the number of new acceptors and continuing users is unimpressive. Donors must work on both making the government more receptive to private sector and PVO activities and with NGOs on improving their approaches to achieving their goals. However, central projects which are well managed from AID/W and in coordination with the Mission, can be highly effective, while taking the staff and work-load burden off the Mission for small scale activities.

C. General Lessons Learned about Benin

- o *The extent of Benin's collapse, the heritage of 17 years of Marxist-military rule, and the disarray of the country's socio-economic and administrative structures presented reform designers with many "unknowables"*. The urgency with which both the GOB and donors needed to act in order to keep Benin's new democracy from falling into chaos precluded some of the strategizing and procedural reviews which have become the norm. Thus, elements of programs such as the Structural Adjustment's voluntary departure program are the subject of public and donor scrutiny. Underlying procedures and "rules of the game" were weak. Getting public expenditures under control took precedence over a strategy with philosophical underpinnings. Many programs, thus, are being re-examined and rethought. The extent of economic mismanagement, over-spending, and corruption was known, but how encultured it had become was also underestimated, which has also affected the success of many reform programs and projects. Much more work has been required than originally anticipated on management training, institutionalization and sensitivity toward financial accountability. Five years into structural re-adjustment and two years into democratic reform, objectives of first generation Benin programs require modifications.

- o **Politics and Consensus-Building play very dominant roles in Benin's fledgling democracy causing decision-making, policy dialogue and administrative guidance to take longer than previously.** Programs and projects simply assumed civil servants would willingly leave government service. Donors and GOB assumed that reorganizing ministries according to audit recommendations would occur matter-of-factly, government posts would be consolidated and the public sector would embrace its new role as proponent of non-government development. Politics in Benin now takes a front-seat whenever Government tries to take an action. The National Assembly and the press have discovered their power and exercised their oversight roles zealously. People in Benin have learned how to play the political card whenever they feel threatened. And the Government has not yet fully mastered the art of political maneuvering nor developed a confidence-inspiring transparency that would relieve some of the politicking.

- o **Benin's much touted "user costs" and grass-roots financing approaches such as in education, health and water will not succeed if not accompanied by income generation to enable villagers to carry such costs.** A.I.D.'s evaluation of our Rural Water project, UNICEF's Bamako Initiative studies and UNESCO assessments in preparation for Benin's education program have demonstrated that Beninese are aware of the benefits of health and education interventions and are willing to pay for health and education priorities. These studies, however, have identified lack of family resources as a major constraint to making such investments in health, education and other services they deem vital.

- o **Key Government Objectives will not improve appreciably as long as Ministerial offices suffer from organizational weaknesses and a lack of clear policies.** The management audits from each government ministry have demonstrated problems in communicating policies and putting them into day-to-day operation. Until the GOB has some success in reforming its administration, declared policies and new directions will have limited effect.

- o **Much needed NGO activities and those involving democratic initiatives are management intensive.** Local NGOs involved in activities of interest to A.I.D. and other U.S. agencies are very new and lack organizational, financial and technical skills to implement all but the smallest activities. Few qualify according to HB 13 standards and need close Mission support as they launch their first efforts. This is particularly true of 116(e)-type activities.

V. Proposed Country Development Assistance Strategy - Program Logical Framework for U.S. Assistance to Benin, 1994 - 1998

We see A.I.D.'s role in Benin as part of a broad international effort to assist the Beninese to advance their ambitious 1990 National Conference agenda. That agenda aimed to: 1) open political decisions -- particularly those concerning economic and social life -- to broad public participation and oversight; 2) establish a dynamic, open and free-market economy; and 3) create the political and economic institutions to ensure that Benin's new democratic and economic orientation is maintained. These National Conference priorities directly parallel A.I.D.'s Development Fund for Africa goal:

Promote broad-based, market-led and sustainable economic growth.

In keeping with management constraints and the overriding theme of Benin's broad - based National Conference, we propose to focus the Mission strategy on the participatory aspect of the DFA goal. We have selected as our Mission goal for FY 1994-1998 that element of the DFA goal which has a strong undercurrent of democratization and governance:

GOAL: <i>Increase Participation in Benin's Economic Development</i>
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At the heart of Benin's economic collapse was the ill-advised attempt to centralize decision-making and planning. The inevitable result was an anti-dynamic regimentation, lack of transparency and accountability in financial and administrative performance, loss of confidence in leadership and institutions and then, open resistance. Beninese agreed to accept a wide series of severe austerity measures to foster national recovery. In return -- through the National Conference -- the Beninese insisted on nation-wide consensus, open decision-making and guarantees to allow individuals free and active participation in the economy and political process.

Enhanced participation depends on two parallel fundamentals: first, establishment of the legal and institutional frameworks and second, the willingness and abilities of potential participants to work within and take advantage of the new frameworks. The National Conference consolidated Benin's re-orientation by establishing a new Constitution and the supporting legislation, democratic

institutions and processes. Conference members insisted, however, that the only way to sustain the new open and participatory approach, was to address the severe weaknesses in Benin's human resource base. The National Conference mandated a concerted effort in favor of critical human resource development. Our findings concur and we have formulated our supporting sub-goal:

SUB-GOAL: Strengthen Benin's Human Resource Base

The political will and donor support are now in place to carry out the necessary austerity plan and reorient the economy and civil society to one based on individual initiatives, private sector-led growth, and market orientation. Some legislative, regulatory and institutional work still needs to be undertaken to consolidate the changes and we intend to assist when appropriate. However, the key to successfully and sustainably restoring Benin's economy now depends and will continue to depend heavily on the capability of individuals -- leaders in and outside government -- who will guide the reforms. It will also depend on the individuals -- particularly outside the public sector -- who will respond to the reforms.

During CPSP development, the Mission identified and analyzed other conditions for broad-based, market oriented and sustainable growth: physical infrastructure base, a sound financial climate, greater agricultural productivity, and a sustained natural resource base. Mission analysis is that these other global conditions to successful broad-based, market oriented and sustained growth are, with minor exceptions, already being adequately addressed directly by the GOB (particularly through democratic reform and economic restructuring) or by a large number of other donors.

The National Conference mandated that the newly formed democratic government make re-establishing Benin's education system among its highest priorities. The Mission's constraints analyses showed that the education system has produced, and continues to produce, citizens who are ill-prepared to participate in, and take advantage of, Benin's new course. One of the National Conference's first acts was to establish the Etats-Generaux (nation-wide review) of the country's education system. That nation-wide review determined that the nation's education rehabilitation effort should concentrate, as its highest priority, on reestablishing the primary education system.

Several A.I.D. evaluation team visits prior to Mission opening concurred with the Etats Generaux assessment, as do the Mission's current assessments. Thus, USAID has chosen to address basic education as its single Strategic Objective:

STRATEGIC OBJECTIVE:

Assist in ensuring that an increasing number of primary school-age children receive, on a more equitable basis, an education which adequately prepares them for a productive role in their society.

Mission analyses confirm that Benin's poor basic education system is a major constraint to the country's economic development. Indeed, for Benin, the rehabilitation of its education system is the *sine quo non* for establishing broad-based, market oriented and sustainable economic development. Economic restructuring and the establishment of a democratic political system can only be achieved and sustained if Beninese have access to an education which enables them to become more literate, more numerate, more critical, more creative, more inquisitive and more confident. These attributes are the building blocks of a labor force which has the skill base necessary to compete internationally and the dynamism to adjust to changes in economic signals. Basic education is also fundamental to a civil society which will expect and push for fair treatment from its political system.

Within education, primary education has the largest impact on the largest number of people. A weak primary education sector compromises the entire system of human capital development. It produces students who are poorly prepared for subsequent schooling and adults who are illiterate and undynamic. Most importantly, it does not produce enough truly educated parents, workers and managers who can participate in -- and demand accountability from -- policy and public investment decisions which will affect their destinies. Thus, the Mission's main effort will be in promoting the establishment of a basic education system which is effective, efficient, equitable and sustainable.

We believe education has a special relationship to our concepts of governance. On the one hand, education is the single most important component to assure long-term, informed participation in, and oversight of, government. On the other, primary education is a government service, the largest in Benin, touching a vast majority of families in the country. How government delivers this critical service is a good indication of how government performs in other domains: its effectiveness, its fairness and equity, its accountability and its transparency. Thus, we have structured our program to strengthen primary education along the lines suggested by our assessment of Benin's democratization process. Our approach to improving primary education emphasizes good government administrative and financial management in the provision of quality education services. It also promotes public sector accountability and transparency to assure efficient use of scarce resources. And we will push for wide-spread participation. Aligning parents, teachers, the National Assembly, mass-media, and other interested groups in the education reform process will guarantee that past public momentum and support for reform, and the oversight of government management of that reform, is sustained.

Inherent in our technical approach is a reorientation of decision-makers' thinking away from the traditional focus on inputs and toward focus on measurable student achievement. Particular emphasis will be put on reading and language and on math. In addition, an innovative feature of our education reform strategy is on defining the entire student learning environment and basing planning and budgeting on that definition. To support our primary education strategic objective, the Mission has selected five mutually reinforcing targets:

Target 1: Establish and maintain sufficient financing for primary education

Benin's primary education system collapsed because there were eventually no funds to make even the most essential payments such as salaries. Thus, addressing financing problems is the first step in reforming primary education. Structural adjustment and a highly flexible donor support effort to balance Benin's national budget is the country's highest priority. Most donors direct their assistance to general budget support in exchange for very strict conditionality. Over the last two years, Benin has run a slight surplus in its sovereign functional budget and budget stability has been restored. To maintain primary education solvency, Benin must continue to make promised budget resources available.

Since 40 percent of the national budget already goes to education, sectoral reform places emphasis on realigning budget allocation in favor of the primary education sector which employs 60 percent of ministry employees and serves 95 percent of Benin's students. The first priority is to assure teachers can count on being paid. Already, efforts to tighten the payroll have shown success. Unenthusiastic teachers have been invited to consider other employment and teachers working in office jobs have been deployed to the field to replace them. Additional resources and savings are then to be dedicated to the many non-salary expenditures heretofore neglected: establishing a curriculum, retraining teachers, providing textbooks and teaching materials, furnishings, rehabilitation and a management information system.

A second reason for the system's collapse was that education objectives and management was implemented without regard to resources available. To win confidence of the Ministry of Finance, potential donors and parents who must continue to make contributions, solid budget planning and accountability will be established and vigorously pursued. Sound estimates of recurring costs such as salaries, electricity, etc. must be available. The structural adjustment group has been addressing the process government-wide, with the results getting better and more auditable every year. To establish sound estimates of remaining inputs required to assure a complete learning environment for each child, the GOB, with USAID assistance, will develop the concept of Fundamental Quality Schools, inventory what currently exists, and identify inputs and costs required to get schools up to the defined level of fundamental quality. Institutional strengthening to define budget expenditures will be key to successfully convincing central government, parents and donors that their increasing contributions to primary education are needed and will be well spent.

Target 2: Improve the institutional capacity for educational planning, management and accountability.

Efficiency and accountability in the use of scarce education funds is fundamental to Benin's economic restructuring as well as its education reform program. With USAID and World Bank assistance, the Government will implement an extensive reorganization of the Ministry of Education and reinforce a number of basic management functions. The reorganization will clearly define strategic objectives, management approach and decentralize planning and daily financial and personnel management responsibilities to the Regional Directorates. The responsibilities of the technical directorates will be redefined to focus on subsectoral policy formulation and implementation. Planning capacity will be reinforced through the development of an integrated and modern Education Management Information System. The budget preparation process will be improved so that budgets reflect the strategic goals of the sector, the needs identified at the school level by the regional offices and the required financing for the implementation of the reform program. Monitoring and evaluation capacity will be reinforced throughout the system with regards to program implementation, as will internal and external controls and audit capacity for financial matters. As the Government reorients its emphasis to the school as the central unit in the education system, efforts to improve management capacity of school directors and reinforce links between schools and regional and district offices will be implemented. USAID, the GOB and increasingly other donors will continue to identify ways to institutionalize ministerial and government-wide accountability and transparency. USAID is working with the GOB and other donors to explore the role of conditionality in promoting significantly greater emphasis on issues of sound and transparent financial management.

Target 3: Upgrade key pedagogical systems to provide a quality learning environment for the Beninese pupil.

The underlying strategy of the education reform program -- both from its budgetary and technical points of view -- is to ensure that pedagogical systems are defined from, and have an impact at, the school level. The Government and the Mission have adopted a conceptual framework, the Fundamental Quality Level (FQL) School, to focus attention on the entire learning environment of the child. A FQL school will define the essential attributes to provide an effective learning environment. The Government, with the Mission's assistance, will establish the criteria for FQL schools (e.g. number of school books per pupil, support services provided to each teacher, teaching aids and manuals, teacher qualifications), determine the efforts needed to bring all schools to the FQL standards and program subsequent investments and activities so that all Beninese schools meet a Fundamental Quality Level. Reporting and monitoring of this process will be published annually and is expected to stimulate national debate and oversight. The FQL approach also provides the basis for integrating educative quality issues with budgetary exigencies, through a new system of monitoring student achievement at key points on the education ladder. Achievement results will be monitored and

compared with reform actions and inputs. Resources will then be redirected through an open and decentralized budget review process to provision of those elements which have the greatest impact on student achievement. The result will be an integrated planning and budget system, supported by student achievement evaluations, which will then guide decision-making and budget allocation.

Target 4: Increase equity of access for Beninese children to a quality primary school education

Providing quality education for all in Benin is a long term goal. During the first phase of Benin's education reform program, the Government program aims to increase the overall gross enrollment ratio by a modest 1% per year. Initially the Government will increase overall access through more efficient use of existing resources (e.g., reallocation of teachers) rather than expanded capacity. To address the inequities inherent to the education system the reform program has adopted two strategies. First, Government planning and programs will take into account targets for girls enrollment and that of other disadvantaged regional groups. Policies on school fees will be examined. FQL targets will reflect the needs of underprivileged regions as a priority. The Government will attempt to stimulate demand for education amongst specific population groups. It is expected that increased quality will positively impact upon demand. With the help of USAID, the government will put in place a management information system (MIS) to establish the baseline data and trends. This will assist the decentralized services of the Ministry of Education to develop and use tools to plan, implement and evaluate progress toward their regional and gender equity objectives. USAID technical assistance will also reinforce the Ministry's and Departments' capabilities to implement programs and evaluate performance. Second, USAID will promote actions by non-governmental organizations, such as womens' organizations and human rights groups, that will implement experimental programs and information campaigns to address the causes for poor school attendance among girls. Successful results from both government and NGO pilot activities will subsequently be implemented on a broader scale.

