Report No. 2079-BEN

The Economy of Benin

May 31, 1979

Western Africa Regional Office

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Document of the World Bank

CURRENCY EQUIVALENTS

Currency Unit is the CFA franc (CFAF) with a fixed parity of 50 CFAF per French franc.

Period	CFAF per US Dollar Period Average	CFAF per US Dollar End of Period
1970	278	278
1971	277	256
1972	252	256
1973	223	230
1974	241	222
1975	214	224
1976	239	248
1977	246	235
1978 on	245	-

GOVERNMENT FISCAL YEAR

January 1 - December 31

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THE ECONOMY OF BENIN

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PREFACE

This introductory basic economic report was written by a World Bank mission which visited Benin in September-October 1977. The mission consisted of Ms. J. Noel (mission chief) and Messrs. D. Bovet (economist) and R. Brown (agricultural economist) of the Bank, and Messrs. L. Dudley (consultant to the Canadian International Development Agency) and R.C. Sawadogo (Onchocerciasis Control Program).

The previous Bank economic mission visited Benin in June 1972 and its report, Economic Situation and Prospects of Dahomey (No. 191a-DA), was released on August 20, 1973. Owing to the long hiatus since the last economic mission to the country, and the intervening change in Government, the present report includes coverage of institutional developments against the background of longer-term trends and the underlying economic structure. The report was discussed in draft form with the Government in December 1978, and appropriate changes to the descriptive and policy-oriented sections of the report were subsequently made.

Benin's unusually weak data base has meant that much of the analysis in this report is based on estimates prepared by the mission. Therefore, the data presented must be considered as tentative and subject to future revision when official figures become available. Updated or revised figures could not be obtained, in most cases, at the time the draft report was discussed with the Government, and the report retains most tables as prepared by the 1977 mission. We nevertheless believe that the basic economic trends are accurately reflected in this report.

BENIN

ECONOMIC INDICATORS

GROSS NATIONAL PRODUCT IN 1976

	US$ Mln.	% of GDP	ANNUAL RATE OF GROWTH (%, current prices) 1972-1976
GNP at Market Prices	556.0	103.1	13.7
GDP at Market Prices	539.3	100.0	12.8
Gross Domestic Investment	108.2	20.1	24.0
Gross Domestic Saving	26.4	4.9	87.0
Current Account Balance	-47.5	-8.8	-27.0
Exports of Goods, NFS	144.8	26.8	12.5
Imports of Goods, NFS	226.6	42.0	13.9

OUTPUT, LABOR FORCE AND PRODUCTIVITY IN 1976

	Value Added		Labor Force		V.A. Per Worker	
	US$Mln.	%	Mln.	%	US$	%
Agriculture	186.7	37.9	0.848	58.7	220.2	64.5
Industry, Construction & Public Works	72.3	14.6	0.031	2.1	2,332.3	683.6
Government	56.1	11.4	0.063	4.4	890.5	261.0
Commerce and Transport	137.0	27.8	0.504	34.9	271.8	79.7
Other Services	41.0	8.3	..	..	..	..
GDP at factor cost	493.1	100.0	1.445	100.0	341.2	100.0

GOVERNMENT FINANCE

	Central Government		
	(CFAF Bln.)	% of GDP	
	1976-77	1976-77	1972-75
Current Receipts	23.8	16.7	14.9
Current Expenditure	16.6	11.7	14.0
Current Surplus	7.1	5.0	0.9
Capital Expenditures	19.0	13.4	9.2
External Debt Disbursements (gross)	7.6	5.3	3.6

MONEY, CREDIT AND PRICES

	1971	1972	1973	1974	1975	1976	1977
	(Billion CFAF outstanding end period)						
Money and Quasi Money	12.26	13.89	14.79	18.45	31.86	30.63	33.32
Bank Credit to Public Sector	-0.82	-0.51	-1.16	-2.42	-2.95	-2.30	-5.34
Bank Credit to Private Sector	8.53	10.41	12.73	16.45	32.45	32.10	37.00
	(Percentages or Index Numbers)						
Money and Quasi Money as % of GDP	18.4	17.5	23.7	19.3	29.6	23.8	21.4
General Price Index (1969 = 100)	..	117.3	118.9	141.8	155.3	167.8	182.1 1/
Annual percentage changes in:							
General Price Index	4.4	..	1.4	19.3	9.5	8.0	15.2 2/
Bank Credit to Public Sector	..	37.8	-127.5	-108.6	-21.9	22.0	-132.2
Bank Credit to Private Sector	15.3	22.0	22.3	29.2	97.3	-1.1	15.3

Note: All conversions to dollars in this table are at the exchange rates noted on the following page.

1/ June 1977.

2/ First six months of 1977, on adjusted annual basis.

.. not available

TRADE, PAYMENTS AND CAPITAL FLOWS

BALANCE OF PAYMENTS

	1972	1975	1976 3/	1977 3/
		(US $ million)		
Exports of Goods, NFS	85.8	117.9	144.8	190.4
Imports of Goods, NFS	127.5	182.8	226.6	297.1
Resource Gap (deficit = -)	-41.7	-64.9	-81.8	-106.7
Interest Payments (net)	-2.9	-1.3	-0.4	-0.3
Workers' Remittances	3.0	15.0	17.1	15.1
Other Factor Payments (net)	0.0	0.0	0.0	0.0
Net Transfers	7.3	8.4	17.6	13.9
Balance on Current Account	-34.2	-42.8	-47.5	-78.0
Direct Foreign Investment	4.8	1.9	0.0	10.6
Net MLT Borrowing	4.8	9.3	24.7	20.8
Capital Grants	19.0	20.6	25.9	44.7
Other Capital (net)	1.9	12.0	10.9	1.9
Other Items n.e.i.	2.8	-7.2	-9.6	0.0
Use of Reserves (increase = -)	0.9	6.2	-4.4	0.0
Gross Reserves (end year) 1/	28.4	15.0	19.2	20.6
Net Reserves (end year) 2/	23.7	23.8	22.7	12.8
Petroleum Imports	4.0	15.1	17.1	21.2
as % of Total Imports	3.1	8.3	7.5	7.1

EXCHANGE RATES (CFAF per US $)

Year	Period Average	End of Period
1972	252	256
1973	223	230
1974	241	222
1975	214	224
1976	239	248.5
1977	246	235

MERCHANDISE EXPORTS (AVERAGE 1972-1976, RECORDED)

	US $ million	%
Cotton	13.3	35.2
Cocoa Beans	5.8	15.4
Palm Products	14.2	37.7
All Other Commodities	4.4	11.7
TOTAL	37.7	100.0

EXTERNAL DEBT, December 31, 1976

	US $ million
Public debt (disbursed), incl. guaranteed	101.3
Non-guaranteed private debt	..
Total outstanding and disbursed	..

DEBT SERVICE RATIO FOR 1976 4/

	%
Public debt (disbursed) incl. guaranteed	4.2
Non-guaranteed private debt	..
Total outstanding and disbursed	..

IBRD/IDA LENDING, April 30, 1978

	IBRD	IDA
	(US $ million)	
Outstanding and disbursed	0.0	31.4
Undisbursed	0.0	25.4
Outstanding incl. undisbursed	0.0	56.8

1/ Gross foreign assets of Central Bank.

2/ Net foreign assets of monetary system.

3/ Estimated.

4/ Preliminary estimate of ratio of debt service to exports of goods and non-factor services.

.. not available

WA2DA

May 12, 1978

ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
AGB	Societe d'Alimentation Generale du Benin
BCEAO	Banque Centrale des Etats de l'Afrique de l'Ouest
BBD	Banque Beninoise de Developpement (formerly Banque Dahomeene de Developpement-BBD)
BCB	Banque Commerciale du Benin (formerly Societe Dahomeene de Banque-SDB)
BOAD	Banque Ouest Africaine de Developpement
CAA	Caisse Autonome d'Amortissement
CARDER	Centre d'Action Regionale pour le Developpement Rural
CATS	Cooperative Agricole du Type Socialiste
CCCE	Caisse Centrale de Cooperation Economique (France)
CCN	Commission Cerealiere Nationale
CEB	Compagnie Electrique du Benin
CFA	Communaute Financiere Africaine (formerly Colonies Francaises d'Afrique)
CNCA	Caisse Nationale de Credit Agricole
CNEP	Commission Nationale d'Etat de la Planification
COBEMAG	Cooperative Beninoise des Machines Agricoles
COBENAM	Compagnie Beninoise de Navigation Maritime
CRP	Comite Regional de la Planification
DPE	Direction de la Planification d'Etat
EC	European Communities
ECOWAS	Economic Community of West African States
FAC	Fonds d'Aide et de Cooperation (France)
FAS	Fonds Autonome de Stabilisation et de Soutien des Prix des Produits Agricoles
FED	Fonds Europeen de Developpement
FNI	Fonds National d'Investissement
GRVC	Groupement Revolutionnaire a Vocation Cooperative
IBETEX	Industrie Beninoise des Textiles (formerly Industrie Dahomeene de Textile-IDATEX)
IRAT	Institut de Recherches Agronomiques Tropicales de Cultures Vivrieres
IRCC	Institut de Recherche du Coton et des Cultures Vivrieres
IRHO	Institut de Recherches des Huiles et Produits Oleagineux
MDRAC	Ministere du Developpement Rural et de l'Action Cooperative
MPSCAE	Ministere du Plan, de la Statistique et de la Coordination des Aides Exterieures
OAE	Office d'Approvisionnement de l'Etat
OBEMAP	Office Beninois des Manutentions Portuaires
OCBN	Organisation Commune Benin-Niger des chemins de fer et des transports (formerly Organisation Commune Dahomey-Niger des chemins de fer et des transports-OCDN)
ONATHO	Office National de Tourisme et de l'Hotellerie
RAC	Regie d'Approvisionnement et de Commercialisation

ABBREVIATIONS AND ACRONYMS (Continued)

SBEE	Societe Beninoise d'Eau et d'Electricite
SMAG	Salaire minimum agricole garanti
SMIG	Salaire minimum interprofessionnel garanti
SNAFOR	Societe Nationale pour le Developpement Forestier
SOBEPALH	Societe Beninoise de Palmier a Huile (formerly Societe Nationale pour le Developpement Rural-SONADER)
SOBEMAC	Societe Beninoise des Materiaux de Construction
SOBETEX	Societe Beninoise des Textiles (formerly Industrie Cotonniere du Dahomey-ICODA)
SODERA	Societe de Developpement des Ressources Animales (formerly Societe Nationale pour la Production Animale-SONAPA)
SONACEB	Societe Nationale de Commercialisation et d'Exportation du Benin (formerly Societe de Commercialisation et de Credit Agricole du Dahomey-SOCAD)
SONACIB	Societe Nationale des Ciments du Benin
SONACO	Societe Nationale pour le Coton (formerly Compagnie Francaise pour le Developpement des Fibres Textiles-CFDT)
SONACOP	Societe Nationale de Commercialisation des Produits Petroliers
SONAFEL	Societe Nationale des Fruits et Legumes
SONAGRI	Societe Nationale pour la Production Agricole (has absorbed operations of SONACO)
SONAPAL	Societe Nationale de Papeterie et de Librairie
SONAPECHE	Societe Nationale d'Armement et de Peche (formerly Societe Nationale de Peche-SNP)
SONATRAC	Societe Nationale de Transit et de Consignation
SONIAH	Societe Nationale d'Irrigation et d'Amenagement Hydro-Agricole (formerly Societe d'Amenagement et de Developpement de la Vallee de l'Oueme-SADEVO)
SONIB	Societe Nationale d'Importation du Benin (formerly Societe Dahomeenne pour le Developpement Industriel et Commercial-SODAIC)
SONICOG	Societe Nationale pour l'Industrie des Corps Gras (formerly Societe Nationale des Huileries du Dahomey-SNAHDA)
SOTRACOB	Societe de Transit et de Consignation Beninoise
UMOA	Union Monetaire Ouest Africaine
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