Target 5: Promote Wide-spread Public Participation in Primary Education

Benin's education reform began with the wide-spread popular concern about the severe inadequacies of its education system, as expressed during the National Conference. The resulting reform can only be carried out by the new Government if there is the same continued pressure, oversight and participation as there was during the National Conference. Thus, the public participation target comprises three elements: 1) promote increased involvement of institutions outside the Ministry of Education and outside government in the oversight of resource allocation and use in the education sector and promote public demand for accountability for reform program results; 2) Develop the non-governmental sector's capacity to complement government's provision of educational services and programs; and 3) increase nationwide involvement in, and support for,

attainment of national education goals. The participation target complements the other targets in that it helps to ensure transparency and accountability needed for government management of quality services, financial decision-making and equity.

Communities already provide financial resources to support the school and at the school level, parents' associations now play an important role in school-level decisions. Ideally, this grass-roots accountability will translate to higher levels of administrative decision-making: the circumscription, the Department, and the central government. Parents' Associations have expressed interest in playing a more active role in the education sector. Some village associations are, with USAID encouragement, formally consolidated at the Department level. Our strategy is to continue to promote this dynamism. There are currently discussions underway, assisted by USAID, to create better linkages among Associations. In the long run, a national Federation of Parents Associations would form. The goal of such a Parents' Associations is to become an advocacy and advisory group to the Ministry, the National Assembly and other interested groups on issues related to education. Inherent in such a federation and the dialogue it will pursue is a mechanism for requiring public administration accountability on issues of education. Parents' associations have been included in virtually all areas of the education planning process to date. The next step is to institutionalize the process. Girls' school attendance is a major reform priority. At USAID urging, womens' associations have been encouraged to enter into the dialogue on girls' education and develop programs of their own to improve girls' school success rates. Finally, USAID will work with the Ministry of Education to encourage other special-interest NGOs -- AIDS prevention, family planning, basic health, human rights -- to get involved in sensitizing students to the issues which will face them after they leave school.

TARGETS OF OPPORTUNITY: Other Options for Improving the Human Resource Base

In its analyses, the Mission has recognized that education is a necessary but not sufficient condition for enhancing participation nor for improving human resource development. However, mission assessments indicate that USAID would not yet have a significant enough impact in alternative areas of human resource development during the CPSP period to justify a second Strategic Objective. In some cases, such as rural development, private sector employment and literacy, other donors are addressing the areas adequately; in others, the GOB is not yet sufficiently organized to absorb assistance it needs. This is the case in water resource development, family planning, and the environment.

Two additional areas of human resource development arose during the Mission reassessment of our development strategy: 1) the urgent need to teach preventive health and family planning at an early age and from a community perspective; and 2) the importance of enhancing key elements of governance: strengthening public sector accountability, civil society, private initiative and the political culture.

TARGET OF OPPORTUNITY NO 1: *Promote Community-based Development Initiatives in Health and Family Planning.*

As demonstrated in the analyses, much in the way of community health and development is being done on the "supply-side". Very little, however, is being done to reorient the common citizen's knowledge, attitudes and practices which, in turn, create a demand for such services. Building on USAID's previous six-year effort in the area of village health education and sanitation, the Mission proposes, to enhance absorptive capacity through promotion of local community health and development initiatives. USAID would continue the original project's approach at village organization campaigns, health education visits and limited health and revenue generating activities.

Such a grass roots intervention will not only boost community initiative and empowerment, requisite to development of Benin's civil society, but will also enable the GOB, USAID and other donors to explore the relationship between basic health, education and community resources.

Many local NGOs have expressed an interest in supporting such an approach and some have already begun small activities of their own. USAID would enhance these activities and continue the previous project's successes using a US-PVO umbrella mechanism.

Given the close inter-relation between issues of basic health such as maternal and child survival on one side and family planning practices on the other, the target proposes to include basic elements of family planning to the extent practicable. Any effort in integrating family planning into this community-based health initiative will be guided by four criteria:

- developing and/or improving local capacities to provide appropriate family planning information and quality services;
- increasing access to contraceptive methods through both traditional and nontraditional delivery systems;
- ensuring program sustainability and "ownership" by nationals; and,
- promoting an effective, dynamic partnership between public and private sector entities.

The community health target proposes to provide the GOB with a basic, reliable epidemiological and family planning data base. Such information gathering will help the GOB, USAID and other donors define future activities in the basic health and population sector.

TARGET OF OPPORTUNITY NO 2: *Improved Governance and Enabling Environment for Individual Initiative.*

Increased public participation and oversight of the public sector is a critical factor in both sustainable economic development and democratization in Benin. It was organized public pressure which brought about demands for liberalization of Benin's economy. It was that same pressure that then pressed for a say in how the Government would henceforth establish policy and the development agenda. This process of popular say in how government manages development must be institutionalized. Legislative and regulatory actions still need to be taken. Government institutions need to be reoriented to be supportive of private initiatives and private groups must be interested in, and capable of, exercising direct input into the development process. The proposed Governance Target of Opportunity will expand on the governance issues addressed in our primary education Strategic Objective: promoting NGOs for profit and voluntary as well as improving the environment for their success and strengthening public sector accountability.

After strengthening the Government's ability to guide development and deliver critical public services, development of Benin's counterbalancing civil society must be the highest priority. We see assisting what has become a burgeoning NGO movement as a fundamental way of organizing civil society. Through NGO development, the Mission aims to help NGOs deliver services to their beneficiaries and to press for an environment conducive to NGO success. As a priority, the Mission proposes that A.I.D. assist local NGOs and business organizations to analyze and address key constraints to institutionalizing democratization and private sector development, management and skill weaknesses within the private sector and institutional public sector impediments: 1) ambiguous or outdated laws anathema to private sector development or individual rights which have not been revised; and 2) public sector employees who have not reoriented their approach to promoting the private sector and take advantage of the ambiguous regulatory environment to impose their power and views.

The Mission will work with local NGOs to identify and implement training programs for both the private and public sector and to identify and promote change in the regulatory environment that impedes private sector investment and growth. We would also consider supporting small local initiatives through NGOs which assist the micro and small entrepreneurs to initiate and successfully run their businesses.

One important reason for enhancing the organization of civil society is its important role of oversight. While the public demands accountability, Government must be institutionally able to respond. We have found that financial management and accountability shortcomings in the education sector derive directly from shortcomings in the overall system. Control, tracking and audit systems for the Ministry of Education come from Benin's IG in the Ministry of Finance and from a theoretically independent Judicial Branch Audit Authority. To the extent these agencies are weak or not supported, transparent and efficient management of education resources is jeopardized. We propose to work with the GOB (Ministry of

Finance, Supreme Court's Chambre des Comptes and the National Assembly) and other donors in addressing issues of financial management and accountability. This critical work will enhance Government's credibility with the Beninese electorate and also to assure proper oversight of our very valuable and flexible NPA approach.

After political will, the most critical ingredient to success of Benin's governance and economic reforms is the leadership and skills of those who play a role in the new society. Enhancing leadership capability both in public service and among actors outside government will be a priority of our ATLAS and HRDA programs. While reestablishing key competencies in management and finance will be our focus, we will also place a high premium on meeting the need for Beninese to be exposed to successful examples of democratic and private economic initiatives in the United States and other countries.

C. Assumptions behind the Strategy

- o Beninese policy-makers will remain committed to an open, democratic approach to public decision making and government institutions will increasingly adapt to the new environment;
- o Benin's Democratic renewal will be bumpy and fragile, requiring flexibility and careful attentiveness on the part of donors;
- o Benin will continue the Structural Adjustment Program II with its emphasis on private sector-led growth;
- o The next five years will be extremely critical for Benin's future economic and political development path and for its fragile governmental and non-governmental institutions;
- o Benin will continue to need quick disbursing and quick response resources during structural readjustment;
- o Donors realize that Benin's economy is currently worse off than at the time of independence and significant donor support will be required over a very long period;
- o Events affecting Benin's neighbors do not have a negative impact on Benin's own economic and political direction.
- o Benin will remain one of AFR Bureau's 14 focus countries and possibly increase in stature as its economic and democratization reform process bears fruit.
- o The enormous influx of urban, lower middle class refugees from Togo and Nigeria who have quickly settled in Southern Benin will not be a destabilizing force for Benin's development or democratization.

VI. Program Management: Level and Use of Resources, Implementation, Monitoring, Reporting, Evaluation and Policy Agenda

A. Level and Use of Resources

The Mission is proposing one strategic objective (basic education) and two related targets of opportunity. The strategy supposes an annual DFA budget level of \$15 million and an annual level of \$4 million in Title II food aid. The Mission's assessment of resource requirements derives from three basic observations. First, there is great need for U.S. assistance. Need is demonstrated by the low per capita income of \$380 and an even lower level of provision of basic social services. Second, as periodic reviews of economic and democratization performance demonstrate, Benin is both committed, and able, to use U.S. assistance appropriately. Third, the Mission believes that we have found mechanisms -- NPA assistance, U.S. PVOs, and centrally funded programs -- to manage the proposed program efficiently.

In keeping with A.I.D.'s efforts to manage significant programs with concentrated staff, the USAID strategy envisages 5 USDH. The proposed approach assumes continued significant use of NPA assistance to support the Structural Adjustment budget program. Policy dialogue is directed to issues surrounding government provision of basic education. For our targets of opportunity, we will depend on mechanisms which have relatively low Mission management burdens: heavy reliance of buy-ins and OYB transfers to AID/W centrally funded and managed projects and U.S. Private Voluntary Organizations. This assumes that central bureaus concur in assigning a more important role to Benin in governance and health/population. We are also urging that U.S. PVO procedures become more streamlined and that the U.S. PVOs, and not the Mission, bear prime accountability for PVO performance. As A.I.D. management of the PVO mechanism becomes more streamlined, Mission workload will further decrease.

To date, the Mission has depended on considerable support from REDSO/WA and to a lesser degree AID/W. We would anticipate that in one form or another this level of support will continue. We also envisage a heavy reliance on our new, but highly talented local Beninese staff. OAR/Benin currently has 9 program-type local professional staff which help manage the program. We are contemplating adding an FSN Economist to help with macro-economic analysis and reporting. Due to the newness of the staff and our need to heavily integrate them into management decisions, the Mission must envisage a significant training program, including a Mission start-up retreat and management skills. A staff training program which is

more extensive than usually envisaged has OE implications, particularly in the early years of CPSP implementation.

Strategic Scenarios

There is no doubt that, economically speaking, Benin had dug itself into a very deep hole. The Government (and donors') overriding policy and financial considerations to date have inevitably been directed to restoring financial equilibrium and maintaining stability. When stabilization issues have come into conflict with other national objectives such as private sector dynamitization, education reform, or even public accountability, decision-makers opt for the stabilization priority. This approach has been successful in promoting economic growth and maintaining Benin's fragile democracy. However, it will be imperative for Benin to increasingly incorporate other elements of development and democratization into national priorities. In Section V we have proposed a strategy appropriate for the pace of Benin's current progress.

Given the magnitudes of the reforms and the delicacy of Benin's new institutions, there are understandably pessimistic and optimistic scenarios. A pessimistic scenario would see Benin never leaving its stabilization and equilibrium concerns, or worse, falling off its democratization or economic restructuring course. Under these circumstances, we would propose a minimalist USAID program, which we have sketched in Table X under our "reduced option". Every day, such a scenario becomes less likely.

There is also the possibility that Benin's economic and democratic reform processes will be able to accelerate. Under an accelerated scenario, the country not only continues to provide the current liberties and democratic guarantees and processes, but accelerates achievement of its goals in the area of administrative and financial accountability, decentralization of decision-making, enhanced independence of the judiciary, improvements in womens' benefits and improved absorptive capacity to absorb additional assistance. Under these circumstances, the Mission would propose to enhance programs within our current strategy. This scenario would warrant an "Enhanced Option" presented in Table X. We do not propose increases in O and E or staffing for an enhanced option.

B. Strategy Implementation

Basic Education.

The central focus of our Mission strategy reform is basic education. The implementing mechanism is a large NPA program coupled with a supporting Project (CLEF). The NPA provides general budget support under the multi-donor guidance of the Structural Adjustment Program while it focusses conditionality on major benchmarks for educational reform and the policy dialogue issues relating to them. High level policy dialogue is carried out by the AIDREP, while more routine issues are addressed by the Program Officer, the General Development Officer or the Program

BENIN: STRATEGIC SCENARIO OPTIONS

	Current Option	Enhanced Option	Reduced Option
Decision Criteria	<p>Democratization continues at current pace:</p> <ul style="list-style-type: none"> -- liberties guaranteed; -- Constitutional institutions and new legislation enacted; -- free and fair elections held for President and Legislature; -- Ministry audit recommendations continue to be implemented. <p>Economic Restructuring continues at current pace:</p> <ul style="list-style-type: none"> -- SAP II on track; -- Public sector attitude to private sector continues to improve. 	<p>Democratization is further consolidated and accelerates:</p> <ul style="list-style-type: none"> -- liberties and Constitutional institutions strengthened; -- free and fair elections held for President and Legislature; -- Ministry audit recommendations are implemented ahead of schedule; -- National policies on health, family planning, rural water, etc are in place; -- Public accountability receives high priority; -- Branches of government are functioning competently and independently; -- Decentralization pace increases. <p>Economic Restructuring:</p> <ul style="list-style-type: none"> -- SAP II on track; -- Public employees reorient role to enhance dynamism in private sector; -- Financial accountability institutionalization rate increases. 	<p>Democratization runs into setback, current liberties reduced and constitutional institutions and processes restricted.</p> <p>Basic elements of administrative and financial transparency and representative decision-making are not strengthened.</p> <p>Structural Adjustment falters.</p> <p>Promotion of private sector development is impeded.</p>
DFA Status and Resource Levels	<p>FOCUS</p> <p>FUNDING</p> <p>OYB: \$13.5 million PA: \$ 3.5 million NPA: \$10.0 million Food: \$ 4.0 million</p> <p>Staffing: 5 FTE 40 FSN</p>	<p>FOCUS</p> <p>FUNDING</p> <p>OYB: \$20.0 million PA: \$ 5.0 million NPA: \$15.0 million Food: \$ 4.0 million</p> <p>Staffing: 5 FTE 40 FSN</p>	<p>NON-FOCUS</p> <p>FUNDING</p> <p>OYB: \$1 million (scholarships)</p> <p>Food: \$2 million</p> <p>Staffing: 3 FSN staff and minimal regional staff supervision.</p>
Education Strategic Objective	<ul style="list-style-type: none"> -CLEF project expanded to include NGO component; -CLEF program extended to address voc. trg. 	<ul style="list-style-type: none"> -CLEF project expanded to include NGO component; -CLEF program extended to address drop-outs and voc. trg; -Pr. Setr voc ed trg. 	
Targets of Opportunity	<ul style="list-style-type: none"> -ATLAS continues at 14 students per year and HRDA extended; -Targeted NGO umbrella program; -Small buy-ins in central bureau family planning and health activities; -Small buy-in in financial management & acct. outside CLEF; -Title II program continues; -116e continues; -AMB Self-Help continues. 	<ul style="list-style-type: none"> -ATLAS slightly expanded and HRDA extended and expanded; -Multi-Targeted NGO umbrella program; -Project in family planning; -Second NPA in either family planning or governance; -Major project and NPA in financial management & accountability; -Title II program expanded; -116e expanded; -Amb Self-Help continues. 	<ul style="list-style-type: none"> -ATLAS continues at reduced levels; -NGO umbrella program continues at minimal level funding; -Reduced Title II nutrition program continues; -116e continues -Amb Self-help continues.