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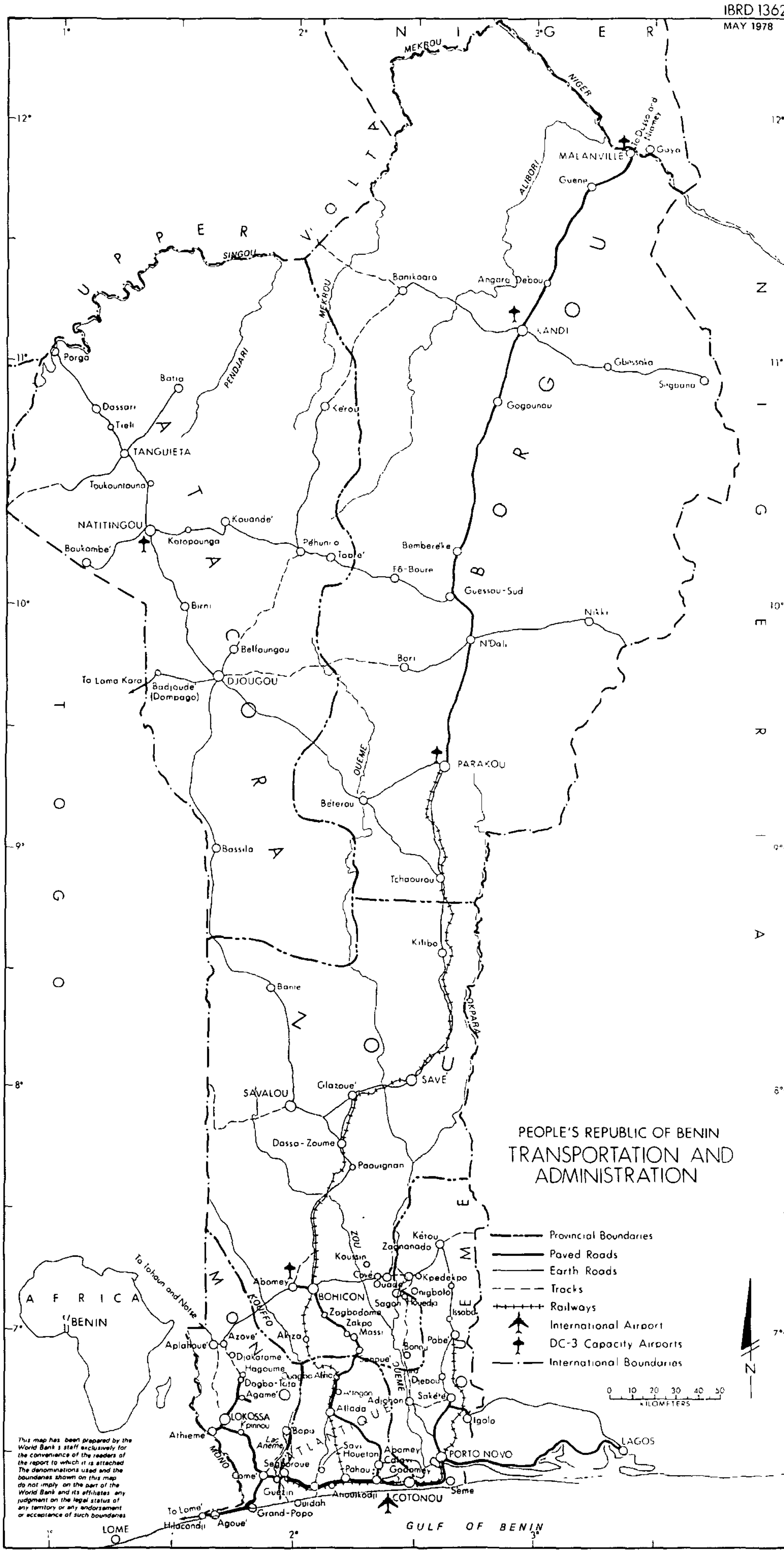

SUMMARY AND CONCLUSIONS

Political Situation

i. Lieutenant-Colonel Mathieu Kerekou took over the reins of Government in 1972, and has attempted since then to unify the country and to increase popular political involvement. The 1972 coup d'etat followed twelve years of almost continuous changes of Government related to a three-sided rivalry between different regions of the country. President Kerekou's Government has been consistently nationalistic in both economic and political terms and adopted a Marxist-Leninist philosophy in 1974. The new political direction was confirmed in 1975, when a new political party, the Party of the People's Revolution, was introduced and the old name of Dahomey exchanged in favor of Benin. The country has enjoyed political stability since 1972. A new constitution was adopted in 1977 and preparations are advanced for the election of representatives to a new National Assembly. Benin will remain, however, a single-party state, with major policy decisions taken by the Party.

Economic Trends

ii. Policies adopted since 1974 have been aimed at a nationalization of the economy and greater state control in all sectors. The extent of foreign ownership and control of the modern sector has been substantially reduced particularly in 1975 and 1976. The Beninese Government either purchased foreign-owned companies in their entirety or acquired a controlling interest in the major modern enterprises: the water and power utility, the banks, petroleum distribution, the brewery, textiles, clinker grinding, transit and stevedoring. This takeover of leading industrial and service firms has been the major public policy in the mid-1970s. Reorganization efforts are now being directed toward the rural sector, with the introduction of new institutions and forms of cooperative production.

iii. The pace of Benin's economic growth accelerated over the 1972-76 period from its long-term trend of stagnation in per capita terms. The economy took an upturn beginning in 1975 as domestic investment and savings picked up and as demand for Beninese goods, services and re-exports rose sharply in neighboring countries. Real GDP growth rates of 7% per annum were achieved in 1975 and 1976, and gross domestic investment reached 20% of GDP in 1976. Commerce and modern industry have been the leading sectors, with the tertiary and secondary sectors combined representing about two-thirds of GDP in 1976, up from about one-half in 1960. The role of foreign trade in Benin's economy has grown substantially, from 25% of GDP in 1960 to 70% in 1976. Nevertheless, Benin ranks among the UN's least-developed nations with an estimated 1976 GDP per capita of US$170. Population growth continues at about 2.8% per annum, and real per capita private consumption rose by less than 1% per year, on average, over the 1972-76 period.

iv. The agricultural sector, employing 60% of the labor force, did not increase its output over the 1972-76 period. Foodcrop output statistics have not shown any increase over the past decade, implying considerable drops in per capita production, but these statistics are doubtful and the implied reduction in nutritional levels cannot be confirmed. Modern state-run oil palm plantations have continued to increase in acreage, and exports of palm products have risen except for the drought-affected 1976 harvest. Cotton production peaked in 1972 and has dropped sharply since due to pricing, input supply, and institutional difficulties. Rural development agencies (CARDERs) have recently been created in each province to provide extension, agricultural inputs and marketing services for all crops. This positive development had yet, at the time of the mission, to be fleshed out by adequate staffing, funding and clear relationships with the crop-specific agencies. New approaches to production, including block farming schemes which are either fully collectivized or which retain individual plots, have been implemented with some success, particularly in Borgou Province. Government efforts to control the marketing of foodcrops produced by traditional smallholders have not succeeded and are not being pursued at present.

v. Industry in Benin is generally of the import-substitution and agricultural processing variety, and its level of development has so far been modest. It employs only 2% of the work force, but has enjoyed an annual growth rate of 11% from 1972 to 1976. Three-quarters of the value added in the modern industrial sector is composed of textiles, beverages, and vegetable oil processing. Expansion of output in the first two of these branches has been related to buoyant demand from the domestic and neighboring markets. State control of modern industry, expressed in terms of sales, increased from 30% in 1972 to 75% in 1976, including all large enterprises. Results have varied from the difficult experience of the IBETEX integrated textile plant at Parakou to the highly successful operations of SOBETEX (textile printing) and La Beninoise (the brewery). The public control of industry has placed considerable financial and managerial demands on the Government.

vi. About 40% of the labor force is engaged in the tertiary sector and this underscores Benin's vital trade and transit role. Commerce led the growth of the tertiary sector over the 1972-76 period with an annual growth rate of 8%.

vii. The results of the uneven sectoral growth rates over the last few years must have had profound implications in terms of the functional, social and regional distribution of income. Unfortunately, household budget surveys have not been performed in Benin, so that neither the current pattern of income distribution nor its trend over time are known. It is likely, however, that the urban labor force has grown relative to the rural sector but that the real incomes of urban workers have stagnated or even declined. Judging by agricultural price and urban wage developments, it is possible that the rural/urban terms of trade may have remained roughly constant, with per capita incomes showing little change in real terms over the 1972-76 period. The distribution of incomes within the rural sector appears to have favored farming families living in the eastern parts of the country which have benefitted directly from the foodcrop marketing possibilities in Nigeria.

viii. The Government of Benin has, especially since 1972, placed considerable emphasis on the social sectors and has attempted to meet the basic needs of its largely rural population. A somewhat impressionistic view of the situation indicates that social services in rural areas have greatly improved. For instance, the enrollment in public primary schools doubled over the four years from 1971 to 1975 (reaching 266,000), and this is fully reflected in the poorer rural communities of the north: in Atacora Province, the percentage of villages with schools doubled from 1969 to 1976 (reaching 41%). The number of village wells and rural health centers has also increased. However, Benin remains a very poor nation with most people engaged in rainfed subsistence farming which yields an uncertain living standard. There are also limits on how many social services can be provided by the public sector; the 1975 Educational Reform, for instance, stresses measures to reduce the costs of education.

Public Finance

ix. The Central Government's financial situation has greatly improved over the past decade. The current budget deficit of the 1960s, financed by French Treasury transfers, was eliminated during the first half of the seventies. Current expenditure fell, as a percentage of GDP, over the period, and combined with buoyant import duties and income taxes to provide a current surplus in each year. The expenditure side was consciously held down by eliminating waste and inefficiency, but increases in terms of salary levels and maintenance spending are currently needed. Public revenues were undoubtedly bolstered in 1976 and 1977 by the import tariffs emanating from a surge in transit trade for Niger and Nigeria.

x. Public savings have financed an increasing share of public investments, from 8% over the 1972-75 period to 19% in 1976-77, with foreign aid financing the remainder. Government investment expenditures have themselves risen from about 9% of GDP in 1972 to 13% in 1976-77. Foreign aid commitments over the 1972-76 period provide the only available indicator of public investment allocation; this indicator shows 45% of investment in economic infrastructure, 18% for social infrastructure, 20% in the industrial sector and 16% for the primary sector.

External Sector

xi. Benin's balance of payments continues to be characterized by a large trade deficit (21% of GDP in 1976), surpluses on services and current transfers leading to a moderate current account deficit (9% of GDP in 1976), and compensating capital inflows. Exports have grown slowly during 1972-76, and averaged about 16% of GDP, a low proportion for a West African coastal state. Over half of total exports estimated in the balance of payments in recent years have been unrecorded transactions with neighboring countries for which no detail is available. Recorded exports are dominated by palm products and cotton. Imports increased moderately, prior to a 50% rise in 1976 which was largely related to transit trade with neighboring countries. The Railway and the port of Cotonou contributed to nonfactor services, and remittances by Beninese employed abroad were also important. Official development assistance has provided the bulk of foreign capital flows into Benin, and the modest level of loan commitments, generally on concessionary terms, has kept the debt service ratio at a low 4% of exports. Net foreign assets increased slightly from 1972 to 1976.

Development Strategy

xii. The strategy implicitly pursued by the Government has been to set the stage for a substantial investment effort in the late-1970s. The emphasis through 1976 has been on nationalizing the modern sector of the economy and setting up new institutions and approaches in agriculture. With the publication in late 1977 of the Three-Year State Development Plan, the goals and strategy of the new Government were spelled out in some detail for the first time. First, the Plan aims to reverse the trend of economic stagnation through the adoption of a US$1 billion investment program over the three years (1977/78-1980), heavily concentrated on industrial and transport projects. Second, the Government would like to assure independent national direction of the economy through state control of major enterprises and by stressing the production of intermediate goods to help develop the internal market (termed "export-substitution"). Third, a broader involvement of the people in the formulation and implementation of national policies is to be sought.

xiii. An assessment of this strategy must focus on the practical consequences of the actions proposed. First, the investment level proposed, which would represent over 60% of GDP in the first two years of the Plan, is probably neither feasible nor desirable: it exceeds the volume of good projects available, the levels of likely foreign financing, and the implementation capacity of the country. The inclusion of this exaggerated investment program in the Plan weakens the credibility of the document. Instead, the mission estimates likely investment at about CFAF 125 billion over the Plan period (compared with CFAF 244 billion proposed), including Save sugar, Onigbolo cement, Cotonou port, and oil production, which are viewed as viable (though mainly enclave) projects. Second, the "export-substitution" policy designed to expand domestic markets rather than orienting production towards the export market will be limited by the small size of Benin's economy. It is not clear how many consumer and intermediate goods industries can be successfully implanted in Benin without heavy tariff protection or other subsidies. The industrial experience to date in Benin indicates that manufacturing projects have succeeded in cases where there was a substantial domestic and neighboring country demand, where the technology was well-tried, and where a sound commercial outlook dictated an initially modest scale of operations.

xiv. Despite these disagreements with the development strategy stated in the Plan, the mission generally supports most items in the proposed investment program and feels it would be reasonable if spread over a longer time period. All but one of the large industrial and transport projects proposed take advantage of foreign financing and markets which provide unique advantages to Benin. If we analyze Benin's resource allocation after removing the four large projects with special access to foreign financing and the one project (oil refinery) which the mission does not support, the pattern becomes quite reasonable. Rural development, health, education, and utilities all receive substantial shares of these "normal" resources.

Development Constraints and Issues

xv. In the mission's view, the prudent recent management of the public sector has strengthened the economy. The achievement of budget surpluses in the past several years represents a significant turnaround from the situation of the 1960s and places Benin in the enviable position of being able to continue generating domestic public savings in the future. Both the utilization of financial resources in the public sector and their allocation has been sound over the past five years. Deliberate consideration of public investment proposals has helped Benin to avoid the negative economic and financial consequences inherent in the "white-elephant" type of industrial projects common in some developing countries.

xvi. The economy of Benin continues to face serious constraints, however. The realities of a small, poor nation remain: Benin has not so far benefitted from the exploitation of significant mineral resources, and its rainfall conditions limit the scope for high-value agricultural commodity production. Weak price incentives and agricultural extension have hurt the output of cash crops and foodcrops. The secondary sector is little developed, and the important trading and transit role makes Benin to some extent necessarily dependent upon economic developments in neighboring countries. The competitive advantage of low labor costs is at times outweighed by the shortage of skilled workers and managers. In order to surmount these constraints, effective policies are needed in several areas: in agriculture, manpower, trade relations, the private sector, and economic statistics. These issues are briefly discussed below.

xvii. The poor performance of the agricultural sector, both in terms of foodcrops and cash crops (with the exception of modern oil palm), is a key issue in Benin. However, the stagnation of output growth has been apparent for at least the past decade, and a reversal cannot be brought about easily. The new provincial rural development agencies (CARDERs) need to be strengthened with more funds, better personnel, and better links to applied agricultural research. At the production level, the cooperative farming schemes (GRVCs) implanted in Borgou Province should be tested in the rest of the country for effectiveness in centralizing input delivery and marketing output. Price incentives must encourage industrial crop production (such as cotton) which can provide a more certain income to producers and which provides foreign exchange. Foodgrain output needs to be stimulated through agricultural extension provided by the CARDERs, but the pricing of foodcrops should be left to market forces once adequate storage and transport systems are in place.

xviii. Benin's development is also hampered by certain shortcomings in the manpower area. This observation may seem surprising in the context of a country which has had, in the post-World War II period, a reputation for providing skilled administrators throughout francophone Africa. Despite a rising primary school enrollment ratio and a national university, Benin is encountering a severe shortage of middle-level "implementers", skilled workers and technicians. The vocational training system needs to be expanded, and basic modern agricultural techniques need to be widely disseminated, perhaps through the production units attached to primary schools. Development projects should generally include appropriate training components. It may also be necessary to raise civil service and industrial pay scales to retain qualified individuals.

xix. An issue which has broad implications for Benin's development strategy is the question of the economic relationship with neighboring states, particularly Niger and Nigeria. Benin has traditionally played a trading and transit role in the region, and developments over the past several years have demonstrated the country's ability to take advantage of trading opportunities offered by neighboring countries. However, a note of caution is also in order; for instance, the Nigerian cutback on imports initiated in spring 1978 will clearly be felt in Benin's transport sector, as will the further development of Nigeria's own ports. In the long run, the ECOWAS plans to establish a customs union with a common external tariff, and the large manufacturing base in Nigeria could well lead to substantial Beninese imports from its neighbor. Nevertheless, a small and little-diversified economy like Benin's must by necessity maintain a strong external orientation, and liberal trade policies which have encouraged this in the past should be preserved. The cooperation actively sought by the Beninese with their neighbors in the field of transport -- and more recently in terms of the Save sugar and Onigbolo cement projects -- should be extended to the agricultural and small-scale enterprise sectors. Benin may well have some advantage in serving as a regional foodgrain exporter, a role which could enhance the standard of living in rural areas.

xx. The appropriate role of the public and private sectors, and the place of economic incentives, is another key issue. Government policy is clearly for major enterprises to be in public hands, and this has largely been achieved. This step was perhaps largely aimed at diminishing the level of foreign control of the economy. The increase in the number of public enterprises does, however, place a strain on the pool of Government managers and technicians. The flexibility of the manufacturing sector to respond to market opportunities could be enhanced by Government policies that support the role of the private and cooperative sectors, especially among small and medium-scale enterprises. The national development bank should support these groups, and a new investment code should be developed in order to emphasize the contribution expected from a dynamic national private sector.

xxi. A final issue related to development strategy is the need for better statistics, better management information systems, and more extensive economic analysis in the public sector. The national accounts estimated by the mission undoubtedly suffer from major inaccuracies due to the lack of adequate agricultural production figures. Trade data, commercial activity and domestic investment figures could also be improved. For effective management of the enlarged public sector, it will be necessary to strengthen the accounting and reporting procedures used by the state enterprises and to centrally monitor all external public and publicly-guaranteed debt. Finally, economic policy analysis should be expanded within the Planning Ministry to assess the ramifications of alternative macroeconomic policies and the impact at the national level of large investment projects. This may require technical assistance initially, which should be available from multilateral and bilateral institutions.

Prospects

xxii. The medium term outlook for economic growth in Benin is favorable as a result of the anticipated higher investment rate and the continuing positive impact of demand from neighboring markets. Assuming an investment level averaging 22% of GDP over the next four years, which corresponds to the estimated financing available and includes the Cotonou port project, Save sugar and Onigbolo cement, real GDP growth of about 6% per annum could be achieved during the 1978-85 period. This would permit real gains in per capita private consumption of about 2% per year. An upside potential for economic growth is provided by the possibility of exploitation of the Seme offshore oilfield. Downside risks include potential delays in the execution of major projects, and the chance that projected production levels in agriculture, might not be achieved. The reorganization of the agricultural sector makes it difficult to predict whether extension and modern inputs can now be provided more efficiently than in the past, but the Government plans a concerted effort to strengthen each of the provincial-level rural development agencies.

xxiii. The balance of payments is expected to remain sound through 1985, with little change in the level of the current account deficit following some deterioration in 1979 linked to higher capital goods imports. Compensating inflows of concessional project aid should permit a slow buildup of foreign reserves over the years ahead. Approximately 85% of gross domestic investment to 1985 will be provided by foreign resources, and this will raise the debt service ratio from 4-5% of exports to 10-15% in the early 1980s. This level is considered sustainable, particularly with Nigerian Government backing for the two major projects envisaged.

xxiv. Benin should be able to maintain a satisfactory public finance profile over the 1978-85 period based upon the prospects for good economic growth and adequate foreign financing. Current revenues and expenditures are both projected to grow at about 13% per annum in current terms (1978-85), in tandem with current GDP growth. This would allow for needed increases in maintenance expenditure and a steady increase of current low civil service salaries. The three major assumptions underlying these public finance projections are (a) that import duties will continue to expand, though more slowly, based partly upon unofficial re-export trade with neighboring countries; (b) that state enterprises will operate at a surplus, not requiring any subsidy; and (c) that a major part of foreign financing in support of public investment will continue to be provided on concessionary terms.

I. SOCIAL AND POLITICAL BACKGROUND

Geography

1. Benin lies on the southern coast of the bulge of West Africa, between Togo to the west, Nigeria to the east and Upper Volta and Niger to the north. The corridor-shaped country is 670 km long from the coast to Niger, and about 80 km wide. The terrain is relatively flat or rolling, with the exception of the Atacora mountain chain in the northwest which reaches elevations of 750 meters. Benin may be broadly divided into two types of climates: Guinean in the south and Sudanese in the north. The annual precipitation ranges from an average of 1200 mm (in two rainy seasons) in the south to 800 mm in the north (single wet season), with wide annual fluctuations, and is considerably less than the rainfall in other coastal West African countries. Soil quality is moderately good throughout the country, but in the south and in pockets of the northwest there are signs of soil depletion due to population pressure. Mineral resources include limestone and offshore petroleum.

Population

2. The total population of the country was estimated at 3.2 million in 1976, of which 2.8 million (87%) inhabitants are rural and 0.4 million (13%) are urban. The distribution of population is uneven, with two-thirds concentrated in the south and the center, where densities rise to 170 people per square kilometer for the Atlantique Province. The north is more sparsely populated with an average of 10 inhabitants per square kilometer in the Borgou and Atacora Provinces. The population growth rate was 2.8% per year between 1961 and 1976; 2.5% annually in the rural areas, and 4.9% in the urban centers. A high birth rate combined with a high mortality rate has produced a young population, with 46% below the age of fifteen.

Political History

3. Benin is composed of numerous ethnic and linguistic groups, which during the eighteenth and nineteenth centuries were organized into three kingdoms: Abomey and Porto Novo in the south and the Bariba kingdom in the northeast. The state of Abomey or Dahomey held considerable trading and military power along the coast from 1732 until the late 1800s, and developed a well-disciplined political system which demanded active participation by all citizens. During this period, the Fon people of Abomey were chiefly in contact and conflict with the Oyo empire of Nigeria. Only after the French colonizers succeeded in defeating the Dahomean army in 1893 and occupying the rest of present-day Benin in 1900 was the southern coastal population thrown together with the northerners. Tensions were soon apparent between the populous southern kingdoms and the Bariba kingdom because of social, religious, and economic differences. The progressive south had greater contact with European colonizers and it was here that freed slaves returned from Brazil to eventually become the modern elite. The north was less influenced by Europeans; more rural and Moslem, it was less receptive to modern education. The southern population was referred to as the "Dahomeans" or the "colonizers" by the northerners, beginning a long history of regional imbalance.

4. During the post-World War II years, Benin enjoyed a reputation for producing well-educated cadres who served in the French colonial service throughout West Africa. This tradition can perhaps be traced back to the highly-developed social organization of the Dahomean kingdom and to the later demand for modern education among the "westernized" coastal population. The situation changed with the granting of independence to the French West African colonies. In 1958-59, Beninese administrators were expelled from the Ivory Coast, and similar experiences elsewhere led to a substantial return of civil servants to Benin around the time of national independence in 1960.

5. The history of Benin before 1972 is that of a tripartite power struggle based on the three traditional kingdoms. Beginning in the 1950s, there were three equally important leaders: Mr. Maga of the north, Mr. Apithy of Porto Novo and Mr. Ahomadegbe of Abomey. No single leader was able to maintain political domination for long, and the situation was marked by constant conflict between the three parties including numerous periods of military rule. A compromise was reached in 1970 with the establishment of a three-man Presidential Council with a rotating presidency. The triumvirate was complex in that it not only involved an equal distribution of jobs among the three parties at the ministerial level, but also of all jobs in the administration. Factional rivalry reached crisis proportions again in 1972.

<u>Recent Political Developments</u>

6. Lieutenant Colonel (then Major) Kerekou assumed the Presidency during a coup in 1972 and has attempted to unify the country and to increase popular participation in political life. On the international front, the new government established an officially non-aligned policy while reducing its earlier dependence on France This political direction was further clarified in President Kerekou's 1974 "Discours d'Orientation Nationale," when it was announced that Marxism-Leninism had been adopted to combat the colonial ideology and strengthen Benin's own identity and unity. The old name of Dahomey was changed to Benin in 1975. Regionalism and old traditions such as feudalism and voodoo were condemned. New institutions were organized which centralized political power, and at the same time extended political and administrative controls to the village level. The Revolutionary Military Government became the executive branch.