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Manager as appropriate. NPA has proved to be highly effective because it fosters more realistically the way internal governmental budget decision-making, negotiation accountability take place. NPA places the burden of negotiating availability of resources within priorities and of meeting reform benchmarks on the GOB Cabinet of Ministers and the National Assembly rather than between the Ministry of Education and donors such as A.I.D. NPA is also less management intensive from a Mission point of view than would be a project of similar size. The accompanying CLEF project assists the GOB to identify, analyze and resolve constraints to improving GOB management of its primary education system through short and long-term technical assistance and training for education managers and planners. The Project is managed by the General Development Officer, with input from the Program Officer. In addition to funds management, the Controller guides program and project activities as they relate to aspects of financial management and accountability. As our fundamental mechanism for promoting wide-spread participation in education, the Mission also intends early during the CPSP period to introduce within the project an umbrella arrangement for strengthening local parent-teacher associations and education-related NGOs. A self-contained institutional contract or PVO grant will be placed under the day to day supervision of one of the CLEF project's USPSCs, limiting the operational workload of the Mission.

Because the NPA component is directed to the multi-donor effort to provide general budget resources to the GOB in exchange for major macro-economic reforms, the Mission is also represented at national Structural Adjustment Program (SAP) reviews. Policy dialogue issues which relate to NPA issues outside the education sphere but within USAID's interest in our overall goal of participatory economic development is carried out by the AIDREP or the Ambassador, as appropriate. Issues are identified by the inter-agency Country Team.

In outyears of the CPSP, USAID will consider adding other issues to our dialogue agenda on basic education, such as schooling for primary school drop-outs and vocational training for primary school graduates.

Health and Population

Until recently, our health interventions had two components: a Mission management-intensive but highly popular rural water and sanitation project implemented by a contractor and sub-contractor and a Title II NGO-run nutrition program, which required much more moderate degree of Mission monitoring and paperwork. Benin also benefitted from several small family planning activities run out of Togo or AID/W. Under our proposed strategy, USAID would continue the popular community health element of our rural water approach, mobilizing local NGOs to work with small communities under a U.S. PVO umbrella arrangement. We would also include family planning as part of the IEC effort. One important element in both health and family planning is data collection (epidemiological and family planning) and the Mission would propose to buy-in to centrally funded projects which could address the need. Selection of a well-respected PVO with autonomous management and accountability for its program performance should reduce Mission workload, especially if the issues of performance accountability and monitoring are well-understood and taken into

account during planning. The Mission would also propose to continue the Title II program, although we would like to see the program more geared to enhancing the roles of local NGOs and more involved in nutrition issues of school-aged children. As appropriate, the Mission will seek to expand our imports of family planning commodities, begun during our Togo years. We propose to increase imports of condoms (used by NGOs for both family planning and against AIDS) as well as to diversify to other forms of contraception. The Mission would provide targeted management training as needed to the Ministry of Health and local NGOs through our HRDA program. One local professional will monitor day-to-day operations of each of these programs, supervised by the General Development Officer. We anticipate minimal regional or AID/W technical support.

We have found that Benin to date is less sensitive to our OYB level calculations than to real financial and technical resources coming into the country. Thus, we have met with no objection regarding an OYB transfer mechanism for small activities. Reliance on such mechanisms, of course, assumes that appropriate central projects are available and that central bureaus such as R&D are interested in assigning greater attention and resources toward Benin.

It may be necessary or desirable at a later date in the CPSP period, through a centrally funded project, to provide enhanced assistance in the area of population policy development and awareness-raising. By mid CPSP-period, a national family planning program action plan, complete with targets and strategies, could be in place. This information would inform any decision to undertake a separate Mission-level population activity late in the CPSP-period and would be reviewed carefully with AID/W bureaus and REDSO with management concerns firmly in mind.

Governance.

Benin's democratic renewal and improved governance play critical roles in U.S. foreign policy as well as in A.I.D.'s goal of participatory economic development. Conversely, Beninese, inside and outside government, look particularly to the United States for help on democratization and governance issues. Need and absorptive capacity are present. Our involvement will be the subject of continuous review by AID/W, the Embassy, and NGOs. By design, our CLEF program and project are our major vehicles for providing improved governance to Benin. We implement the institutional development of the Ministry of Education and provision of primary educational services along lines established by our democratization assessment. Issues of the quality of government management of services, financial accountability, civil society involvement and organization, decentralization and flow of information are all formally part of our program objectives. The project provides for program-funded long term technical assistance in planning and quality issues, financial management, management of information, and enhanced participation by citizen groups and the private sector. Mission USDH or FSNs are involved, often with Embassy collaboration, in policy formulation, review of performance and policy dialogue.

The Mission foresees two possible targeted activities under governance: enhanced financial management and accountability and NGO development. A Financial

Management intervention, would be implemented under an institutional contract and would complement work already begun under CLEF. The activity would, however, go outside the purview of education management by strengthening the reinforcement mechanisms of the Ministry of Finance IG capacity and the Supreme Audit Authority under Benin's Supreme Court. The project would be managed under the Mission Controller. The local NGO support project would be a U.S. PVO umbrella project and would be managed by a PSC. This project would complement similar umbrella activities in education and health, but would focus on the intermediary organizations - human rights, womens', professional societies, and private sector associations -- which link civil society to government and facilitate the processes of information flows and oversight. The Mission has considered folding all three NGO themes under one umbrella. While this option could not be excluded, both the differing natures of these NGO activities and the wide interest in Benin of the U.S. PVO Community point to keeping the three as separate but similar management units.

Other small activities, suggested by our work in education, would also be considered. We would focus on requests by GOB or local NGO officials in the areas of legislative reform relating to the private sector, decentralization, human rights, womens' rights, and strengthening of non-Executive Branch powers.

Benin has continually shown leadership on the continent in the area of democratization and governance. If this trend continues and accelerates, Governance would be a good candidate for a larger project and NPA intervention, and for the subsequent CPSP period, up-grading the target of opportunity to a Strategic Objective.

C. Staffing and Management

The Management Environment

OAR/Benin was established in December 1991 with one USDH, two TDYers and two recently hired FSNs. At the time of start-up, the portfolio already had a \$50 million NPA, a \$7.5 million Project, ATLAS, HRDA, Self-help and 116 e. The Controller arrived in July 1992, the permanent Executive Officer in September 1992 and the Program Officer in December 1992. The General Development Officer, charged with most areas of implementation is scheduled to arrive at the beginning of FY 1994. These delays in staffing had predictably adversely affected all facets of Mission management, procurement, monitoring and reporting. As the CPSP period begins, all USDH and most local staff will be permanently on board. Issues on the administrative relationships with the Embassy and other agencies have been settled. Housing and Office Space problems have been solved. At least the minimal training has already taken place for most staff. Most procedures are in place and the Mission has now settled into a certain degree of normalcy. We consider FY 1994, the first year of the proposed CPSP, to be our first "normal" operating year.

Program support work in Benin can be Mission staff-intensive. The Government's transition has been so far-reaching that new personnel, new positions and new procedures are constantly arising. The newness of many institutional aspects is

compounded by the seventeen year heritage of lackadaisical work styles and attitudes. Counterpart performance under these circumstances is invariably slower than expected and requires more follow-up, guidance and prodding than in perhaps some other countries. Infrastructure is improving, but increasingly inadequate given the demand of a four percent growth rate in the economy. Deficiencies in communications, institutional contractors, suppliers and physical infrastructure add to Mission workload and turn-around-time.

The Embassy is a designated Small Embassy Program. Staff do not have the resources to support the A.I.D. presence and the USAID Mission has to do much of the support work within the constraints above and with the resources available at the USAID Mission.

Staffing

OAR/Benin's staffing configuration of five USDH supporting a substantial program began as an early model for "right-sizing". We have recognized that our performance will be closely monitored as A.I.D. continues to seek ways to manage relatively large amounts of program resources with limited operating support. We believe that the proposed program can be managed as proposed.

It is clear that the Mission will have limited depth. With home leave, technical and language training, TDYs, and sick leave which have averaged over three months per year, the Mission can plan to have only two of the three (AIDREP, PRG, GDO) covered at any one time. Management and Controller absences require expensive TDY and PSC funds which impact heavily on our OE budget. We shall continue to depend heavily on intensive REDSO/WA support and occasional AID/W TDYs.

We shall press for opportunities for streamlining. We have cited the example of NGO/PVO management where the Handbook 13 requirements for local NGOs and the Mission design requirements prior to accepting an OPG proposal from a U.S. PVO need to be reviewed. We have also suggested a more enhanced role for AID/W central bureau funded activities, particularly in family planning and governance. This depends on improved communication and a shared vision among bureaus of A.I.D.'s role here in Benin. Many of the activities required under our targets of opportunity are neither new nor unique to Benin and should be designed and managed accordingly. If centrally funded programs achieve a more predominant role in the Benin Mission, we believe we can accomplish a considerable amount of development work with our small USDH staff.

Successful implementation of our staffing strategy also requires heavy reliance on talented local employees. As a new post, we expect to place heavy emphasis on training these employees over the next five years. Since they shall be serving in sensitive supervisory and negotiating roles usually exercised by USDH staff, we must also continue to explore avenues of incentives which go beyond the current approach to FSN wage scales and award programs. We shall also be faced with the turnover problem as these talented, well-trained Beninese discover their marketability in Benin's growing private sector. Like enhanced travel budgets, greater and more intensive use

of talented FSN staff to replace USDH and USPSCs will require the operating budget off-sets to make them effective.

D. Monitoring, Evaluation and Reporting

Immediately following approval of the CPSP, the Mission will refine a monitoring system, already begun under the CLEF program, to follow impacts on the program and an analytical agenda to implement the strategy and monitor its impacts. We have scheduled an API evaluation team for November, 1993. A nation-wide data collection systems are being set up within the CLEF project which supports our single Strategic Objective and, in light of the interests of impact in the areas of community health (e.g. guinea worm, maternal and child health), population and governance the Mission will explore ways with AID/W to collect impact results of those activities where we cannot build into projects such systems. The Program Office is responsible for coordinating all Mission reporting on performance results and program implementations.

E. Policy Agenda

- Improved budget preparation and execution, particularly in primary education, including assuring that appropriate resources are made available to support salaried staff and reform programs;
- Reorientation of education management toward results of student achievement rather than limiting the focus on educational inputs;
- Focusing education planning and management around the concept of Fundamental Quality Schools, i.e., the overall learning environment of the student;
- Improved teaching quality which reflects not only competency in academic areas, but pedagogical approaches which enhance student creativity, self-assuredness and critical thinking;
- Significantly improved equity in access to primary education among girls' and regionally disadvantaged groups;
- A management approach in education which reflects appropriately delegated authorities;
- Decentralization of the decision-making approach in education, supported by a budget system which assures appropriate resources to those charged with implementing activities;
- Enhanced public sector accountability and transparency, particularly in the area of funds management, and institutional reforms which assure such accountability, such as independent audit capacities and non-governmental oversight groups;

- **Reorientation of public sector agencies' attitudes toward their role in enhancing performance of profit and non-profit non-governmental agencies;**
- **Removal of the legislative, regulatory and institutional impediments to family planning;**
- **Greater involvement of all groups in government decision-making, particularly in involving parents, teachers and other interested groups in decisions and programs involving education reform.**

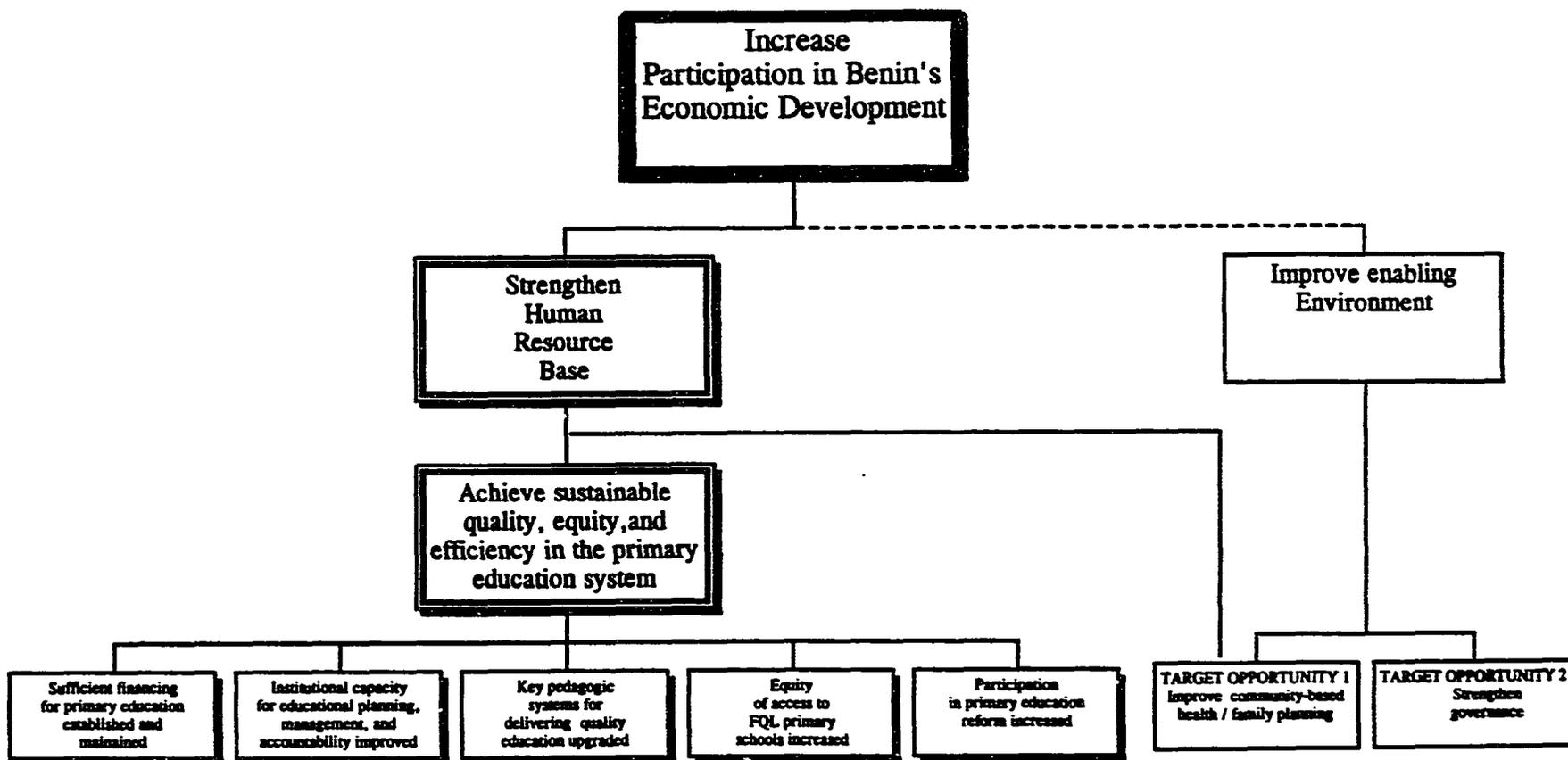
ANNEXES

ANNEX A
USAID /BENIN PROGRAM LOGFRAME

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GIC OBJECTIVES

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Preliminary Program Impact Indicators

		Item	Indicators	From	To	
	T 2	Improve the institutional capacity for educational planning management and accountability.	Reports from DDE on: <ul style="list-style-type: none"> - Budget preparation process - Internal controls procedures - Uniform and sound accounting practices - Resource allocations - Expenditures - School status with regard to FOL 			
	T 3	Upgrade key pedagogical systems to provide a quality learning environment for a Beninese pupil.	<ul style="list-style-type: none"> - competency-based curriculum developed and in use - assessment instruments developed and in use - evaluation of permanent in-service training system - Percentage of teachers with minimum qualifications 			
	T 4	Increase equity of access for Beninese children to a quality primary school education.	<ul style="list-style-type: none"> - percentage of students in FOL schools (gender disaggregated) - percentage of schools meeting FOL by region 			
	T 5	Promote wide-spread public participation in primary education.	<ul style="list-style-type: none"> - Number of NGO projects in education sector - Number of active parent associations members (APE) - Number of local and regional budgets prepared in collaboration with APE 			

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ANNEX B

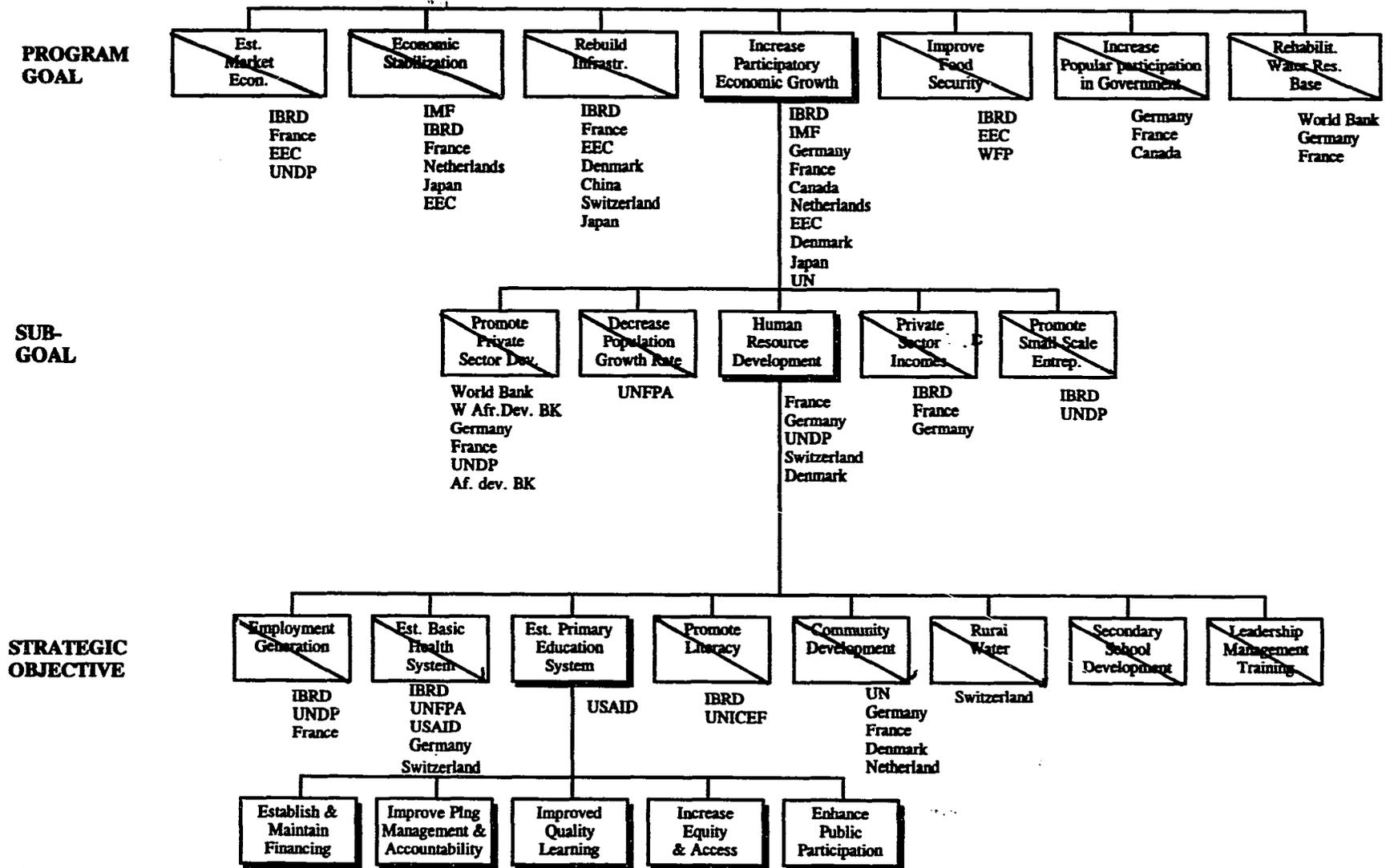
Preliminary Program Impact Indicators

		Item	Indicators	From	To	Source
Goal	G	Increase Participation in Benin's Economic Development	<ul style="list-style-type: none"> - GDP trend - agricultural production volume and value - credit availability - stabilization and economic reform trends - live birth rate (proxy for income distribution) 			
Sub-Goal	SG	Strengthen Benin's Human Resource Base	<ul style="list-style-type: none"> - gender disaggregated income (measured by GDP per capita) - fertility rate trends - health measures (life expectancy, infant mortality, morbidity) - labor productivity (output per worker) - literacy rate - nutrition trend (caloric intake) - new business starts (proxy for business leadership development) - voter turnout 			
Strategic Objective						
	SO 1	Assist in ensuring that an increasing number of primary school-age children receive, on a more equitable basis, an education which adequately prepares them for a productive role in their society.	(gender and region disaggregated) <ul style="list-style-type: none"> - percentage of students in FOL schools - gross enrollment rate (total, rural) - percentage of grade 3 and 6 completers demonstrating mastery of core competencies - average repetition and drop-out rates 			
Targets						
	T 1	Establish and maintain sufficient financing for primary education.	<ul style="list-style-type: none"> - real expenditure on primary education - percentage MEN budget allocated and expended for primary education - annual per pupil expenditure on pedagogical materials 			

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ANNEX C

USAID / BENIN CPSP STRATEGIC CHOICES & OTHER DONORS



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ANNEX # D

CONTINUED	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	Average
EXTERNAL SECTOR											
— volume growth rate		116.88	84.71	23.15	12.11	22.15	(16.46)	1.76	NA	NA	34.91
which:											
- Cotton		180.00	90.00	1.00	73.00	10.00	(4.00)	5.00	NA	NA	48.43
— volume growth rate	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Current Accounts (US\$ Million)	(327.70)	(47.50)	(85.60)	(12.50)	(56.70)	(37.90)	(52.10)	12.10	(93.90)		(41.79)
Current Accounts/GDP /1	(25.85)	(4.34)	(8.14)	(1.20)	(4.39)	(2.43)	(3.22)	0.79	(4.93)	0.00	(3.09)
Official Reserves (MIL.CFA)	10	8	6	8	8	9	9	8	69	196	33
MONEY & CREDIT											
Domestic Credit	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Government	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Private Sector	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Money & QUASI-M. (MIL.CFA)	88,438.02	97,000.03	111,716.01	111,820.00	109,142.02	96,813.97	97,862.03	104,192.02	134,024.00	148,320.03	
Rate (1 year sav. deposits): %	7.62	7.50	7.30	7.30	8.10	5.30	5.30	6.40	7.00	7.00	5.92
CELLANEOUS											
Inflation Rate	100	104	106	101	97	100	99	103	105	106	102
Effective Exch. rate change	329	381	437	449	346	301	298	319	272	283	342
XGNFS/MGNFS /1	55.58	54.65	79.36	80.67	71.98	71.90	73.87	75.92	74.72	73.69	65.68

Benin's computations based on IBRD data disks (BENRWT): Social & Economic data on Benin

na: Not available
 -: Export of Goods & Non factor Service
 +: Import of Goods & Non Factor Service

ANNEX E

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ANNEX E

ACRONYMS

ADB	African Development Bank
ALC	Active Learning Capacity
API	Assessment of Program Indicators
ATLAS	African Training Leadership for Advanced Skills
CLEF	Children's Learning Equity Foundations Project
CMR	Child Mortality Rate
CPSP	Country Program Strategy Plan
DFA	Development Fund for Africa
ECOWAS	Economic Organization of West African States
EEC	European Economic Community
FED	European Development Fund
FP	Family Planning
FQL	Fundamental Quality Level
FSN	Foreign Service National
FTE	Full Time Equivalent
GDP	Gross Domestic Product
GOB	Government of Benin
HRDA	Human Resource Development Assistance
IEC	Information, Education and Communication
IFESH	International Foundation for Education and Self Help
I.G.	Inspector General
IMF	International Monetary Fund
IMR	Infant Mortality Rate
MCH	Maternal Child Health
MIS	Management Information Systems
NGO	National Government Organization
NPA	Non-Project Assistance
ODA	Overseas Development Assistance
OE	Operating Expense
OIC	Office of International Cooperation
OYB	Operating Year Budget
PA	Project Assistance
PPPF	International Planned Parenthood Federation
PSC	Private Service Contract
PTA	Parent and Teacher Association
PVO	Private Voluntary Organization
R&D	Bureau for Research and Development (USAID)
SAP	Structural Adjustment Program
UNDP	United Nations Development Program
UNESCO	United Nations Education Scientific Cultural Organization
UNICEF	United Nations International Childrens Fund
UNFPA	United Nations Financial Planning Assistance
USAID	United States Agency for International Development
USDH	United States Direct Hire
WCA	West and Central Africa
WHO	World Health Organization

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ANNEX G

BENIN: MACRO-ECONOMIC SUMMARY.

-- Abraham Ayena Langi Usman

Resource Base.

Benin is a country which covers 43,475 sq. miles. The land stretches 400 miles inland with a base 60 miles wide on the Atlantic coast. It is bordered on the north by Burkina Faso and Niger, on the east by Nigeria, and on the west by Togo. Its north-south axis crosses several climatic zones, from the rainy coastal plain to the arid northern savannah. This variation lends itself to several kinds of economic activity.

The population of Benin is about 5 million. Between 60 percent and 70 percent of the population engages in agriculture, herding, or fishing, while about 6 percent work in industry, with the rest working in the service sector including the civil service.

Benin's land is suitable for the production of food crops such as maize and manioc in the south; sorghum, millet and yams in the north; and cash crops such as palm oil, raw cotton, cocoa and groundnuts. Cattle-rearing goes on in the north, while fishing goes on in inland waters, rivers and lagoons. There is also a timber industry. Oil production began in 1982, and deposits of gold, iron ore, phosphates, limestone and marble have been found.

Economic Performance

Given the resource base and population of Benin as described above, the potential for growth and an improved standard of living exists in that country. But the economic performance of Benin since independence has been haphazard.

From independence in 1960 until 1972, Benin underwent a period of frequent changes in government, which created an environment of extreme instability. In 1973, a single party Marxist-Leninist government came to power and ruled until 1989. Under this regime, economic policies during the 70s emphasized central planning. Many foreign-owned businesses were nationalized and a large number of state-owned enterprises were created, primarily in the banking, industrial and agricultural sectors. From 1978 to 1988, the civil service tripled in size, numbering 42,000 in 1991 with an additional 8,000 people in the military.

Between 1975 and 1982, Benin experienced major economic and financial difficulties, as a result of unfavorable external market developments and inappropriate domestic policies. Macroeconomic policy was extremely expansionary, based on large foreign borrowing and imprudent use of local banking credit. High capital expenditures, coupled with the spillover effects of the 1977-1980 commodity boom, generated GDP growth levels averaging 5 percent annually. However, inappropriate policies reversed this trend after 1982, resulting in a period of low growth with structurally weak public finances, large balance of payments deficits, and a virtually bankrupt banking system.

Adjustment efforts began in 1983, but proved to be insufficient due to the magnitude of internal and external disequilibria. The financial situation continued to decline due to the fall in world cotton prices in 1985-86, and a protracted slump in regional transit trade since 1982. Delays in meeting the government payroll occurred in 1987-88 and the banking system became unable to honor requests for cash withdrawals and transfers abroad. About 75 percent of the banking system's total outstanding loans were non-performing, with public enterprises accounting for two-thirds of that total.