7. In 1975 a new party--the Party of the People's Revolution--was created to lead the new People's Republic of Benin, and it is today the single political party. The Party's Political Bureau, chaired by the President and consisting of seven civilian and military men, makes all important decisions, which the Military Government, in turn, executes. Ad hoc commissions, chaired by leading Party members, are created to oversee important development projects. The Party organization also includes Defense Committees of the Revolution which have been created in all public and private enterprises with a mission to inform and mobilize ("animer") the masses within the country's revolutionary ideology.

8. Present indications are that nominal civilian rule will eventually replace the military government. In August 1977, a new constitution was adopted which provides for the election of a National Revolutionary Assembly. This Assembly would elect the President of the Republic, upon the recommendation of the Party, and nominate the president of the Supreme Court and the members of Government. It would also legislate and approve the budget. The Government, including the President, the Ministers and the representatives of local institutions would carry out the decisions of the Assembly. It is clear that the present Marxist-Leninist political ideology would continue under civilian rule, and it is likely that President Kerekou would retain considerable power. No schedule has yet been set for the proposed elections, but the Council of Ministers has released the rules governing the election of representatives to the National Assembly. About two-thirds of these representatives would be elected by the modern sector largely from the ranks of urban workers, the Government, the Party, and the Army, while the remaining one-third would represent the rural classes.

II. RECENT ECONOMIC PERFORMANCE, 1972-76

A. New Economic Policies and Institutions

9. The Government has striven over the past five years to implement new policies and institutions deemed essential to achieving a Marxist, Beninese-controlled economy. The policy has been to transform foreign domination of the modern sector into state control and to strengthen Government involvement in agricultural production and marketing. This has resulted in the centralization of economic decision-making and has at times slowed the development process. Another consequence of the policy shift has been the reluctance of traditional foreign aid donors to become too deeply involved in the productive sectors. These donors have adopted a wait-and-see approach, focusing meanwhile on infrastructure projects which do not involve controversial policy issues. State control of the economy has meant some reduction in direct private foreign investment in Benin and this could lead to increased Government financial liability, to the extent direct investment is replaced by bank loans and suppliers credits to the public sector. In short, the new nationalist policies temporarily interrupted the traditional inflows of foreign investment and trained expatriate manpower.

10. Benin's national financial management has been strong in recent years. Conservative financial policies have maintained net foreign assets at about US$25 million over the 1972-76 period and kept the debt service ratio below 6%. The Government has pursued a policy of diversifying its foreign aid sources and its export markets, while obtaining Nigerian Government participation in several large projects. Internally, public spending has been held down so that a sizeable current surplus was achieved in 1976, compared to chronic deficits during the 1960s.

11. In agriculture, the Government has carried out certain institutional changes by establishing provincial agricultural agencies, marketing organizations, and new support institutions. Cotton production suffered when the expatriate advisers were removed in 1974-75, while oil palm, well-managed by Beninese nationals for many years, continued its growth. The Government has not made much progress in reorganizing the structure of subsistence farming, largely because of the lack of financial resources and technical assistance. Prices for most export crops have been held at fairly low levels, and the Government's main concern with foodcrops appears to be the maintenance of adequate urban food supplies at low prices. In late 1976-early 1977 when poor rainfall resulted in low output and high foodcrop prices, the Government attempted to enforce a low official price for maize on the Cotonou market in an effort to protect urban consumers. The result was severe shortages which had to be made up by hastily-arranged imports. Foodcrop prices ("prix indicatifs") have not been fixed in 1977/78, though the Government reserves the right to step into the pricing arena again if conditions are not satisfactory.

12. Many of the agricultural institutions are newly-established and their effectiveness is therefore difficult to evaluate. The provincial rural development agencies (CARDERs) form the backbone of the reorganized system,

providing extension services for all crops, engaging in direct production on provincial farms, and assisting village-level farm groups 1/. The CARDERs have not yet reached a clear relationship with the national cash crop agencies (Societes nationales), are very short of financial and technical means, and are not completely staffed at the field level. These are start-up problems, and better staffing in the future should permit the CARDERs to become effective regional development agencies. Collectivization has also been introduced, especially in Borgou Province where farmers have traditionally been interested in cooperative action. By 1978, there were 25 collective block farming schemes without individual plots (CATSs) in operation and 115 blocks made up of individual plots (GRVCs) in Borgou.

13. Provincial marketing agencies (RACs) were created in an effort to circumvent the traditional trading network and to assure adequate food supplies to the urban areas. The Government apparently relied upon the increasing scope of CARDER and RAC marketing activities to exert greater control over the domestic food supply. However, the RACs did not perform up to expectations and were disbanded in late 1978 in favor of smaller, more specialized provincial agencies.

14. Agricultural support agencies have been created to assure an orderly development of the sector. A national agricultural credit agency (CNCA) was formed in 1975 as well as regional and local "caisses". CNCA has so far made loans primarily to the CARDERs and the crop-specific agencies. Its financial resources and credit evaluation capability are limited at present, but CNCA is growing rapidly in response to the demand for agricultural credit. A commodity stabilization fund (FAS) has also been set up (independent of the export crop marketing agency, SONACEB), which will eventually channel surpluses realized on export sales back into agriculture. FAS operates with a small staff, has not yet accumulated any substantial reserves, and would require technical assistance to become fully operational. Fertilizers and insecticides are imported and distributed by a new agency, SONAGRI, which also manages cotton ginning, and is being strengthened under a current IDA project. Agricultural research is being shifted from the French-managed institutes to Beninese research units.

15. The key policy in industry, commerce and finance has been progressive state control over a modern sector previously directed largely by European firms and businessmen. The Government has carried out this policy by either purchasing entire operations from the private owners (turning the firm into a state enterprise) or by purchasing 48-49% of the stock and assuming management control (termed a "mixed economy" company). The financial arrangements involved have not yet had much effect on public accounts. Benin's electric and water utility, which had been in private hands, was one of the first to be turned into a state enterprise in January, 1973. The brewery "La Beninoise" was 100% nationalized in 1975 against full compensation. Textile operations

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1/ The institutional set-up in agriculture is described in more detail in Annex A.

(SOBETEX and IBETEX) and the Cotonou clinker grinding plant became mixed economy companies in 1975. In banking, the Government assumed complete control of the three commercial banks in 1974 and 1975 (with compensation, see para. 44) to establish the Banque Commerciale du Benin (BCB). Together with the central bank and the Government-owned development bank, the entire sector is now in public hands. The transport and freight-forwarding sector has likewise seen a transition from essentially private domination to Government control or participation.

16. Although the Investment Code of January 1972, enacted before the present Government came to power, remains in force, there has been little private foreign direct investment in Benin recently. Foreign investment is possible, provided the firm agrees to re-invest a "non-negligible" portion of profits in Benin, or in association with Beninese public capital in mixed economy companies. Public control has been established over the import sector. Initially, a public enterprise (SONIB) was established with a monopoly over certain essential imports (basic foodstuffs, cigarettes and beverages) and control over the trading margins for all other imports. In 1978, SONIB was merged with the state-owned Union COOP to form a general supply corporation (AGB) which handles imports and domestic distribution. Several large foreign firms (John Holt, CFAO, and John Walkden) continue to operate in the import/export business, but under the guidance of AGB.

B. Growth and Its Determinants

17. Since independence, Benin's economic growth has been rather unspectacular and has improved only during the past two years. One constraint has been the lack of mineral resources exploitation, though limestone and petroleum development are now being planned. Rainfall is insufficient for high-value tree crops (cocoa or coffee), and marginal for palm products which, along with cotton, form the meager basis of Benin's exports. Population pressure (2.8% annual growth rate) is severe in the southern part of the country, and in pockets of the northwest, where soil depletion has occurred. External factors, such as drought conditions in 1976 and a world commodity price boom in 1974, have affected Benin's recent economic performance. Perhaps the most important exogenous variable has been Nigeria's rapid income growth and rising import demand, which is strongly linked to the 1975-1977 economic upturn in Benin.

18. Benin's ability to take advantage of the strong Nigerian demand by supplying re-exports, commercial and transport services, manufactures and foodcrops (especially maize), has been a substantial element of new strength for the economy. Benin's role as a transit link for Niger and Nigeria is a natural outgrowth of a liberal trade policy and a favorable geographic setting. The modest import-substitution industries established in Benin (beer, shoes, textiles), formerly constrained by a small domestic market, have surged forward based on the Nigerian boom. Foodgrains, produced in the center and north of the country, have shown some positive response to high prices at the border and may offer a greater export potential than traditional cash crops emphasized until now. The basic strengths of Benin's economy are an industrious (if untrained) workforce, skilled traders and a competitive transport network. Despite the Government's goal of greater state control, Benin's small economy remains fairly open, and trade with its neighbors will provide a major avenue for further economic development.

19. Benin's economy registered an estimated 3.0% real growth rate per annum over the 1972-76 period, slightly exceeding the 2.8% average rate of growth achieved since independence. From 1972 through 1974 real GDP remained constant, while in 1975 and 1976 real growth averaged about 7% per year. GDP was US$170 per capita in current terms in 1976, up from US$110 in 1972 1/.

20. The sectoral distribution of growth (Table 1) indicates the heavy influence of a negative performance in agriculture. The modern sector performed quite well over the period, led by strong upward trends in commerce, industry and construction, and largely linked to buoyant Nigerian demand. A disaggregation of these trends, and brief analysis of their determinants, is presented below.

Table 1: GROWTH AND STRUCTURE OF GDP

	1972-76 Real Growth, % p.a. in 1975 CFAF prices	Structure, % 1972	1976
Primary Sector	-1.1	42.6	37.9
Foodcrops	-2.2	23.8	21.0
Industrial Crops	-3.7	5.3	3.4
Livestock	4.6	7.3	9.4
Fisheries	-12.8	3.8	2.1
Forestry	4.2	2.4	2.0
Secondary Sector	11.0	11.7	14.7
Modern Industry	16.4	5.3	7.9
Traditional Industry	0.9	2.7	2.4
Construction	9.3	3.7	4.4
Tertiary Sector	5.3	45.7	47.4
Commerce	7.9	18.1	22.5
Transport	3.1	5.3	5.2
Public Administration	3.6	13.5	11.4
Other Services	3.0	8.8	8.3
GDP at factor cost	3.3	100.0	100.0
GDP at market prices	3.0		

Source: Statistical Appendix, Tables 2.2 and 2.3.

1/ The analysis of national accounts is based upon mission estimates. Official national accounts data are available only for 1970, and provisional data have been prepared by a UN/ECA expert for 1975. The statistical situation in Benin is extremely poor, and figures discussed in this report must be considered as tentative. See Annex E for a further discussion of these problems.

Primary Sector

21. Subsistence agriculture is still predominant in Benin, and the apparent stagnation of foodcrop production (21% of GDP) over the past decade has had a negative impact upon the growth rate of the economy 1/. However, available statistics are considered unreliable, and the lack of growth of foodcrop output, which would imply a substantial decline in production per rural inhabitant, is not confirmed by observation of conditions in the countryside and the existence of maize exports to Nigeria. Rather, it is likely that the foodcrop trend is actually closer to constant per capita production than the figures imply, and that Benin enjoys an overall food surplus. Factors partially explaining the lack of significant growth in agriculture include poor rainfall, land constraints in areas of the south, traditional cultivation techniques which have remained virtually unchanged, and increased urban consumption of wheat and other imported cereals at the expense of traditional gari prepared from manioc. The incidence of onchocerciasis (riverblindness) in northern Benin has also contributed to keeping certain fertile land out of production. 2/ Table 2 presents a 10-year retrospective showing that foodcrops have generally followed a flat or downward trend.

Table 2: SELECTED FOODCROP PRODUCTION
(thousand metric tons)

	1965-67	1970-72	1975-77
Manioc	833	711	565
Yams	520	526	529
Maize	222	203	211
Sorghum	55	47	66
Rice	1	2	16

Source: Ministry of Rural Development.