In 1987, the banking system collapsed and all banks closed. In mid-1989, a new structural adjustment program, supported by the World Bank and the IMF was instituted to:

- 1) curtail the role of the public sector in the economy and increase the role of the private sector;**
- 2) strengthen the public sector's capacity to manage its resources;**
- 3) improve the allocation of investible resources;**
- 4) restore an effective banking system; and**
- 5) remove policy and regulatory constraints on the performance of various sectors of the economy.**

The government's efforts at reform were hampered by difficulties in the form of revenue shortfalls. This led to further financial crisis which in turn affected the ability of the government to implement key program components. Real GDP in 1989 fell by 0.7 percent, due mainly to the continued absence of a well-functioning banking system, the reduction in incomes of large segments of the urban population due to arrears in salary payments, and a 20 percent decline in the volume of oil production.

The dire economic situation led, in 1989, to the abandonment of Marxist-Leninist philosophy and adoption of multi-party democracy. The new government implemented the structural adjustment program.

In 1990, real GDP grew by 2.6 percent as economic activity began to return to normal. Progress was made in improving tax administration while reducing tax rates, but customs administration failed to improve. The wage bill was reduced as a result of the departure of 1,590 employees. Despite these improvements, slow disbursements of external assistance caused Benin to exceed the ceiling of net advances from the Central Bank of West African States (BCEAO). Recovery and restoration of financial equilibrium remained fragile.

In 1991, the four small private banks which replaced the bankrupt, publicly-owned banks in 1989, succeeded in rebuilding the deposit base to over 60 billion CFA francs. This is a sign of renewed confidence in the economy and the banking sector.

The government of Benin has made remarkable progress in divesting itself of parastatals, with 21 remaining out of the original 60 industrial or commercial enterprises existing at the end of 1986.

Benin's recent economic and financial performance has reflected the favorable impact of the adjustment efforts undertaken since early 1989, and the renewed confidence among economic agents. In 1992, real GDP grew by 4.2 percent owing to a significant expansion of agricultural output (particularly cotton), a strong recovery in the construction sector, and an increase in traffic at the Cotonou harbor, attributable in part to the social and political instability in Togo, its neighbor to the west. The rate of inflation, as measured by the GDP deflator, rose from 1.8 percent in 1991 to 3.5 percent in 1992.

Benin's Balance of Payments Situation

The current account deficit, excluding official transfers, amounted to 7.3 percent of GDP in 1992, exceeding the 1991 level. In comparison with 1991, the trade balance deteriorated somewhat, because oil production and exports were lower, and also because a decline in the price of cotton (Benin's major export) almost fully offset a 25 percent increase in export volume. Imports rose by about 8 percent, as a result of higher economic activity.

Interest obligations on the external debt rose sharply from the 1991 level; non-factor services recorded a smaller- than- expected deficit, due to higher harbor traffic and travel receipts. Private transfers in Benin continued to rise in 1992 as a result of increased confidence in the economy. At the same time, external aid flowed in at a slower rate because of Benin's delays in meeting the conditionality for the release of the second tranche of the World Bank's assistance.

Benin's Fiscal Situation

Benin's fiscal situation has been characterized by fiscal deficits which, prior to the SAP, resulted from increased personnel and operating expenses. Thus, budget expenditures rose from 13 percent of GDP during 1981-84 to 15 percent of GDP during 1985-88. The overall deficit has averaged about 9 percent of GDP during 1986-89. In 1984, the government's deposits in the banking system were exhausted to finance the deficit and the government became a net debtor to the banking system. Arrears on the debt accumulated. Delays in meeting the monthly payroll became frequent in 1987. Fiscal revenues dropped by more than 30 percent in 1989, and the overall budget deficit reached 10 percent of GDP. The fiscal system has been undergoing structural adjustment through the rationalization of taxation and expenditure, and the reinforcement of tax administration and revenue collection.

Indications are the government's budgetary situation improved in 1992, buoyed by a favorable revenue performance. Still, the public finance situation is likely to remain difficult in the medium-term.

Table I: Benin's Current Account and Fiscal Deficit Trends
(in millions of U.S. dollars)

	1986	1987	1988	1989	1990	1991	1992
Current Account	-97.7	-92.8	-124.5	-95.2	-130.1	-130.4	N/A
Current Account (as percent of GDP)	-8.5	-5.9	-7.7	-8.3	-7.1	-7.2	-8.6
Overall Fiscal Deficit	-49.1	-51.9	-46.2	-51.0	-50.2	-38.7	N/A

N/A = Not Available

Sources: 1. International Monetary Fund, December 9, 1992
2. Benin Statistical Annex

Both the current account and fiscal deficits show chronic disequilibrium. These have implications for Benin's debt problems and macroeconomic performance.

Causes of poor performance

While the budgetary and fiscal situations of Benin are showing signs of improvement, overall, the country is still experiencing internal and external (i.e. macroeconomic) problems. A mere description of the situation is therefore not enough. The question that has to be answered is what causes these problems?

There are many factors (structural and cyclical) that are at the origin of an economy's poor performance as has been the case in Benin up until the SAP implementation. Only the most important, cyclical, ones will be explained here. Basically, these can be classified as:-

a) Exogenous:

Benin was subject to external shocks in the 80s, mainly as a result of the recession which hit the developed nations and led to a drop in the demand for the exports of developing countries. Also, the drop in the world prices of raw materials and crude oil which Benin started to export in 1982 played a part. Fortunately for Benin, its main export crop, cotton, was not particularly hit hard, enabling it to absorb some of the exogenous shocks.

A structural factor connected to this is the fact that Benin is too specialized, relying too heavily on cotton for export earnings. As a result, swings in the world demand for this commodity can seriously disrupt Benin's economy.

Another exogenous source of difficulty for Benin was the wide-spread availability of liquidity in the mid-70s. Money literally went begging and this attracted African governments (Benin included) to borrow indiscriminately to maintain income and investment, assuming wrongly that the boom conditions for raw materials that

prevailed in the 70s would persist. This never happened and the collapse of world prices for raw materials and crude oil in the 80s not only reduced receipts, but also compromised the solvency of some governments. This led to structural adjustment programs (SAPs). Benin is under a SAP.

b) Endogenous:

Many of Benin's economic problems, as in the case of many other Sub-Saharan African countries, were due to inappropriate domestic economic policies. The borrowing spree is one such case.

The macroeconomic (cyclical) causes of these problems can be identified by noting that Benin belongs to the franc zone. Therefore, its problems can be better appreciated if looked at in the context of the CFA zone.

CFA Zone Membership and its Implications for Benin's External and Internal Problems

a) The budget deficit, aggregate demand and the trade deficit:

Apart from maintaining monetary discipline and convertability of the CFA franc, the CFA Zone is a system of fixed exchange rates. Under these circumstances, if the government decided to expand aggregate demand through a budget deficit financed either by borrowing or by printing money, this would result in a trade deficit and balance of payments deficit (assuming the capital account is given). This is because some of the demand flows into imports either through the marginal propensity to import, or because the public attempts to reestablish monetary equilibrium by ridding itself of the excess supply of money (liquidity) by buying financial assets and goods (both domestic and foreign). Besides causing the external deficit, the budget deficit, by increasing aggregate demand, could be inflationary under full employment conditions or, if bottlenecks in the economy prevented supply from responding immediately to the increased demand. The latter is likely to be the case in Benin. Besides the risk of inflation, the government raises its debt burden if the deficit is financed by borrowing.

b) Adjustment to trade and current account deficits:

i) through aggregate demand reduction:

Faced with a deficit, Benin can finance it out of its stock of international reserves as a short-term solution. The country's capacity to remove a trade deficit this way is limited. Benin, like many other sub-saharan African countries, finds itself in this situation.

Nevertheless, under a fixed exchange rate, the sale of reserves, in addition to budgetary cuts and credit restriction, will result in lower income and employment. This has been the experience of Benin and other CFA countries.

ii) through devaluation:

The Benin government can adjust to external disequilibrium by influencing economic transactions of its citizens with foreigners through devaluation which can be used to remove trade deficits by switching foreign and domestic expenditures to the domestic economy. As net exports increase following the devaluation, aggregate demand increases, causing income and employment to increase. Thus the deflationary effects of budgetary cuts and credit restriction, as explained above, can be offset by devaluation.

The employment and income implications of devaluation in Benin can be better appreciated if we look at Benin's GDP by sector of origin.

Table II: Benin's GDP by Sector of Origin

	1986	1987	1988	1989	1990	1991
Primary Sector	33.7	33.3	34.4	37.3	35.9	37.0
Secondary Sector	12.1	12.4	13.4	13.7	14.3	13.7

Source: IMF Document, December 9, 1992, p.1

As the above table shows, Benin's economic activity is concentrated in agriculture with a potential for growth through competitiveness. Also, the manufacturing/industrial sector has the potential for growth as well, if the structural adjustment program is put into effect. Privatization, liberalization, reduced government and devaluation could all render this sector more competitive internationally in addition to the primary sector and pull Benin out of its economic malaise.

The CFA franc is overvalued. An overvalued CFA franc works to hurt the international competitiveness of Benin and CFA zone members by increasing the real exchange rate (a price-adjusted exchange rate). Structural adjustment to persistent current account deficits calls for real exchange rate devaluation.

Table III: Benin's Real Effective Exchange Rate

1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
101.1	96.6	91.8	96.2	100.0	113.7	126.5	123.5	121.0	125.5	122.1

Source: IMF Document, December 9, 1992, p.37

The picture that emerges from the above table about Benin's real exchange rate is that it has shown an upward trend since 1983, and, thereby, a loss of Benin's international competitiveness over time. The implications of this have been explained above in terms of the effects of adjustment to external imbalance through devaluation and its potential employment and income impacts on the main sectors of Benin's economy.

A devaluation reestablishes competitiveness of Benin's goods, promoting exports and generating domestic income. Apart from the other advantages of higher income, the crucial advantage of this measure for Benin's economy is that higher incomes will increase the economy's ability to save. Domestically-generated savings has been a major constraint on Benin's ability to foster a self-sustaining growth and development effort. Limited savings means limited investment. Investment, which increases the economy's capital stock, is a crucial determinant of growth.

Table IV: Benin's Savings and Investment Indicators

	1986	1987	1988	1989	1990	1991
Domestic Savings (In % of GDP)	2.9	3.6	1.7	2.8	3.9	3.1
Gross Investment (In % of GDP)	13.5	12.9	12.9	11.0	12.6	12.0

Source: IMF Publication, December 9, 1992, p.4

This table shows a very low savings/GDP ratio in Benin. An important determinant of savings is income which, as has been pointed out above, can be affected by devaluation policy.

Another advantage accruing from higher incomes due to a devaluation-induced increase in competitiveness is that increased income increases the tax base, resulting in higher tax revenues. Provided this does not generate further expenditures by the Benin authorities, the increased revenue will reduce the budget deficit which is often the root cause of trade deficits under a regime of fixed exchange rates, as it is the case with the CFA zone.

iii) through real wage and price reduction:

Despite the attractiveness of the arguments, CFA zone members are reluctant to use devaluation as a strategy of adjustment. According to Elliot Berg ("Exchange Rate Issues In the Franc Zone", Jan. 22, 1993, p.18) most CFA African officials "support the present policy of dealing with lack of competitiveness by pushing down domestic real wages and prices. In effect, they seek to lower real rates of exchange without changing the parity". In support of this strategy are the arguments that (ibid, pp 18-22):

- devaluations work poorly in African conditions because of structural factors that result in sluggish supply response to any change in prices caused by devaluation ;
- devaluation could easily erode financial discipline and create inflationary expectations;
- the success of a nominal devaluation depends too heavily on money illusion;
- broad-based cost reductions in all sectors of the economy and increased productivity are a better means of regaining competitiveness, given declining world prices. Without devaluation, the incentive to make necessary reforms and productivity improvements is much stronger;

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- the difficulties of implementation (unanimous accord, institutional restructuring if individual states pull out), as well as the costs and risks of devaluation are too high.

iv) non-repurchase of CFA banknotes from outside of CFA zone:

Based on the above arguments, the Central Banks of the two monetary unions of the CFA zone decided early in August, 1993 to tackle their balance of payments problems by non-repurchase of CFA francs flowing outside of the CFA zone. Observing that in the West African Monetary Union (WAMU), the repurchase of CFA notes had nearly doubled from 150 billion CFA francs in 1990/91 to 231 billion CFA francs in 1992, the authorities argued that this was not the result of ordinary transactions. The non-repurchase decision was thus taken for two reasons:-

- to reduce capital flight which had increased substantially over the past year, creating liquidity problems in many regions in the CFA zone and reducing investment; and
- to reduce smuggling by making it more difficult and expensive for CFA franc holders to purchase goods in neighboring countries such as Nigeria and smuggle them back to the franc zone countries.

Critics have argued that this measure will prove futile because holders of CFA francs outside the CFA zone will simply exchange the CFA currency for other hard currencies such as the U.S. dollar, or money launderers will willingly buy the CFA francs at a discount and invest them in assets in the CFA zone. In other words, the measure is at best a nuisance to CFA currency dealers, as long as there is some degree of convertability; which there is.

v) mimic devaluation:

That is increase import duties and subsidize exports more or less proportionally to raise the relative price of internationally traded goods ("tradeables"). In principle, this should have the same effects as a devaluation--an improved balance of payments situation due to increased attractiveness of exports and import substitutes.

The problem with this approach is that import duties and export subsidies mean less liberalization of the economy, a breach of one of the conditionalities of SAP. Besides, Senegal tried it with assistance from the World Bank, Cote d'Ivoire tried it with a tax-cum-subsidy scheme, the Central African Republic subsidized traditional exports and imposed steep duties (average 58%) on imports. The measures were unsuccessful because of administrative difficulties in implementation, fraudulent import/re-export schemes to benefit from subsidies, and budget pressures. So what to do?

vi) increase productivity:

If all these short-term solutions do not work, or are only partially effective, then long-term measures to increase productivity have to be pursued. This can be done by increasing the capital stock through investment to increase the productivity of a given

workforce, or by better training and education of the workforce to increase the productivity of a given stock of capital.

In the context of Benin, while investment can be considered exogenous, training and education is within its control. In this connection, USAID's effort to improve Benin's education is well-pointed since it addresses a fundamental problem which needs to be obviated to ensure sustainable growth and development.

Long-term, however, this will not be enough unless the fundamental disequilibrium of the CFA franc in the exchange market is rectified. In short, increased productivity of products in which Benin already faces competition from neighbors who have devalued their currencies, and whose prices are determined exogenously in the world market, will not be competitive unless the value of the CFA franc is modified.

ANNEX H

Benin Democracy and Governance Assessment January 10-21, 1993

-- Rene Lemarchand, DG/REDSO, Abidjan

After 17 years of Marxism-Leninism Benin has emerged as the bellwether of democracy in Francophone West Africa¹. It was in Benin that the National Conference was first adopted as a transitional formula, that electoral processes were set in motion that paved the way for multiparty democracy, and that conditions were finally met for the resurrection of civil society. There are few parallels elsewhere in the region for the sheer number and diversity of associational activities that have accompanied the collapse of the Kerekou regime, for the degree of tolerance for criticisms of government policies by the media, for the liveliness of parliamentary debates and the extent to which the institutionalization of *l'etat de droit* has become a major concern of the Beninois intellectuals.

Impressive as these achievements are by African standards, they are by no means irreversible. Nor are they all inevitably supportive of democratic governance. Liberalization has generated expectations of economic and social well-being that have yet to be met. The institutional framework of political democracy is still too feeble to sustain the twin burdens of accountability and transparency; certain key institutions, such as the Supreme Court, have yet to materialize; the extreme fragmentation of political forces within the National Assembly raises doubts about its effectiveness as a forum for public debate; and the widening socioeconomic gap between the rural masses and the elites raises uneasy questions about who stands to profit from the change of regime.

There is growing concern as well that the geopolitics of the sub-regional environment may seriously mortgage the promise of democratization. Benin's borders, like those of every other state in the continent, are not hermetic seals: from Nigeria a large though undetermined quantity of smuggled commodities (including petrol) comes into the country, and from Togo tens of thousands of hapless refugees, fleeing Eyadema's guns. The massive influx of Togolese refugees (estimated at some 110,000 by the Ministry of Foreign Affairs) confronts the Soglo government with a crisis of major proportions: compounding the strain on the country's meager resources are the social and ethnic tensions arising from the presence of a large refugee population and the potential threats to the country's stability posed by an increasingly hostile neighbor. Although the full impact of the Togolese crisis on the prospects for democratic governance in Benin has yet to be assessed, the economic implications have been made dramatically clear by the sharp rise in the price of basic food commodities --

¹ This report is based on interviews conducted with dozens of Beninois in Cotonou, Bohicon, Abomey, Savalou, Kove and Danou: to each of them I wish to express my gratitude; special thanks are also owed to Jean-Claude Crinot and Karim Andele, who accompanied me in my travels upcountry, helped me establish contact with countless interlocutors, and kindly shared with me their extensive knowledge of Benin society; I also owe a special debt to Tom Cornell for his much appreciated assistance and warm welcome in Cotonou. I alone, however, am responsible for whatever errors of fact or judgement the reader may detect in this discussion.

including corn and manioc, whose price has gone up respectively by 50 and 38 per cent in ~~the~~ a few days. Whether originating from Nigeria or from Togo, Benin's vulnerability to external threats continues to be the source of major ruptures in the fabric of its society.

The Legacy of "Laxism-Beninism"

Some of the more enduring obstacles to democratic governance are traceable to a set of attitudes inherited from the Kerekou regime (derisively referred to by some Beninois as "laxism-beninism"). Despite official emphasis on self-reliance ("*Comptons sur nos propres forces*"), for nearly two decades the imperatives of social control and revolutionary mobilization made the omnipresent *Parti de la Revolution Populaire du Benin (PRPB)* the only legitimate political organization. Many young Beninois have experienced no other form of government. With little or no opportunity for political participation other than through the PRPB and its local branches, the *Comites Revolutionnaires Locaux (CRL)*, little wonder if many Beninois display little sense of initiative, captive as they are of what some refer to as a "mentalite d'assiste". Conformity to established orthodoxy was invariably rewarded and deviance penalized; revolutionary zeal rather than competence was the quickest route to recognition; and since political mobilization was the sole responsibility of the PRPB there was no room for autonomous local organizations to serve as vehicles of development. The result has been to thwart local initiative, discourage self-reliance, and create expectations of continued state intervention to meet immediate economic and social needs. Because the legacy of the Kerekou regime has been so profoundly antithetical to democratic governance it sets severe limitations on the capacity of the successor state to institutionalize grassroots participation, accountability and responsiveness to social demands.

The carry-over of such attitudes into the post-Kerekou phase has been further encouraged by the continuation in office of most middle-level cadres in the prefectures and subprefectures. The majority of school teachers, tax collectors, agents sanitaires and so forth already held these jobs under Kerekou, and are inevitably identified with the old regime. Quite aside from the fact that their competence and credibility are sometimes open to question (as in the case of those school teachers that once belonged to the *Jeunes Instituteurs Revolutionnaires (JIR)*), their presence is seen by many Beninois as tangible evidence that little has changed since the collapse of the Kerekou regime.

Like most Afro-Marxist states Benin under Kerekou was an arena of intense political mobilization. The result has been to raise the political consciousness of the rural masses to a degree unparalleled in other African states. Although the gap between regime performance and popular expectations has been as much of a handicap for Soglo as it was for Kerekou, hopes of imminent improvement were probably higher after Soglo's election to the presidency than at any other time under Kerekou. With the advent of the new regime candidates to electoral office outdid each other in making promises to their constituents, yet few if any were able to fulfill the hopes generated during the electoral campaign. Given the track record of the Soglo regime (which for many rural Beninois does not fare much better than that of its predecessor)

It is easy to see why cynicism and disaffection are so widespread, especially in the countryside, and why perceptions of democracy are radically different amongst urban and rural dwellers.

Contrasting Perceptions of Democratic Governance

Depending on what publics are solicited for their views very different perceptions of democracy come into focus. At the level of the urban-based elites and intellectuals, Western models of democracy are the critical point of reference for assessing regime legitimacy. More specifically, it is the presidential model of France's Fifth Republic, shorn of the Prime Ministership, which sets the tone for the institutionalization of democracy. Few politically conscious Beninois would question the proposition that *l'état de droit* is the only acceptable alternative to dictatorship, that the *Cour des Comptes* is a necessary instrument of accountability, and that competitive, multiparty elections the quickest route to democracy. Characteristically, few intellectuals or politicians express concern over the sheer number of political parties; the latter are seen as a healthy manifestation of political freedom (even though the result may be chronic instability). The same people, on the other hand, are unanimous in deploring the fact that the Haut Conseil de l'Audiovisuel, the Conseil Economic et Social and the Supreme Court have yet to materialize. Aversion for Afro-Marxism has yet to generate a corresponding enthusiasm for institutions that are not carbon copies of Western models.

The rural sectors, on the hand, convey an entirely different picture. Villagers have yet to perceive a significant change since the fall of the Kerekou regime. One informant volunteered the opinion that although there is "more freedom and less torture" economic conditions remain basically the same. Others emphasized the fact that unscrupulous economic operators never miss an opportunity to take unfair advantage of peasant producers -- a form of "privatization" rarely encountered under Kerekou. Unsurprisingly, Western concepts of democracy at this level evoke little enthusiasm, only puzzlement or incomprehension. Although there is no precise equivalent for "democracy" in Fon, Yoruba or Mina, this does not mean that the rural masses are incapable of sensing the difference between a dictatorship and democracy; the point rather is that in the absence of a significant improvement of their material and social conditions they have no meaningful frame of reference for distinguishing the performance of the Kerekou regime from that of its successor.

A major challenge confronting USAID is whether it can play a significant role in bringing democracy closer to the people, i.e. whether it can assist in the creation of effective connecting links between urban centers and rural peripheries. In the absence of viable and legitimate intermediary institutions between the citizen and the state there is no reason to expect that villagers will develop a better understanding of, or appreciation for democratic governance. This is where a significant target of opportunity lies for USAID (of which more later).

The Emerging "Enabling Environment"

Unlike most other states in the continent Benin has gone beyond the transitional phase and reached the point where the *consolidation* of democratic gains is the critical task ahead. Pending further elaboration and qualification, the following brief inventory sums up the principal growth points on the democratic horizon in terms of participation, transparency, accountability and effective management of public resources.

1. Although it is still too early for a definitive assessment of Benin's experiment in constitutionalism, there is broad agreement among members of the political class that the legitimacy of the Soglo regime hinges on its ability to accept the limitations placed upon it by the 1990 constitution, which provides for a presidential form of government subject to parliamentary controls. Despite disagreements on what the constitutional limitations really are, the notion of limited government is gaining widespread acceptance among the educated elite, and so, also, by implication, the principle of accountability of the executive to the legislature. Whether the constitutional limitations are more apparent than real is the subject of heated debate among members of the political class. Although some critics of the government (like Albert Tevoedjre) insist that the country has exchanged one form of autocracy for another, that they are able to freely vent their criticisms, however unfair these may be, provides a measure of the sea change that has taken place in the "atmospherics" of Beninois politics since Soglo came to power.

2. The decision of the framers of the 1990 constitution to concentrate all executive powers in the presidency instead of following the dual executive model of France's Fifth Republic has spared the country the conflicts of jurisdiction which elsewhere have pitted the President against the Prime Minister (as in Togo, Zaire, Niger and Rwanda). While reducing the chances of stalemate within the government, the single executive formula makes it easier to identify key players, to hold them responsible for their actions and ultimately to institutionalize processes of accountability within and outside the executive branch of government.

3. Participation in competitive multiparty elections offers unprecedented opportunities for citizen involvement in local and national affairs, and the emergence of a vigorous parliamentary opposition helps stimulate public awareness of social, economic and political issues. Participation in the presidential and legislative elections of February and March 1991 has been relatively high, and the same is true of the December 2 1990 constitutional referendum (ranging from 69.6 % in the Atlantique to 57.9% in the Oueme department). On the other hand none of the 14 parties presenting candidates in the legislative elections of February 17 1991 received more than 18.9 % of the votes, which accounts for the extreme fragmentation of political forces in the parliamentary arena (a point to which we shall return).

4. Also contributing to meet the need for accountability and transparency is the extensive and generally impartial coverage of political and economic issues given by the media. The radio and television networks, both of which reach a far larger audience than the printed word, exhibit a healthy sense of political independence. Illustrative of the media's "no holds barred" approach to news reporting is the "Face a la Presse" program which, over several weeks, subjected key figures in the government to searching questions. The questions and answers were subsequently picked up and commented upon in the local press. Media openness is reflected in the dozen or so newspapers currently published in the capital city. Some, like Albert Tevoedjre's *Batisseurs d'Avenir*, mouthpiece of *Notre Cause Commune*, are closely identified with opposition parties, but the majority, including the widely read *Tam-Tam*, *La Nation* and *Le Forum*, have thus far managed to avoid identification with either the government or the opposition. There seems to be few limits to how far the media are willing to go in criticizing government performance.

5. The gun has been demystified and brought under civilian control. Despite a coup attempt by a small group of disgruntled pro-Kerekou officers led by Captain Pascal Tawes, on August 2 1992, the regime appears to enjoy the support of most middle- and lower-ranking officers. Except for the small band of mutineers who seized the Kaba camp at Natitingou, and surrendered a day later to the 150 paracommandos sent in to quell the rebellion, the remaining garrisons remained loyal to the regime. Given the fact that the military under Kerekou was highly politicized, albeit with regional and political loyalties tending to coalesce, this must be seen as a highly significant achievement. Following a major reorganization of the armed forces in 1990, many of the political mobilization functions devolved upon the army were transferred to civilian agencies; military intelligence and information were thoroughly reorganized; and the people's militia (*Garde Nationale*), numbering anywhere from 1,500 to 2,000 men, was brought under civilian control. That the Tawes coup failed to overthrow the regime is both a testimony to the relative strength of civilian institutions and a tribute to the effectiveness of the reforms introduced by the government to depoliticize the armed forces.

6. That there has been a significant "loosening up" of society is shown by the variety of NGOs that have come into being since the fall of the Kerekou regime. Just how effective these intermediary organizations may turn out to be in promoting democratic governance is not entirely clear, yet there are reasons to believe that some can play an important role in the development of a more positive set of attitudes towards the rule of law and the rights of citizen, provide informal arenas for citizen participation at the local level and help initiate a policy dialogue with government officials. Although NGOs would seem to offer an exceptionally rich potential for the development of a civil society, not everybody agrees that this is either feasible or desirable. Because of the limitations they would set on the authority of the state NGOs are seen with considerable misgivings by some government officials, most notably in the ministries of health and education. How to identify those NGOs that seem to be most promising in terms of democratic governance, and how to enlist the

cooperation of the government in transferring a measure of authority to their representatives, deserves a high order of priority on the agenda of USAID, a point to which we shall return.

Among other factors and circumstances broadly supportive of democratic governance, reference must be made to (a) the relatively high growth rate of the economy, ranging between 3.5 and 4 per cent for 1992, along with an expanding informal sector; (b) an exceptionally favorable donor response to Benin's problems, reflecting in part the international credit earned by Soglo for his handling of the transition, and his no-nonsense, technocratic approach to issues of development -- and this in spite of his mixed record on structural adjustment; (c) the wisdom of the bargain struck between the participants to the National Conference and the Kerekou die-hards: although amnesty is no guarantee that democracy will flourish, it has nevertheless encouraged national reconciliation and thus lowered the temperature of the debate between moderates and radicals. The foregoing is not meant to suggest that there is no turning away from democracy; the chances of a reversion to authoritarianism are significantly reduced, however, by the fact that the country has successfully gotten over the threshold of the transition and is now going through a process of democratic consolidation. Before turning to an examination of how USAID might assist in this process, something must be said of the range of constraints and opportunities involved in the bargaining going on among competing sets of actors.

The Consolidation of Democratic Governance: Constraints and Opportunities

Looked at in terms of the four basic criteria for assessing democratic governance -- public management effectiveness, legitimacy, accountability and information openness -- Benin's performance ranks fairly high on the second and fourth, but is less than impressive with regard to the first and third. Consolidation of democratic governance in terms of improved public management effectiveness and accountability is of crucial importance for the future of the country's economic reform program, and vice versa. Only through a sustained effort at implementing the IMF's structural adjustment guidelines can Benin improve its capacity to make a more effective use of its limited economic and financial resources; on the other hand, implementing structural adjustment implies a degree of institutional capability, or developmental "stateness", which is largely incompatible with the clientelistic style of Beninois politics. Such, in essence, is the dilemma confronting the Benin government as it seeks to reconcile the imperative of economic reform to the exigencies of political liberalization.