22. Manioc and maize are the main staples in the south while yams and sorghum fill this role in the north. Yam output has held constant at about 530,000 tons, while statistics indicate that production and acreage of manioc has declined by about one-third since 1965 to 565,000 tons. Substitution from manioc (and cotton) into maize has sharply increased in the Zou Province, where hybrid maize varieties were introduced, but national maize production has been steady at around 210,000 tons due to the decline in cultivated area in other provinces. Sorghum has increased slightly due to better yields, and rice output has soared in the past five years due in part to an irrigation project on the Oueme River. An agricultural survey of the six provinces is currently underway, and a clearer picture of foodcrop production should emerge when these data become available.

1/ Agriculture is more fully discussed in Annex A.

2/ Progress and problems of the Onchocerciasis Control Program in Benin are presented in Annex D.

23. Benin's industrial crop production is of modest value (US$15 million in 1976) and consists mainly of oil palm in the south and cotton and groundnuts further north. Oil palm fruit has traditionally been harvested from an estimated 200-300,000 ha of wild palm groves whose productivity is now low and declining due to increased age. These fruits are processed artisanally and the palm oil produced is consumed domestically. Nearly 30,000 ha of improved palm groves have been planted in recent years, and the output is processed into palm oil by the Societe Beninoise de Palmier a Huile (SOBEPALH), with the kernels being crushed by the Societe Nationale pour l'Industrie des Corps Gras (SONICOG). Output of the modern oil palm sector has been increasing steadily, except for the 1976/77 annual production which dropped sharply due to drought in southern Benin, and is expected to continue rising. A major factor in the expansion of modern oil palm output has been the sound Beninese management of SOBEPALH.

Table 3: SELECTED INDUSTRIAL CROP PRODUCTION
(thousand metric tons)

	1965-67	1970-72	1975-77
Oil palm ffb	n.a.	509 /a	523
Cotton raw	8	44	21
Groundnuts	38	44	52

/a 1972.
Source: Ministry of Rural Development and BCEAO.

24. Modern cotton production was introduced in Benin in 1963 and progressed at a commendable rate until the political changes in 1972 brought expatriate management to an end. Simultaneously, by 1974 the low producer price, poor yields, high labor requirements, and input delivery problems made cotton unattractive to farmers who, at least in the Zou Province, switched rapidly to maize. The IDA Zou-Borgou Cotton Project, which became effective in 1973, spanned this declining period in cotton output.

25. Groundnut production is of relatively little importance though it has increased moderately over the past decade. SONICOG plans to expand its oilseed crushing plant at Bohicon to handle further anticipated increases in groundnut production, which seem likely in the center and north of Benin. Other industrial crops--tobacco, coffee, and karite nuts-- are of minor importance and have not recorded any recent growth.

26. Livestock slaughterings and herd increases (9% of GDP) indicate good growth in production over the past decade, averaging 3.6% per year since 1965-67 in constant prices, though details of this increase are only estimates. Conditions have been especially favorable in northern Benin, and it appears that Nigeria has constituted a major market for migratory and semi-migratory herds. Animal traction is being emphasized, though it is not yet widely used, and a Government ranch near Parakou is devoted to breeding and training oxen.

27. Fisheries (2% of GDP) have been in a state of decline during the past five years. Shrimp, which form an important element of the lagoon fishery, have been adversely affected by salinity changes resulting from the Cotonou port construction. Modern ocean fishing, always largely in the hands of foreigners, has declined steadily as existing boats have either deteriorated or been transferred elsewhere to avoid the wave of nationalizations in 1974-75. On the other hand, imports of fish from the Soviet fleet have steadily increased. No recent investment has taken place in the fisheries sector except for small fishponds operated by provincial authorities in several parts of the country. A project for the expansion of the fishing port at Cotonou has not yet obtained definite financing.

Secondary Sector

28. The secondary sector, composed of agricultural processing, manufacturing, and construction, has been the fastest growing sector in Benin recently and registered real growth of over 10% per year between 1972 and 1976 1/. This growth can be attributed to sharp modern industry growth in 1976 and construction gains in 1974 and 1975; traditional output grew very little. The sector gained impetus from foreign private investment until the policy changes of 1974. Its proximity to Nigeria has been a major factor. Benin's relatively low prices, availability of low-cost (but unskilled) labor, good transport facilities, and convertible currency (the CFA franc) give it some competitive advantage as a manufacturing base for the Nigerian market.

Table 4: SELECTED PRODUCTION IN MODERN INDUSTRY
(millions of CFAF in current prices)

	Output		Structure (%)	
	1972	1976	1972	1976
Textiles	1,900	6,280	20.3	29.0
Vegetable Oil Processing	3,190	4,670	34.0	21.6
Food Processing	590	3,120	6.3	14.4
Clinker Grinding	980	2,500	10.4	11.6
Beverages	1,360	2,300	14.5	10.6
Electricity, Water	900	1,570	9.6	7.3
Metal Fabrication	460	1,180	4.9	5.5
Subtotal, Selected Branches	9,380	21,620	100.0	100.0

Source: Ministry of Industry, *L'Industrie Beninoise*, May 1977, and mission estimates.

29. Vegetable oil processing consists basically of palm oil processing and crushing of palm kernels. This has now been specialized with SOBEPALH managing all modern palm oil production and selling the kernels to SONICOG.

1/ A more thorough discussion of industry is given in Annex B.

The kernel mill is supplied by traditional sources in Benin as well as by SOBEPALH, and expanded its capacity from 40,000 to 60,000 tons of kernels in 1975. This mill, in Bohicon, can also crush 10-15,000 tons of oilseeds such as copra, groundnuts or karite. Production of palm kernel products has been stationary at a level of about 22,000 tons of oil and 22,000 tons of cake for the past five years, due to the influence of the declining traditional oil palm sector. The palm oil mills, which rely strictly on modern sector output, have more than doubled their production between 1972 and 1975, though the 1976/77 output was low as noted earlier.

30. Manufacturing has traditionally been of the typical import-substitution type. The French-owned BATA shoe factory and the modern brewery "La Beninoise" (taken over 100% by the State in 1975) exemplify this type of operation along with flour milling and clinker grinding plants. However the influence of the Nigerian market has allowed some of these operations to expand output and raise profitability. The Societe Beninoise des Textiles (SOBETEX) established a fabric bleaching and dyeing factory at Cotonou in 1970, with the Benin Government acquiring 49% of the stock in 1975. Calico is imported from Taiwan and the output is sold to Beninese wholesalers, who in turn now export 85% of the goods to Nigeria. Because of the expansionary Nigerian market, SOBETEX production (and profits) have grown, from 9 million meters in 1971 to 17 million meters in 1976.

31. The Government launched an ambitious, export-oriented industry in 1975 with the opening of the Industrie Beninoise des Textiles (IBETEX) integrated textile plant in Parakou. A joint venture (48% State ownership) with European firms, the total investment amounts to CFAF 5 billion and the plant's annual capacity is 3,200 tons of made-up articles and garments. All production stages beginning with domestic ginned cotton are performed in the IBETEX factory. Unfortunately, poor management of the mill by the technical partner has resulted in disruption of operations, financial problems, and temporary loss of European marketing outlets. The IBETEX start-up dominates the 1976 industrial output statistics, but it is far from clear at this point whether the venture can be judged a success. A substantial proportion of the financing was provided in the form of suppliers credits guaranteed by the Government.

32. The output of the construction and public works industry increased in real terms through 1975. There are no detailed statistics available for construction, but it is clear that a substantial volume of industrial and residential buildings were put up in the mid-1970s, as well as important road construction projects. The industry is composed of three large foreign firms based in Benin, a dozen medium-sized Beninese private companies, a state enterprise founded in 1976 (SONACOTRAP), and 20-30 smaller contractors. State-owned construction companies have been set up in each of the provinces to supplement private builders who are mainly based in the large southern cities of Porto Novo and Cotonou. The shortcomings of the local construction industry--lack of skilled manpower and particularly weak management which often results in work delays--motivated the formation of SONACOTRAP. There are no formal training programs for construction workers in Benin.

Tertiary Sector

33. Commerce has been a leading growth sector, averaging 7.9% real growth per year from 1972 to 1976. The contribution of commerce to GDP is now second only to that of the agricultural sector and in market prices (adding in net indirect taxes) represents over three-fourths of the value added in agriculture. This is due to Benin's increasing importance as an entrepot and supplier for Nigeria, in addition to its traditional transit role toward Niger. Traffic for Niger amounted to 20% of the total general cargo handled by the port of Cotonou in 1977, and is expected to double by 1981. Transit trade to Lagos via Cotonou increased from practically nil until 1974 to 330,000 tons in 1977 as Nigeria's imports far overreached its own port capacity. About 190,000 tons of goods are shipped directly to Nigeria via Cotonou, with the remaining 140,000 tons comprising the large indirect transit trade. These unofficial shipments--liquor, cigarettes, textiles and canned goods--find their way by truck, pirogue, or headloading to Nigeria. This transit trade is directly reflected in the growth of the transport sector, which after stagnating during 1972-74 has averaged 10.5% per year in 1975 and 1976 1/. The future growth of commerce and transport in Benin is directly tied to expansion of the Cotonou port, to continuation of friendly relations with Niger and Nigeria, to a relaxed attitude toward unofficial border trade, and inversely to the development of Nigeria's port capacity. Public administration and other services have recorded modest growth over 1972-76, about equal to the overall growth rate of GDP.

C. Expenditure on Available Resources

34. Domestically-available resources (GDP plus the resource gap) increased slightly faster than the GDP due to growth of imports, as indicated in Table 5. Consumption averaged 85% of total resources. Private consumption declined in real terms from 1972 to 1974, and then climbed sharply in 1975 (16%) and 1976 (9%). In per capita terms, real private consumption grew by an estimated 0.3% per annum, on average, from 1972 to 1976 2/. This reflects the overall stagnation of real GDP per capita over the period and indicates that, while various groups of consumers may have fared differently, there was no overall improvement in per capita consumption. The high growth rates achieved in the modern industrial and commercial sectors have not necessarily led to above-average growth in real consumption for these groups since wage levels have generally remained low and food prices have increased somewhat recently.

1/ The transport sector is discussed in Annex C.

2/ Using the implicit GDP deflator as a general indication of consumer prices, in the absence of a valid price index for consumption.

Table 5: EXPENDITURE ON AVAILABLE RESOURCES

	Current CFAF billion		% of total		
	1972	1976	1972	1976	1972-1976
Consumption	70.04	122.58	87.8	82.6	85.2
Private	67.16	107.28	74.6	72.3	72.9
Public	11.88	15.30	13.2	10.3	12.3
Gross Domestic Investment	11.03	25.86	12.2	17.4	14.8
Fixed investment	10.23	23.86	11.3	16.1	13.6
Stocks increase	0.80	2.00	0.9	1.3	1.2
Expenditure on Available Resources	90.07	148.44	100.0	100.0	100.0
Provided by:					
GDP	79.56	128.89	88.3	86.8	89.4
Resource Gap	10.51	19.55	11.7	13.2	10.6

Source: Statistical Appendix Tables 2.2 and 2.4.

35. Gross domestic investment (including change in stocks) averaged 16.5% of GDP over the 1972-76 period, similar to the average investment rate of 17.4% over the previous five-year period. The level of investment rose sharply over the period from CFAF 11 billion in 1972 to CFAF 26 billion in 1976 (see Table 6). Gross national savings (including factor payments) contributed just over one-third of the resources for this investment, with foreign capital and transfers making up the rest. The average domestic savings rate for the period was about 4%, half the median value for low income developing countries in 1976 but higher than the poorest African countries. Foreign resources thus remain of great importance in the investment picture, but gross national savings have grown much more rapidly over the period. The strong national savings trend is due to increased private savings, the CFAF 6 billion Government current surplus in 1976, and the substantial remittances by Beninese residing abroad. Among foreign resources, the public sector is much more important than the private sector, and official development assistance represents a large share of the flows to the public sector.