1. The clientelistic structuring of civil society

Donors' perceptions of President Nicephore Soglo as the ideal high-level technocrat for implementing structural adjustment reforms have generally failed to take into account the extent to which the social landscape continues to be dominated by patron-client ties. Soglo's public image is thus strikingly at odds with the texture of Beninois politics. This is not to deny the existence of organized interest groups, yet there are virtually no forums or institutions through which their demands can be effectively mediated and acted upon. The pervasiveness of highly personalized, patron-client ties within and outside the parliamentary arena undermines the processes

of "interest intermediation" (i.e. negotiated compromises, bargains and trade-offs) between the syndicates and the government, and greatly enhances the latter's "weight" in the political arena. The threat posed to the government by public sector trade unions is as much a reflection of their inherent strength as it is of the weakness of state institutions.

More than anything else, it is the penetration of formal political institutions by patron-client nets of one kind or another that raises the greatest obstacle in the way of a restructuring of the political system along democratic lines. Some of the "revolutionary" political structures inherited from the Kerekou regime -- I refer specifically to the *associations de developpement (ADs)*, of which more in a moment -- were given a new lease on life through electoral competition: in the absence of alternative mechanisms for mobilizing the countryside they provided aspiring politicians in the towns with a cadre of loyal clients, or middle-men, whose principal function was to "capture" the rural electorate on behalf of their urban patrons. In return for promises of political immunity most of these middle-level cadres agreed to trim their sails to the winds of democracy (which, in practice, meant exchanging one set of patrons for another).

Because of their closeness to rural constituencies, and in view of the fact that their received a sanction of legitimacy of sorts through their delegates to the National Conference, the ADs could play a critically important role in promoting democratic governance at the grass-roots. With few exceptions, however, their performance is less than impressive. Their objectives are poorly articulated; their participatory structures are inadequate; their relationships with the administrative authorities at the prefectural and sub-prefectural levels are ambivalent; and most are thoroughly politicized. The situation reported in the Zou department is not untypical: the conclusion reached by the delegates to the *Conference des agents economiques en activite dans le departement du Zou*, held in Abomey in December 1991 under the auspices of the Direction Departementale du Plan et de la Statistique, was that, out of a total of 17 ADs, not a single one could be described as "tres viable", only one was said to be "viable", six "a peine viables" and ten "non viables". Among the many difficulties plaguing the ADs, the most severe were reported to be "the inopportune intervention of the state in the affairs of the associations, with the attendant risk of politicization", "the lack of effective communication with the pouvoirs publics", "the refusal of the members to pay their dues to the associations" and "the mishandling (malversations) of the finances of the cooperatives".

This situation is traceable to the circumstances of the transition. The abruptness of the shift from authoritarianism to democracy left no time for developing effective party organizations. Most party leaders felt they had no other option but to hitch their wagon to the ADs, the only organizations able to provide them with a political support structure in the countryside. Thus almost overnight the ADs were transformed into electoral machines linked to urban-based politicians through patron-client ties. It is not infrequent for the members of a given AD to owe allegiance to different patrons, each identified with one or the other of the 40-odd parties currently registered. There is no

reason why ADs could not provide effective linkages between the capital city and the hinterland and take an active part in development activities. As things currently stand, however, there is little evidence that they are equipped to play this role.

The Savalou-based AD, known as the *Organisation Savaloise de Solidarite pour le Developpement (OSSD)*, is the illuminating exception. Here we have an AD that has remained largely insulated from party politics. It is headed by a remarkably able president (Gbadigi) with strong roots in the traditional milieu. Gbadigi is indeed a prominent member of a traditional ruling family in Savalou; he also has excellent working relationships with the prefet and sous-prefet, and good connections with other NGOs and the PNUD. Not only has the association been able to extract important resources from other NGOs and invest them in a variety of grass-roots projects ranging from health care to agricultural development; its organizational structure is remarkably democratic, consisting of a conseil d'administration elected every three years by a congress of the rank and file of the OSSD, a 15-member bureau executif elected by the conseil d'administration whose work is assisted by seven "technical committees" dealing with infrastructures, health, education, women's affairs and so forth.

Thus there are important lessons to be learned from the OSSD experiment. Only if ADs are responsive to local needs and display a measure of transparency and managerial effectiveness and probity can they provide an appropriate institutional context for governance and accountability. This, however, would presuppose that they cease to operate as the instruments of urban-based politicians. It is indeed a commentary on the strength of their clientelistic underpinnings that so few ADs are able to contribute to a pattern of interest intermediation that transcends the confines of their narrow, personalistic political base. Exactly what future role ADs are intended to play in the new territorial dispensation, when each commune will be headed by an elected mayor, assisted by a municipal council, is anybody's guess. To help redefine the role and contribution of ADs to processes of grass-roots governance in order to maximize the gains to be derived from their insertion into the local power structures should be a key priority of USAID.

2. The Declining Capabilities of State Institutions

Although the institutional frame of democracy is more highly developed in Benin than in most African states, it remains a fragile edifice. The refusal of the National Assembly to rubber stamp the 1992 budget is a sign of democratic health; on the other hand, the decision of the deputies to reward themselves in the form huge pay rises (amounting to salaries of 500,000 to 800,000 CFA frs, plus allowances) suggests that their fast improving economic well-being may be to the detriment of their legitimacy -- as shown by the indignant response of the *Federation Nationale des Syndicates de l'Administration Publique (Fensap)*, which forced the deputies to reconsider their move.

The multiplicity of parties in parliament (numbering 22 at the latest count) makes for incessant bickerings and disagreements among deputies and precludes the emergence of a consensus on key policy issues. Faced with this situation Soglo has embarked on

a two-fold strategy: first, to try to circumvent parliament by reaching out to extra-parliamentary constituencies (*etats generaux, assises, comites de suivi* of one kind or another), and second to make every effort to build a viable coalition of those parties in parliament that seemed most likely to support governmental policies -- or most willing to be bought, if we are to believe the *mauvaises langues*. Thus in response to presidential proddings a new parliamentary groupement has come into being, known as *Le Renouveau*, headed by Behanzin Paoletti, which embraces ten political parties and claims the support of 35 deputies out of a total of 64. Although this realignment is a major tactical victory for Soglo, it has done little to ease the tension between Adrien Houngbedji, President of the National Assembly and leader of the main opposition party (*Parti du Renouveau Democratique [PRD]*) and the *Renouveau* leadership.

The tug of war between the two *Renouveaux* helps explain why the *Cour Constitutionnelle* has yet to be formally established: since four of its seven members are to be nominated by the President of the National Assembly it is easy to see why Soglo might be reluctant to allow the country's highest judicial organ to come under the control of pro-Houngbedji's judges. The matter is particularly serious in view of the fact that a key function of the Court is to control the constitutionality of the laws. Because of continued conflict between the President of the Assembly and the presidential majority some key provisions of the constitution (i.e. those pertaining to the protection of human rights and judicial review) remain a dead letter. In a word, a major source of political accountability, has been reduced to nought.

Further threats to accountability stem from the all-encompassing tutelage of the Ministry of Finance over technical ministries, and the reluctance of the government to consider the appointment of *inspecteurs generaux* for auditing purposes. This is all the more surprising considering that Soglo himself once served as *inspecteur general* under Kerekou -- until being thanked of his services for excess of zeal -- and that his former Minister of Interior, and subsequently Minister of Commerce, Richard Adjaho, is perhaps best known for his blistering critique of Kerekou's mishandling of Benin's public finances. His book, *La Faillite du Controle des Finances Publiques au Benin* (1991), prefaced by Philippe Jurgensen, makes a highly persuasive case for restoring the *inspecteurs generaux* as a major source of financial accountability. In the author's words, "depuis 1960 les finances publiques du Benin n'ont jamais fait l'objet du controle systematique, rigoureux et general auquel elles devraient etre imperativement soumises, de sorte que la concussion, les malversations diverses, les detournements crapuleux sont devenus monnaie courante". That he himself may have contributed directly to perpetuate this state of affairs seems reasonably well established: forced to hand in his resignation after disclosure of a major conflict of interest between his ministerial functions and his ownership of 500,000 CFA frs worth of stock in a consulting firm -- the *Societe d'etudes regionales d'habitat et d'aménagement urbain (SERHAU-SEM)* -- Adjaho never stood as a paragon of fiscal virtue, perhaps a legacy of his previous incarnation as chef de cabinet of the Minister of Commerce under Kerekou. But if the minister acted in flagrant violation of article 52 of the constitution, even more significant from the standpoint of accountability were the sanctions taken by the council of ministers against Adjaho and the SERHAU-SEM, the first being forced to resign and the second to self-destruct.

The inability or unwillingness of the government to reduce the size of the civil service is another reason for its poor performance in terms of resource management. We are dealing with an extraordinarily top-heavy bureaucracy, which absorbs badly needed professional skills (university teachers, engineers, medical doctors) into administrative tasks that fewer people with more modest skills and greater probity could discharge with greater efficiency. The tendency to use the bureaucracy as a source of patronage is nowhere more evident than in the Ministry of Education, which employs 48 per cent of the country's civil servants. How to reduce the government's wage bill -- which swallows up the near totality of external financial assistance -- without triggering public sector strikes and urban rioting is the key dilemma facing the government as it seeks to meet the exigencies of structural adjustment.

3. The weakness of local government

No attempt to come to grips with issues of accountability and grass-roots participation can overlook the growing disaffection of the rural masses towards local government institutions, most notably at the level of the prefecture and the sous-prefecture. Pauline Assogba, the exceptionally able and outspoken sous-prefet of Kove, put it this way: "the rural people have lost confidence in the representatives of the state; they distrust the local authorities. Their reasoning goes something like this: 'we pay our taxes, but we don't know what's happening to our money!'. Nor are the *cadres du milieu* a big help; once the intellectuals have landed lucrative jobs in the cities they just don't care."

The lack of responsiveness of local government institutions is inscribed in the very nature of the prefectural system which the Beninois inherited from the French, and further elaborated under Kerekou through the all-encompassing administrative grid of the single party state -- resulting in a rigidly hierarchical, over centralized local government system, leaving no room whatsoever for fiscal autonomy. Illustrative of the persisting centralization surrounding local government structures is the pattern of allocation of fiscal resources in the Kove sous-prefecture: local revenue in 1992 amounted to 11,156,000 CFA frs -- with the *taxe civique*, roughly 1,110 CFA per head, accounting for 5,380,940 CFA frs, and the rest coming from property taxes, patents and licenses; while 13 per cent of the total local revenue collected by the sous-prefecture went to the prefecture, in the form of *ristourne*, the remaining balance was spent entirely on personnel (7,304,200 CFA frs) and equipment (2,625,988 CFA frs) -- leaving nothing to invest in local infrastructures or socially productive community activities. Adding to the resentment of a system which is increasingly seen as over centralized and therefore insensitive to the needs of the local populations, is the unpleasant realization that the *auxiliaires de l'administration* employed by the prefectures and sous-prefectures -- i.e. tax collectors, accountants, etc. -- are the very same people that Kerekou relied on to impose his Afro-Marxist gospel on the masses. Finally, there is widespread suspicion that overcentralization encourages corruption. Cases were reported, for example, of nurses suspected of embezzling millions of CFA frs from centres hospitaliers enjoying virtual immunity from prosecution because of the absence of local sanctions, and because of their political connections in the Ministry of Health. In Savalou 3 million CFA frs were found missing in the local hospital, but no sanctions were taken. Recourse to local audit procedures

often proves of no avail because no one dares to take the responsibility for initiating such moves. Extreme centralization thus runs counter to minimum standards of accountability, transparency and effective management of public resources.

Disaffection is also very much in evidence at the mayoral level. If reports from Kove are any index, such is the level of distrust towards the mayors that many qualified people will refuse to run for office for fear that being elected might destroy their reputation. Thoroughly corrupt (in part because they receive no salary), and deeply ensconced in patron-client nets ramifying to the sub-prefectoral and other levels, the mayors are almost universally described in the most negative terms.

It is to be expected, in these conditions, that traditional authorities should be enjoying renewed prestige and popularity. Systematically downgraded under Kerekou, they are increasingly seen by the rural masses as their only recourse against corrupt and inefficient public officials. It is important to note that traditional chiefs are not necessarily the *chefs de village*. The latter are often appointed by local civil servants. Some have dubious claims to authority. Many are the clients of the communal authorities (mayors and communal councillors). In fact the expression "traditional chiefs" covers a wide spectrum of traditional authority figures -- *bale* and *oba* among the Yoruba, *voundounsi* among the people of the south, etc. -- whose functions, jurisdictions and legitimacy varies widely from one case to the next. Whether they can usefully replace or supplement the mayors and communal councillors in helping institutionalize democratic governance at the grass-roots is a complex issue. On the one hand, there is no evidence that a village-based *voundounsi*, or healer (often erroneously referred to by Beninois and Westerners alike as *chef des sorciers*), will necessarily use his influence to obstruct development activities, or thwart grass-roots participation: thus in one village we visited (Denou), in Fon country, the same person, a certain Zindeme, combined with no apparent difficulty the triple role of (a) *chef du comite de gestion de la pompe*, a particularly important function where the Guinea worm is a major threat; (b) head healer; and (c) *houngan*, i.e. *chef des fetiches*. He appeared to be on excellent terms with the *chef de village interimaire* (Tou Gidime). He answered most of our questions with no trace of embarrassment or reticence (except when we asked him whether sick people in the village would rather go to the health center for assistance or to the *legba*, a deity of Yoruba origin credited with magic powers and to whom offerings of chickens are made as the circumstances require in front of his phallic shrine...) On the other hand, there is also considerable evidence that some traditional authority figures do not take kindly to the advent of democracy, that their competing claims for recognition and authority can be the source of violent conflict at the local community level (as happened in Ouidah recently where three traditional families engaged in a protracted struggle over traditional rights over a sacred forest, resulting in a bitter factional strife among their respective supporters), and that there are reasons to suspect that practitioners of the voodoo cult have sometimes been guilty of serious human rights violations. What role if any traditional authorities may play in the emerging democratic order is very much of a moot point.

4. The Social Costs of Structural Adjustment: Layoffs without Payoffs

The transition from Marxism-Leninism has involved a fundamental shift of economic gears, from state interventionism to a market-driven, privatized economy; but in Benin as elsewhere in the continent the restructuring of the state sector did not go without major social costs. Consolidating democratic governance in conditions of growing economic austerity poses insuperable problems. By the same token, the weakness of state institutions casts serious doubts on the chances of success of privatization. It takes a strong state to promote private enterprise. It takes appropriate credit facilities, tax inducements, entrepreneurial skills and risk-taking attitudes, and, above all, a legal framework that is both reliable and suited for private investment. None of these conditions have been met. Benin may thus ended up with the worst possible deal: a move towards privatization that translates into massive layoffs and virtually no payoffs.