Table 6: INVESTMENT AND ITS FINANCING
(Current CFAF, billions)

	1972	1973	1974	1975	1976	1972-1976 Average % of Investment /a
Gross domestic investment	11.03	11.09	17.46	19.00	25.86	100.0
of which:						
Public investment	(7.53)	(6.08)	(12.11)	(8.18)	(17.36)	(60.5)
Private investment	(3.50)	(5.01)	(5.35)	(10.82)	(8.50)	(39.5)
Gross domestic savings,	0.52	2.86	9.20	5.12	6.31	26.9
of which:						
Government current surplus /b	(1.07)	(0.42)	(0.84)	(0.94)	(6.25)	(9.5)
State enterprises surplus	(0.50)	(0.70)	(0.90)	(1.00)	(1.10)	(5.1)
Net factor income	0.05	0.80	1.64	2.93	4.00	9.6
Gross national savings	0.57	3.66	10.84	8.05	10.31	36.5
Foreign resources /c	10.46	7.43	6.62	10.95	15.55	63.5
of which:						
Public sector	(7.14)	(7.41)	(4.21)	(8.82)	(14.25)	(51.4)
Private sector, short-term and errors	(3.32)	(0.02)	(2.41)	(2.13)	(1.30)	(12.1)

/a Average of individual annual percentages.
/b Before debt service.
/c Includes all current transfer and capital account items of the balance of payments, plus the use of reserves.

Source: Statistical Appendix Tables 2.4 and 3.1.

36. Data are not available to indicate the sectoral allocation of total investment, but foreign aid commitments over the 1972-76 period (which financed about 88% of public investment) do provide some insight into development priorities. Statistics on foreign aid (Table 7) show that 63% of 1972-1976 commitments were for economic and social infrastructure, largely roads and education. Substantial investments in roads included the paving of the Parakou-Malanville road, the paving of the Godomey-Bohicon road, and Nigerian construction of a paved link from Cotonou to Lagos. Education investments consisted largely of the establishment of the Polytechnic Center at the University of Benin, support for rural youth clubs, and training of industrial

and commercial workers. Investment in agriculture was strictly limited over the period (only 14% of foreign aid) as institutions and policies were revised. The Government's current expenditures for agriculture (5% of the total current budget) again indicate the low level of support for this sector, and no significant private investments were made in agriculture during 1972-76. Manufacturing investment was more dynamic, accounting (together with agricultural processing) for 21% of foreign aid commitments and including foreign private equity investments.

Table 7: FOREIGN AID COMMITMENTS BY SECTOR, 1972-76

	1972-76 Total /a	
	CFAF billions	%
Primary Sector	7.9	16.2
Agriculture	5.9	12.1
Livestock	0.7	1.5
Forestry and Fisheries	0.8	1.6
Minerals	0.5	1.0
Secondary Sector	10.1	20.7
Manufacturing	5.7	11.8
Agro-industry	4.4	9.0
Economic Infrastructure	22.0	45.0
Roads and Bridges	15.6	31.9
Cotonou Port	0.8	1.6
Railways	0.9	1.9
Public Utilities	4.7	9.6
Social Infrastructure	8.8	18.1
Education	7.9	16.2
Health	0.9	1.9
Unallocated /b	23.0	-
Total	71.8	100.0

/a Includes public grants, loans, and suppliers' credits.
/b Includes CFAF 12.8 billion Chinese frame agreement and CFAF 1.3 billion Soviet aid.

Source: Statistical Appendix Table 4.5

37. The relation between investment and economic growth cannot be traced with certainty over the 1972-76 period, but some general directions are discernible. First, public investment has largely been financed by foreign official aid and has generally focused on reasonable projects. Transport infrastructure investment, for instance, has definitely supported the expansion of commerce in 1975-77 by improving Benin's capability to handle transit traffic for Niger and Nigeria, though the stimulus for this expansion resides

primarily with demand growth in these neighboring countries. Second, agriculture received very little investment except for an unsuccessful cotton project and a rice project. This has contributed to the low growth of the sector in recent years, and was caused in part by the hesitancy of aid agencies to become involved in a sector undergoing far-reaching institutional and policy changes. Third, there was significant foreign and local investment (based on decisions made earlier) during 1974-76 in the modern sector--IBETEX, SOBETEX, the brewery, flour milling--and manufacturing sector growth in 1976-78 reflects this investment. Some manufacturing investments have been more successful than others, depending in large part on the abilities of the foreign partners involved. Finally, investment in education has been strong, a reflection of the Government's social priorities, but effects will largely be felt in the longer-term.

Central Government Financial Situation

38. There has been a significant improvement in the Central Government's current financial situation over the last decade. 1/ The current budget deficit of the 1960s, financed by French Treasury transfers, was eliminated during the first half of the seventies. In 1976 and 1977, this surplus rose to an estimated average of CFAF 6.4 billion per year (a very high 25% of current revenues), allowing for a CFAF 8 billion build-up of Government deposits with domestic banking and non-banking institutions over the two-year period. This general improvement is partly due to strict Government control over the growth of current expenditure, which did not advance in real terms from 1972 to 1977. The strong rise in current revenues during 1976 and 1977 results from import duties levied on the upsurge of transit trade and also from a higher intake of corporate profits taxes linked to the expansion of industrial activities. Import duties have consistently accounted for 40% of the Government's total revenue (Table 8).

1/ Analysis of the public finance situation was complicated by the lack of official Government accounts for 1976 and 1977 which consequently had to be estimated by the mission. Information on the financial situation of state enterprises is also sketchy, many of them having been recently set up or taken over by the public sector.

Table 8: CENTRAL GOVERNMENT FINANCIAL SITUATION
(Current CFAF, billions)

	1972	1973	1974	1975	1976	1977 /c
Current Revenue /a	12.6	12.7	14.3	15.1	21.5	26.1
of which:						
Taxes on income and profits	1.7	1.9	2.4	2.0	3.9	4.8
Taxes on goods and services	1.6	1.9	2.0	2.1	3.1	4.3
Import duties	5.2	5.2	5.4	6.4	8.4	10.4
Other taxes	1.4	1.6	1.7	2.3	2.6	3.0
As % of GDP	(15.8)	(14.8)	(15.0)	(14.0)	(16.7)	(16.8)
Current Expenditure /a	11.5	12.2	13.4	14.1	15.2	18.1
of which:						
Wages and salaries	7.2	7.9	8.4	9.3	11.0	12.8
Materials and supplies	1.5	1.5	1.4	1.4	1.5	1.7
Subsidies and other current transfers	1.7	2.0	1.9	1.6	1.6	2.0
Debt Amortization /b	0.5	0.6	0.8	1.6	0.7	0.8
As % of GDP	(14.4)	(14.3)	(14.0)	(13.1)	(11.8)	(11.6)
Current Surplus	1.1	0.5	0.9	1.0	6.3	8.0

/a Government budget data adjusted by adding transactions of special funds.
/b From IBRD data, not fully consistent with Government budget figures.
/c Estimated. Preliminary Government results for 1977 indicate revenue and expenditure figures some 10% lower than these estimates.

Source: Statistical Appendix Tables 5.1 and 5.2.

39. There is little doubt that the sudden growth of the transit trade to Nigeria has constituted an unexpected windfall for Benin's public finances. Rising receipts from import tariffs reversed the declining trend of current revenue as a proportion of GDP which fell from 15.8% in 1972 to 14.0% in 1975. This lack of tax buoyancy was due to several factors: the heavy dependence on import taxes which must be kept in line with those of neighboring countries in order to keep smuggling within reasonable limits; and the progressive erosion of the tax base linked to the development of import substitution industries which are tax exempt (e.g. textiles). Under the best circumstances, without the Nigerian boost, Central Government revenue would have averaged only CFAF 18 billion in 1976-77 (compared to an actual CFAF 23.8 billion).

40. Recurrent expenditures were held to an annual growth of only 7% from 1972 to 1975, implying a decline in real terms of about 2-3% per year. This reflects a strong policy of eliminating waste in the public sector. Benin's budget is, however, essentially a salary budget with a steadily increasing wage bill now accounting for over 70% of total expenditure. Civil service salaries have been tightly controlled since 1966 when salary levels were frozen, so that incomes have increased only through larger family allowances and through promotions. These modest adjustments have not, however,

kept pace with the rise in the cost of living, and civil servants' salaries in Benin are among the lowest in West Africa. In 1977, the direct cost of each civil servant (wage bill divided by number of civil servants) was estimated at CFAF 530,000 while in Senegal and the Ivory Coast it amounted respectively to CFAF 850,000 and CFAF 1,900,000 in 1976. This must, in the long run, affect the efficiency of the civil service, though it also reflects, of course, generally lower wage and price levels in Benin.

41. Expenditures on materials and supplies have been severely restricted. They remained constant at about CFAF 1.5 billion per year between 1972 and 1977, declining by at least 8% annually in real terms. This real reduction in materials and maintenance expenditures in the face of expanding investments, inflation and a steady increase in the number of civil servants bears a heavy economic cost. Maintenance has been neglected in some cases and civil servants are at times hampered by a lack of supplies. The ratio of material and supplies expenditures to salary expenditures has progressively decreased to 1:8 in 1977; this contrasts with a ratio of about 1:2 in the Ivory Coast.

42. The functional breakdown of expenditures indicates that 75% of expenditures go for general administration, police, defense (12%) and education. Education alone, including scholarships, accounts for 33% of the total, and this is supplemented by FAC assistance in the form of teachers and support to the University, and scholarships financed by France, FED and UNDP. Expenditures on economic services are a low 15% of the total.

43. Public debt service paid by the Central Government (directly from its budget or indirectly through the CAA, but excluding state enterprises) remains relatively modest at around CFAF 1.0 billion, or 4% of total expenditures. This is due to the relatively limited indebtedness of the Central Government and the relatively soft terms of its borrowings.

44. The impact of the Government takeover of the banking system and the larger service and industrial firms in 1974-75 is difficult to trace back to the budget. All expropriations were followed by negotiations and agreement upon fair compensation, but the payments have taken place over a period of time and are still continuing. In fact, few funds may have been required from the Central Government budget since future profits of the nationalized firms could have been earmarked to repay foreign equity interests. Some of the large 1976-77 current savings, not all of which can be accounted for either in terms of increased Government deposits or new investment, may have been used for indemnification. However, the mission cannot make any estimate of the total cost involved. The only indication obtained was that the takeover of the gas station network cost the Government about CFAF 900 million. No comparable figures are available for the nationalization of manufacturing firms or banks.

State Enterprises

45. Based on the accounts of a sample of twelve enterprises out of a total of 25 for the year 1975/76, the mission has estimated the gross profits of the state enterprises before amortization at CFAF 3.5 billion p.a. and

their net profits after amortization at CFAF 2.0 billion. However, the contribution of state enterprises is not accurately known at present and could be substantially less. These profits have been assumed to be, for the most part, transferred to the Government's current budget or the FNI although, as noted above, some of these funds may have been used to finance expropriations. Current guidelines require 85% of state enterprise profits to be transferred to the Government, one-fifth to the current budget and four-fifths to the capital budget. It is not clear why profits are supposed to be transferred to the budget, but in fact the budget shows a much smaller transfer of profits than that assumed here. Amortization has been added to both the Central Government's savings and investments in order to arrive at total public savings and investment. Rough estimates have been made for the previous years.

Investment Expenditures and their Financing

46. Public savings are estimated to have financed an increasing share of rising public investments --8% over the 1972-75 period and 19% in 1976 and 1977 (Table 9). The mission estimates that public investments have averaged CFAF 8 billion per year between 1972 and 1975, rising to CFAF 19 billion in 1976 and 1977; i.e. from about 9% of GDP to a high of 13%. Foreign aid has covered the balance of the financing, ranging from about 92% of total investment over 1972-75 to 81% in 1976 and 1977. In these latter two years, the unexpectedly high current savings were largely placed on deposit since the public investment plan was still under preparation and the funds could not all be immediately invested.

Table 9: PUBLIC SAVINGS AND INVESTMENT
(Current CFAF, billions)

	1972	1973	1974	1975	1976	1977
Central Government						
Current Revenues	12.6	12.6	14.3	15.1	21.5	26.1
Current Expenditures (excl. public debt)	11.5	12.2	13.4	14.1	15.2	18.1
Current surplus before debt amortization	1.1	0.4	0.9	1.0	6.3	8.0
Debt Amortization /a	0.5	0.6	0.8	1.6	0.7	0.8
Local	(0.2)	(0.3)	(0.1)	(1.3)	(0.4)	..
Foreign	(0.3)	(0.3)	(0.7)	(0.3)	(0.3)	..
Current Surplus after debt amortization	0.5	-0.2	0.0	-0.6	5.5	7.2
Changes in deposits (-=increase) /b	-	-	-	-	-2.9	-5.2
Current Surplus available for investment	0.5	-0.2	0.0	-0.6	2.6	2.0
State Enterprises						
Cash surplus available for investment	0.5	0.7	0.9	1.0	1.1	1.5
Total Cash Surplus Available for Investment	1.0	0.5	0.9	0.4	3.7	3.5
Foreign Aid	6.5	5.6	11.2	7.8	13.6	17.1
Total Public Investment	7.5	6.1	12.1	8.2	17.4	20.6
% of GDP	9.6%	7.2%	12.7%	7.4%	13.3%	13.0%

/a From IBRD data, not fully consistent with government budget figures.
/b Increased deposits in 1976-77 with domestic banking and non-banking institutions.

Source: Mission estimates.

E. The Balance of Payments and Foreign Aid

47. Benin's balance of payments continues to be characterized by a large trade deficit (21% of GDP in 1976), compensated by capital inflows and increasingly by surpluses on services and current transfers (Table 10). Exports represented about 16% of GDP during 1972-76, a low proportion for a West African coastal country. Imports grew very sharply in 1976, and possibly 20%

of these goods were destined to neighboring countries as unofficial re-exports. The transit function of the port of Cotonou provided a strong contribution to non-factor services in 1976. Official development assistance provides the bulk of foreign capital flows into Benin, and multilaterals now dominate (half of total foreign aid) where once French aid was paramount (73% of the total in 1965). Net foreign assets increased slightly from 1972 to 1976.

Table 10: SUMMARY BALANCE OF PAYMENTS, 1972-76
(in billion CFA francs)

	1972	1973	1974 /c	1975 /c	1976 /c
Exports	17.0	20.7	22.7	19.2	23.5
Recorded	9.2	9.8	13.2	8.6	8.4
Unrecorded /c	7.8	10.9	9.5	10.6	15.1
Imports	-26.4	-28.6	-31.6	-33.0	-50.0
Trade balance	- 9.4	- 7.9	- 8.9	-13.8	-26.5
Net NFS	- 1.1	- 0.4	0.6	- 0.1	7.0
Resource balance	-10.5	- 8.2	- 8.3	-13.9	-19.6
Net factor services	0.1	0.8	1.6	2.9	4.0
Net transfers	1.8	1.9	3.8	1.8	4.2
Current account balance	- 8.6	- 5.5	- 2.8	- 9.1	-11.3
Public grants and loans	6.0	5.1	4.5	6.4	12.1
Private L-T capital	1.5	0.5	- 0.5	1.8	0.8
S-T capital and errors	0.9	- 1.4	1.9	0.4	- 0.5
Change in reserves /a	+ 0.2	+ 1.3	- 3.1	+ 1.3	- 1.1
Net reserves, end period /b	6.1	4.5	7.1	5.5	6.5

/a Increase in reserves =(-).
/b Net foreign assets, IFS, February 1978. Slight discrepancies compared to change in reserves result from different definitions used by BCEAO and IMF.
/c Preliminary estimates.

Source: Statistical Appendix, Table 3.1.

48. Recorded merchandise exports declined in volume and value terms over the 1972-76 period reaching their highest value in 1974. The major recorded goods exports are palm products (palm oil, kernel oil and cakes), cotton (ginned fiber and seeds), and cocoa beans, which account respectively for 16%, 15% and 7% of total (including unrecorded) goods exports, on the average over 1972-76. Export volume of palm products was 23% higher in 1976 than in 1972, but prices have fallen since 1974. Cotton fiber tonnage exported in 1976 was only 47% of the 1972 level, and exports of cocoa beans, which are really re-exports of Nigerian grown cocoa, have dropped from 15,000 to 1,000 tons in 1976.

49. A major problem with Benin's trade data is the relatively great importance of unrecorded exports. The principal export products for which detailed data are available amount, in recent years, to less than half the value

of goods exports recorded in the balance of payments 1/. This statistical problem is rooted in Benin's traditional trading role and its long borders with Togo and Nigeria, which give rise to a substantial unofficial border trade. The mission estimates that unofficial re-exports (chiefly fabrics, cigarettes, liquor, and canned goods) were about CFAF 9 billion in 1976 (Statistical Appendix Table 3.4). In addition, domestically manufactured goods, particularly textiles, are clandestinely exported, along with food-crops. Comparison of balance of payments and trade data indicates that unrecorded exports were equal to about 12% of GDP in 1976. The mission believes that unofficial exports may exceed unofficial imports.

50. Meanwhile, imported goods have increased in volume and in unit price, resulting in a steadily higher nominal value of imports with a sharp rise in 1976. Imports are composed largely of capital goods (33% of total) and final consumption goods (30% of total), with intermediate and other goods accounting for 37%. Capital goods imports have increased over the 1972-76 period, linked to public sector infrastructure and manufacturing investments. Consumer goods imports, dominated in value terms by cigarettes, liquor and garments and destined primarily to neighboring countries as re-exports, have increased strongly. Cereal imports for the urban centers of southern Benin have fluctuated between 5,000 and 30,000 tons annually in recent years, depending on the domestic supply situation. Fuel imports rose only moderately in value from 4-6% of total imports before the 1974 petroleum price rise to 8-10% since then because Benin was able to obtain hydroelectric power from Ghana starting in 1974.

51. Benin's terms of (recorded) trade improved from 1972 through 1974 before deteriorating in 1975 and 1976 (Table 11). This is caused by the steadily increasing prices of imports, in line with manufactured products worldwide, and the 1974 peak in export prices which largely reflects developments in palm oil prices.

Table 11: TERMS OF TRADE

Year	1972	1973	1974	1975	1976
Terms of Trade /a	100.0	88.5	126.0	101.7	81.5

/a Based on recorded exports and imports, weighted by value year-by-year since consistent data series not available over the period. However, the general composition of export and import trade changed little.

Source: Statistical Appendix Table 3.7.

1/ The difficulty is slightly different for imports, the principal imports (from customs data) usually falling short of total imports, but in 1974 actually exceeding total imports reported in the balance of payments.

52. On the services account, net non-factor services, which have generally been slightly negative in the past, turned strongly positive in 1976, due in large part to port and handling charges on the steeply increased volume of transit goods for Nigeria. Another significant development has been the steady growth over the 1972-76 period of workers' remittance inflows. This item has always been positive in Benin's case, stemming from the large employment of Beninese administrators in other West African countries during the post-war period. The value of gross remittance inflows increased sharply in 1975 and 1976, due in part to the migration of Beninese to Nigeria. Decreases in remittances abroad by expatriates resident in Benin resulted in a net inflow of workers' remittances and other private transfers equal to 4% of GDP in 1976.

53. The current account balance followed the trend of the resource balance, narrowing its deficit through 1974 and then widening through 1976. The current account deficit was equivalent to 7% of GDP over 1972-75, rising to 9% in 1976.

54. The surplus on capital account has, over the 1972-76 period, very slightly exceeded the current deficit, resulting in a marginal increase in net foreign assets to the equivalent of one and one-half months' imports. The major elements of the capital account inflow were public grants and loans, which equaled 99% of the current account deficit, on average, in each year of the period. On a net basis, the grants were considerably more important than the loans, while on a gross inflow basis, loan disbursements were equal to grants over the period 1/. Foreign aid was provided largely on a multilateral basis, with the EEC and UNDP providing half of the grant disbursements over the period and IDA, EIB, AfDB, Conseil de l'Entente, and the Special Arab Fund for Africa providing nearly half of the 1972-76 loan disbursements. Among the bilaterals, Nigeria and France led in terms of grants while the US, France, West Germany and Canada led the field in loans. 2/ Total annual disbursements of public grants and loans more than doubled, in current terms, from 1972 to 1976.

55. The rising level of loan disbursements is reflected in increasing debt service payments, though these remain modest in relation to exports (Table 12). Public debt outstanding doubled over the four years to end-1976, reaching US$101 million disbursed and US$185 million including undisbursed. Foreign loan terms over the past four years have remained concessionary, with an average grant element of 59%, and private bank loans and suppliers' credits accounted for only 19% of total disbursed loans outstanding at end-1976. Debt service payments have remained level at US$6 million per year for the past three years, resulting in a 1976 debt service ratio of 4.2% of goods and non-factor service exports.

1/ "Grants" refers to capital grants only; technical assistance is considered a current item and is included under net transfers.

2/ All Canadian Government loans to Benin were converted to grants in 1976.

Table 12: EXTERNAL DEBT

	1972	1973	1974	1975	1976
Public Debt Outstanding, year-end in million US$:					
Disbursed only	45.4	57.7	79.3	85.4	101.3
Including undisbursed	90.9	110.4	138.4	153.3	185.4
Debt Service, in million US$:	3.05	2.32	6.14	6.01	6.12
Debt Service Ratio, in % of goods & NFS exports:	3.6	2.0	5.3	5.1	4.2
New Loan Commitments, in million US$:	34.9	19.6	32.6	23.3	55.0
Grant Element of New Loan Commitments, %	58.5	60.7	58.1	63.2	54.4

Source: IBRD, Debtor Reporting System; Statistical Appendix Table 4.2.

Note: Grant element defined as the percentage difference between the nominal value of the loan and the value of the future stream of payments of interest and amortization discounted at a rate which reflects the opportunity cost of capital.

F. Monetary Developments and Prices

Monetary System

56. The major recent development in Benin's monetary system has been the creation in 1975 of a single government-owned commercial bank, BCB (Banque Commerciale du Benin), by amalgamating the operations of three existing commercial banks. The nationalization of the commercial banking system has generally proceeded smoothly, though the final accounting for assets and liabilities transferred is not yet complete. Banking now consists of three banks, all Government-owned: the BCB, a development bank (BBD), and an agricultural credit bank (CNCA); in addition to the multinational central bank (BCEAO). As part of the West African Monetary Union (UMOA), Benin's central bank is the BCEAO (Banque Centrale des Etats de l'Afrique de l'Ouest) and its currency is the CFA franc (tied to the French franc). Any credit line in Benin exceeding CFAF 30 million has to be pre-authorized by the BCEAO, which also intends to implement guidelines on the sectoral distribution of credit shortly.

57. The BCB's banking facilities are located in 15 towns throughout the country, and its lending activities center around short-term credits. The development bank, BBD (Banque Beninoise de Developpement) extends long-term loans and also offers commercial banking services to the state enterprises. The agricultural credit bank, CNCA, limits its lending activities to the agricultural sector (see para. 14).

58. The doubling of domestic credit during 1975 essentially reflects the shift from a foreign-owned to a domestically-owned banking system rather than a "real" increase in the money supply. Following the nationalization of the deposit money banks, the BCB was forced by its overseas correspondent banks to increase its working balances with them; the BCB's gross foreign assets rose from CFAF 3 billion at end-1974 to CFAF 23 billion two years later (Table 13). To supply the BCB with this foreign exchange, trading firms based in Benin who had previously held deposits directly with overseas banks shifted funds to the BCB, whose private deposits rose from CFAF 12 billion to CFAF 21 billion over the same period (Statistical Appendix, Table 6.3). The Government raised its deposits with the BCB over the 1975-77 period (while allowing its gross deposits with the BCEAO to stagnate) and the Central Bank increased its credit to the BCB by CFAF 6 billion from end-1974 to end-1976. In this manner the BCB was able to fully replace the earlier French banks as a supplier of private domestic (largely trade) credit, which rose from CFAF 16 billion to CFAF 32 billion over these two years.

59. Since the major structural changes of 1975, monetary policy has basically reflected trends in the real economy. The broadly-defined money supply was 16% higher on average in 1976 than during 1975 (though it declined on a December to December basis), compared to a 10% real increase in GDP. The target for expansion of domestic credit in 1977 was set at 20% in order to accommodate expected GDP growth of 9.5%. Distribution of private credit (Statistical Appendix Table 6.7) reflects especially the sharp growth (from a small base) of the industrial sector.

60. During the entire 1972-77 period, net foreign assets of the banking system remained roughly at the CFAF 5 to 6 billion mark as the BCB's foreign assets and liabilities expanded in parallel and the Central Bank's foreign deposits declined. The Government has remained a net creditor toward the banks, and as of mid-1977 it had the capability to borrow as much as CFAF 4 billion more from the Central Bank under UMOA rules.