Negotiations with the IMF have reached an impasse; non-renewal of Benin's stand-by agreement -- involving a estimated \$ 50 mn loss in credit facilities -- is the IMF's response to Soglo's failure to meet the full requirements of Benin's structural adjustment program (SAP). Soglo's mixed record on structural adjustment lies at the root of the current impasse. After making major concessions to the IMF, Soglo felt he had no other option but to hold off on his public sector retrenchment program. A series of far-reaching measures were adopted for the purpose of eliminating price controls, reducing fiscal burdens and privatizing public enterprises; out of 60 public enterprises in existence in 1986, only 20 remained at the end of 1991; over the last two years another seven have been privatized, and 15 were closed down. Through a system of voluntary redundancies, encouraged by *primes de depart volontaires (PDV)* 1,500 civil servants were removed from the government payroll in 1990; by 1992 an additional 12,000 were added to the list of so-called *deflates*, a category distinct from those receiving a PDV, while the government agreed in principle to further layoffs (to the tune of 2,000 a year up to 1994). As tension rose on the labor market, strong opposition from public sector trade unions forced Soglo to retreat from his economic reform program, causing the IMF to withhold further credit facilities.

Of an estimated 35,000 job-seekers who entered the labor market between 1989-1993, only a tiny fraction found employment. Approximately 7,000 state employees have been laid off since 1986; another 5,000 are expected to follow between 1992-94. Although a fair number of *deflates* (approximately 37 per cent according to an ORSTOM document), and "jeunes diplomes sans emploi" (42 per cent) have found alternative sources of employment in the informal economy, there are limits to how many more *deflates* the informal sectors can absorb. With the influx of some 110,000 Togolese refugees into the country, and the sharp rise in market prices for basic food commodities, it would be totally unrealistic to rely on the informal sectors to cushion the impact of structural adjustment. One wonders in these circumstances whether it is appropriate for USAID to push for continued "across the board" implementation of Benin's SAP.

5. Human Rights

Compared to most other African states Benin's human rights record deserves high marks. So, also, compared to the situation that prevailed under the previous regime (according to the report issued by the official commission in charge of investigating cases of torture during the Kerekou years, 66 civil servants and 19 students were subjected to torture between 1972 and 1980). There are no indications of extra-judicial killings, arbitrary arrests, blatant ethnic discrimination, suppression of basic freedoms. And yet in two major respects human rights are at risk. There is, to begin with, the issue of forced recruitment of youngsters, mostly young girls, to serve as practitioners of the voodoo cult. After being locked up in "convents" and properly scarified, they are trained in the practices, rituals and belief systems associated with the voodoo religion. After a period of years (anywhere from four to seven) they will eventually qualify as voodooists, or officials of the voodoo cult. As noted earlier, such practices were systematically discouraged, though not eradicated, under Kerekou. Now that greater tolerance is shown towards voodoo, its intolerance of human rights is becoming increasingly apparent. There are no reliable statistics on the number of youngsters forcefully taken away from their families. In places like Ouidah, Porto Novo and Abomey, at least dozens are "recruited" every year, raising serious concerns among NGOs -- most notably Terre des Hommes -- human rights groups and the Catholic Church that the rights of Beninois youth may be violated on an even greater scale in years ahead.

Another human rights issue concerns what is misleadingly described by some Beninois as "les enfants esclaves". An estimated 50,000 such "slave children" between the ages of 12 and 16 are reported to be employed without pay by Beninois families in Cotonou, and forced to perform a variety of domestic chores. Most of these children have run away from their homes, but some are reported to have been sold to their employers by their parents. Not all of them are necessarily subjected to harsh and inhuman treatment, though some presumably are. What is beyond doubt is that the matter is a source of grave concern to human rights groups in Benin. The local representative of *Terre des Hommes* in Bohicon, M. Menard, was particular vocal in denouncing these and other inhuman practices, including the sacrifice of children among the Bariba and Torosou, and the putting to death of deformed children among the Fon. Insofar as such cruelties are sanctioned by tradition, the question arises as to what means of pressure are available to NGOs and USAID to bring them to an end. Probably very few.

Targets of Opportunity for USAID

Our discussion of the range and character of possible USAID interventions is based on the recognition that (a) the state must withdraw from several areas of public life and instead give wider scope for market-driven or locally-based initiatives, (b) that the opening of new social spaces for individual initiative must go hand in hand with the strengthening civil society through the revitalization of certain types of NGOs, (c) that every effort should be made to ensure the success of the administrative/territorial reform currently under way to bring about a substantial measure of political and

administrative decentralization, a key item on the agenda of the Soglo government, (d) that none of the above can be fully realized unless sustained attention is given to ways of improving fiscal and political accountability at several levels of public life.

1. Strengthening civil society: creating intermediary spaces for associational activity

Where no other structures are available for that purpose NGOs can play a significant role in promoting democratic governance: they may provide the institutional foundation for enlarging grass-roots participation, for introducing a measure of accountability in the management of local resources, and for strengthening linkages between state and society.

Not all NGOs fare equally well as potential partners in governance. Some have come into being for no other reason than to legitimize requests for funding; others lack the leadership and managerial skills necessary to sustain the functional load placed upon them; others still appear to have no meaningful societal objectives beyond ensuring their own self-preservation.

In selecting NGOs as possible targets of opportunity for expanding the scope of democratic governance, the following criteria seem especially appropriate: (a) how well defined are their objectives, short-term and long-term? (b) what potential do they offer in terms of facilitating grass-roots participation? (c) what are their constituencies? (d) can they establish effective working relationships with other groups in society, i.e. with local government officials, community influentials and other NGOs? Although one must expect considerable variation in the extent to which they satisfy these criteria, these nonetheless should provide USAID with a rough index for establishing an order of priority among potential recipients.

Measured against these yardsticks, and bearing in mind the scale of USAID commitment to the restructuring of the educational system, Parent Teachers Associations (PTA) emerge as the most plausible candidates for assistance. On the basis of interviews conducted with officials from the Ministry of Education, the impression one gets is that they can offer effective channels of participation above and beyond strictly educational matters; if the situation described by the DDE for the Zou department (Remy Gedebe) is any index, some have already established close working relationships with local officials and school authorities; modest though their contribution is in financial terms ("cotisations" range from 1,000 to 1,900 CFA frs per pupil in the area visited), they have already shown, in the DDE's terms, "a high level of involvement in the management of educational resources". Decisions concerning the organization of the curriculum, the choice of teaching materials and the construction of infrastructures could be significantly influenced via PTAs, but this is assuming that a major improvement of their resource base (i.e. financial resources, leadership and management skills) will occur in the foreseeable future.

Good leadership and an efficient staff are critically important if PTAs are to play a more active role in the management of educational resources: on both counts the recently created Conseil National des Amis et Parents d'Élèves (CNAPE) can make an

important contribution. The CNAPE's architect and leading "animateur" is Chief A. Olofinji, ~~Chair~~ of Africa Cultures and President of the World Council of Panafrikan Organizations. Olofinji also claims the title of Chief Majeobe of Yorubaland. Among the more noteworthy goals of the CNAPE are "to help the PTAs in the conception, elaboration and execution of small projects aimed at rehabilitating school infrastructures", "to encourage better students through the awarding of prizes" and "to participate in the revision and implementation of school curricula".

By giving financial assistance to PTAs via the CNAPE, USAID would be providing support for existing structures, and its assistance would reach a wider public than is normally the case for NGOs; the emphasis, however, should be less on delivering and more on facilitating, and on making sure that effective working relationships are being worked out with local officials and notabilities and other NGOs (this is where Chief Olofinji's credentials and outreach capacities could make a major contribution to the success of the project).

Civic associations and study groups can play a major role in educating Africans in the ways of democracy, in making them aware of their rights as citizens, in focusing attention on abuses of authority and blowing the whistle on unscrupulous politicians. Given the importance of creating a more favorable "enabling environment" for democratic governance, USAID should make a major effort to support the activities of the *Centre d'Aide Juridique (CAJ)*, an association created by the *Association des Femmes Juristes du Benin (AFJB)* for the purpose of "informing the citizenry and particularly women on the nature of their rights and obligations in a variety of domains, including inheritance, divorce, alimony, and marriage". More concretely, in collaboration with the CAJ, USAID could take the initiative in organizing a series of seminars and workshops on the legal aspects of governance.

Again, with the participation of the *Groupe d'Etudes et de Recherches pour la Democratie et le Developpement Economique et Social (GERDDES)*, and possibly in cooperation with US-based groups, such as the National Democratic Institute (NDI) USAID could help organize a "Civic organization training and strategy seminar", along the lines of the one recently held in Abidjan under the joint auspices of GERDDES and NDI, focussed specifically on PTAs and *associations de developpement (ADs)*.

Despite the poor track record of most ADs, there are exceptions to the rule -- to wit the Savalou-based OSSD. USAID should look seriously into the possibility of funding a study in depth of the ADs, and take another look at the recommendations made by the *Conference des agents economiques en activite dans le departement du Zou* (i.e. "to elaborate a national charter of the ADs, define their institutional frame and see to it that they remain apolitical", "organize training sessions in sociology of development for territorial administrators", "examine ways in which local communities could become more self-reliant", etc.). The aim would be to identify the factors and circumstances that help account for the failure of some and the success of others, and on the basis of these findings identify possible strategies for the revitalization of ADs as a critically important aspect of institutional capacity building at the local level.

2. Improving Political and Fiscal Accountability

At least two strategies are worth exploring to make public officials more responsible for their actions, both of which involve a major emphasis on fiscal responsibility. One consists of bringing maximum pressure on the government to reinstitutionalize a system of *inspecteurs generaux*, along the lines discussed by Richard Adjaho in his work on "Les Finances Publiques au Benin". It would mean putting in place an effective audit system in various ministries, lessen if not eliminate the tutelle of the Ministry of Finance, and improve the capacity of specific ministries to monitor the economic performance of the government. Another strategy would give pride of place to the impending territorial/administrative reform, and concentrate specifically on providing technical assistance to improve fiscal accountability at the local level. The latter would seem the more promising of the two.

As shown by the report issued by the *Etats generaux de l'administration territoriale*, held in Cotonou in January 1993, administrative decentralization ranks at the top the government's agenda. To quote: "cette exigence de democratie doit se traduire par un veritable transfert de competences de l'etat central vers les collectivites locales". What is being envisaged is (a) the division of the existing 6 departments into 12 departments, each headed by a *prefet*; (b) the elimination of the *sous-prefectures*, of which there are currently 77, and their replacement by *communes*, each administered by a municipal council headed by an elected mayor; (c) urban centers will be divided into *arrondissements* administered by *conseils d'arrondissements* headed by a *chef d'arrondissement*; (d) further down the line are the *conseils de quartiers* or *conseils de village*, respectively headed by a *chef de quartier* and *chef de village*. The crux of the reform, however, lies in the provision of fiscal autonomy for the *communes*. Referring to the present system, the report blames the existence of a "fiscalite confuse et disproportionnee" for the lack of trust that characterizes the attitude of the taxpayers towards local officials. Much the same criticisms were heard from the *sous-prefete* of Kove. Unless the tax structure is drastically altered, and appropriate steps taken to ensure decentralization of control over local revenue, the outcome of the reform remains in doubt, especially in view of the report's reminder that "la tutelle des structures decentralisees est assuree par le *prefet* qui disposera de larges pouvoirs".

While there is substantial agreement that the reform needs to be welded to a coherent strategy, one that clearly emphasizes fiscal autonomy as a basic requirement of decentralization and accountability, exactly how the requirement of fiscal autonomy can be met in the context of a *prefectoral* system plagued by political divisions and a relentless shrinkage of local revenue, is not entirely clear. Nor is there any indication that decentralization has a precise empirical referent among Beninois intellectuals. Few have any real understanding of what it means, as shown by the caliber of the presentations made to the conference organized by the Adenauer Foundation on the theme of "Decentralisation et Democratization".

USAID could help sensitize public opinion to the significance of decentralization by inviting outside experts to participate in a series of workshops on that theme, drawing from the experience of those countries where decentralization has real meaning (the

US, Switzerland, Germany); it could provide technical assistance through "Decentralization: Finance and Management [DFM]" and organize informal meetings between US experts on fiscal issues and a select group of civil servants in the Ministry of Interior; and it could fund research projects by Beninois social scientists (possibly through GERDES) focussed on specific aspects of the reform.

3. Countering the Dysfunctions of Structural Adjustment

Again, two strategies suggest themselves, one aimed at absorbing the *deflates* into socially productive activities, the other focussed on strengthening the legal/political context of privatization.

USAID could initiate training programs specifically designed to provide the *deflates* with the kinds of professional or vocational skills that are most needed in the private sector, and thus help their reinsertion into the formal economy; alternatively one might explore ways of extending employment opportunities to the informal sector. Actually, Benin finds itself in a catch-22 situation, for if continuing high levels of smuggling keep the informal sector alive and well, and contribute to absorb the unemployed, these same activities create the very obstacles that stand in the way of privatization. How to resolve this dilemma is not the responsibility of USAID, but it should be aware of its implications: if the informal economy helps cushion the impact of "deflation", it also undermines the logic of structural adjustment.

USAID should also help institutionalize an appropriate legal framework for privatization. As has been emphasized time and again, predictability and stability are essential ingredients of an enabling environment for a market-driven economy. Business risks must be assessed with a fair measure of predictability and transparency. This means that the rule of law must replace governmental corruption and arbitrariness, that mechanisms must be created that ensure the fair application of existing rules and regulations, that arbitration procedures exist for the resolution of conflicts. On each of these counts USAID could play a useful role -- essentially by withholding assistance where minimal standards of transparency and probity are not met, and by identifying specific ways and areas where conditionality might be applied.

By way of conclusion, and in order of priority, USAID should concentrate on micro-policy reforms, aimed at improving institutional capacity at the local level through NGOs; it should see its role as one of pump-priming, and avoid creating expectations of indefinite funding; depending on the nature of the projects, every effort should be made to coordinate USAID interventions with those of other international donors (this is particularly important with regard to education and health care); and it should not shrink from using the principle of conditionality where the circumstances require.