Table 13: MONETARY SURVEY
(CFA francs billion)

	1972 Dec.	1973 Dec	1974 Dec.	1975 Dec.	1976 Dec.	1977 June
Foreign assets (gross)	8.19	8.79	10.72	16.54	28.04	n.a.
Central Bank	(7.27)	(7.62)	(7.69)	(3.37)	(4.78)	(3.10)
Deposit Money Banks	(0.92)	(1.17)	(3.03)	(13.17)	(23.26)	(n.a.)
Foreign assets (net)	6.07	4.46	7.05	5.50	6.47	5.24
Domestic credit	9.90	11.57	14.03	29.50	29.80	31.77
Claims on Government (net)	(-0.51)	(-1.16)	(-2.42)	(-2.95)	(-2.30)	(-5.33)
Claims on private sector	(10.41)	(12.73)	(16.45)	(32.45)	(32.10)	(37.10)
Money and quasi-money	13.89	14.79	18.45	31.87	30.63	34.73
Other items (net)	1.38	1.24	2.63	3.13	5.64	2.28
Government deposits with banking system (gross)	2.60	3.45	4.72	4.99	4.35	8.70

Source: Statistical Appendix Tables 6.1, 6.2 and 6.3.

Prices

61. Benin's pattern of price rises has been marked by steep increases in 1974, reflecting higher oil and other import costs, and inflation rates of 8-10% p.a. over 1975-77. These general developments are discernible from the general price series presented in Table 14 below. Unfortunately, there are no official indices of consumer, wholesale or import prices in Benin, but the series shown below all reflect the same overall trend. Probably the best price indicator is the implicit GDP deflator estimated by the mission, which shows prices rising in line with worldwide inflation, without any significant domestic cost-push component. The food shortage of early 1977 appears to have been largely resolved by the end of the year.

Table 14: SELECTED INDICATORS OF PRICE TRENDS

(Annual growth rates of current CFAF prices)

	Annual Inflation, %				
Indicator	1973	1974	1975	1976	1977
Implicit GDP Deflator /a	6.5	14.3	8.3	9.2	10.0
High Income CPI /b	1.4	19.3	9.5	8.0	15.2 /c
Local Products Price Index /d	6.2	13.0	3.7	9.0 /e	n.a.
French Export Price Index /f	10.0	26.1	5.6	9.1	9.1 /g

/a Mission estimates, computed from Statistical Appendix Tables 2.1 and 2.3.
/b Statistical Appendix Table 7.1.
/c Annual adjusted rate based on first six months.
/d Ministere de la Fonction Publique et du Travail; make-up of "basket" of products not specified.
/e Mission estimate.
/f IMF, International Financial Statistics, February 1978.
/g From third quarter 1976 to third quarter 1977.

G. Human Resources

62. Benin suffers from considerable unemployment and underemployment; at the same time, there is an acute shortage of skilled labor, and scarce resources are spent on educational programs which do not produce appropriate skills. The manpower constraint in Benin is related, first, to the country's poverty and limited budgetary resources. Second, the Beninese education system has long striven to produce high-caliber administrators (who often worked outside the country), while until very recently little attention was paid to vocational training. Third, the Government has opted for self-reliance minimizing the number of expatriate staff. Fourth, for economic and political reasons, certain Beninese studying abroad do not return home and many highly educated Beninese have left the country.

Employment

63. The total labor force is estimated at about 1.5 million (46% participation rate) of which 1.4 million (95%) are employed in the traditional rural sector and less than 100,000 (5%) in the modern sector. The rural labor force is half female, and women generally work both in agriculture and in marketing of produce and other trading activities. Plantation employment in agriculture is extremely limited (found mainly in modern palm oil production and on state farms) and smallholder farming predominates. Commerce occupies a relatively high 36% of the rural workforce, almost exclusively (95%) women. There are 50,000 workers in the formal modern sector and about 30,000 casual workers in the informal sector. Government, commerce and other services are the largest employers in the modern sector.

64. Manpower skills are generally low in Benin (Table 15). This is related to the low level of urbanization (13%), the embryonic nature of the modern sector, and the low national income. Only 2% of the labor force are considered modern sector skilled workers and less than 1% are higher-level managers or technicians. Certain types of skilled labor--mechanics, metal workers, electricians, construction and office workers--are in very short supply. This is essentially due to the lack of vocational training facilities in these fields. In the rural sector very little training of the farming population has been carried out. Functional literacy programs included in a few rural development projects (e.g., the IDA-financed Zou-Borgou and Grand Hinvi projects) have been successful, but farmers generally have been little exposed to modern techniques partly due to a serious lack of agricultural extension agents.

Table 15: BREAKDOWN OF THE LABOR FORCE BY QUALIFICATION, 1975

Sector	Number	%
I. Modern Sector	79,900	5.3
Salaried manpower	49,900	3.3
Senior staff	(3,100)	(0.2)
Middle level staff	(5,200)	(0.3)
Skilled workers	(23,200)	(1.5)
Unskilled workers	(18,400)	(1.2)
Non-structured (unskilled workers)	30,000	2.0
II. Traditional Sector	1,420,000	94.7
Total	1,500,000	100.0

Source: Ministere de la Fonction Publique et du Travail.

65. No reliable data on urban unemployment in Benin are available, and Government estimates range from 20,000 to 40,000. These unemployed are mainly seeking jobs in the modern sector but lack basic education. However, limited observation of the situation in Cotonuou suggests that urban unemployment is perhaps not as critical a problem here as elsewhere in West Africa. Low urban wage levels in Benin and the ease of emigration to neighboring countries (especially Nigeria) may alleviate, to some extent, the problem of unemployment.

Income Levels

66. With respect to incomes, the Government's main concern has been to keep wages and salaries low because of the limited public finance resources. This policy has not only affected the level of revenues of the urban population, but revenues in the countryside as well, to the extent that the Government has tried to keep producer prices low. Some farmers have, however, circumvented this intention by unofficially exporting maize to Nigeria at higher prices than those prevailing in Benin. Contrary to most Western African countries, the gap between urban and rural incomes has probably diminished in Benin over the seventies. This may have assisted in slowing down the rural exodus.

67. Real incomes in both the public and the private salaried sector have declined over the past decade. The current minimum industrial wage in Benin (CFAF 45 per hour) is 60% lower than in Ivory Coast and 25% lower than in Togo. This contrasts with the situation in 1963, when Benin's minimum wage was 25% higher than in Togo and only 15% less than in Ivory Coast. While Benin is certainly benefitting in a competitive sense from its low wages, and admitting that the minimum industrial wage may not reflect the overall wage level in the modern sector, it is still striking to note that the minimum wage has risen only 32% over a fifteen year period. Civil service salaries have been essentially frozen since 1966, as described earlier, and adjustments for family allowances and promotions have not made up for inflation.

Education

68. The literacy rate in Benin is about 10% despite the Government's efforts at increasing school enrollment. Between 1971 and 1975, primary school enrollment grew by 9% per year, and secondary by 14%. The primary school enrollment ratio amounted to 43% in 1975. In the same year, about 350,000 students were engaged in the formal education system.

69. Rapid expansion of the education system has been costly and has stretched available resources very thin. Recurrent expenditure for education reached 33% of total current expenditures in 1976, but the rate of growth in real terms (3% p.a.) has not kept pace with the growth of school enrollments since the early seventies. As a result, the quality of education has considerably diminished: the proportion of teachers lacking formal qualifications and the number of pupils per class have increased, and the number of failed students, dropouts and repeaters has also increased. The structural weaknesses of the system have worsened: the access of girls to formal education

has slightly diminished, the apportionment of school facilities is still very much in favor of the south, where the primary school enrollment ratio is about 53% compared to 28% in the north. Finally, the proportion of material and supplies expenditures to total education expenditures is dramatically low, less than 5 percent. As a result the students are deprived of the most elementary supplies. This gap is made up, but only partially, by the parents.

70. The Government has recognized the country's manpower constraint and in 1973 a national commission to study the education system was established. In June 1975 an Educational Reform Program was adopted. The Reform, to be implemented in phases, aims both at a better adjustment of the education system to the needs of the country and at a reduction of the cost of formal education. The main features of the Reform consist of:

(i) reduction of the length of primary education from 6 to 5 years and the secondary level from 7 to 6 years;

(ii) establishment of a two-year nursery school cycle;

(iii) upgrading of the vocational schools;

(iv) expansion of non-formal education to provide vocational training for those completing the basic education cycle, as well as to young people who have not had access to formal education;

(v) introduction of vernacular languages in basic education; and

(vi) creation of school production units (cooperatives) aiming both to achieve a better integration of education in the rural environment and to contribute a planned 20% of school running costs.

71. The objectives of the reform are basically sound, with the exception of the establishment of the nursery schools which is difficult to justify in a largely rural African country. With respect to the school production units, a study of their operations appears indispensable considering the difficulties of organization and teacher training presently faced. The Rural Youth Clubs (4-D Clubs) which have been in existence since 1967 have experienced the same difficulties in their production activities: lack of suitable land, adequate input supplies and technical support.

72. The Government is firmly committed to implementing the Reform. It has established a dynamic planning team within the Ministry of Education and undertaken a study of the financial implications of the Reform. It has already taken a number of economy measures in education including: (1) employment of "Jeunes Instituteurs Revolutionnaires" (recruited at the primary level and given brief training) who are paid CFAF 15,000 per month, compared with CFAF 25,000 paid to qualified teachers; (2) employment of university students for middle-level teaching; (3) extension of teachers' working hours by 25%;

(4) reduction of private school subsidies for basic education; (5) transfer of senior civil servants' allowances to a special account to finance the Reform; and (6) obligatory parents' contributions to school construction and purchase of school supplies. These measures should help ease the financial burden of the Reform.

73. All recent education projects have been in line with the Reform, including the IDA-financed First Education Project which will train and upgrade industrial and commercial workers (CPPE) and strengthen the Rural Youth Clubs. At full capacity in the early eighties, the CPPE will train about 2,000 workers per year. The Rural Youth Clubs presently include 3,500 members who will receive a minimum education, focused on farming, at a lower unit cost than primary school. A center (CEFAP) has been established to train and upgrade Government staff at low, middle and higher levels. Another project is the Polytechnic Center (CPU) which trains annually about 200 higher level technicians in industry, administration, biology and medical sciences. The CPU project has two major drawbacks. Its output of biologists, for instance, largely exceeds the local demand; and its recurrent costs are extremely high, almost equivalent to the present education budget. This will create insurmountable financial problems once foreign financing of operating costs ends. Already, the financing of the local counterpart contribution raises serious problems.

Health

74. Health services have suffered due to the tight public finance situation in the early seventies. In 1976, there was one doctor for every 36,000 inhabitants and one dentist for 380,000. Benin has five hospitals offering 1,250 beds, 34 health centers with 760 beds and 214 dispensaries. Facilities are poorly equipped and unevenly distributed between urban and rural areas, and between the north and the south. The Government's objectives are to expand health facilities in the provinces and to integrate modern and traditional medicines, but few resources have been made available to accomplish these goals. The University of Benin graduated its first medical doctors in 1977, partly in order to ensure that more Beninese doctors practice medicine in Benin.

Other Social Services

75. There are no reliable figures on nutrition or access to water, but there is no evidence that the situation has substantially changed in recent years. The Government, with the assistance of IDA, AfDB and UNICEF, is presently undertaking a program to develop public utilities in the secondary centers and wells in the rural areas. These investments are part of the Government's program to develop the northern regions.

H. Living Conditions

76. Only an incomplete picture of present living conditions in Benin can be drawn. Agricultural surveys were conducted in each province during the 1976/77 season, but only one has been published to date. If surveys of income

levels, household expenditure patterns, and access to services were conducted in the urban areas and secondary towns as well as in the rural zones, it would be feasible to assess the basic needs situation in Benin and its regional aspects. As an indication of the type of data which could be obtained, and to give some flavor of conditions in rural Benin, the results of the Atacora Province agricultural survey will be briefly discussed. 1/

77. The Atacora farming population of 360,000 persons represents 88% of the total population in Atacora Province. The average farm household consists of 7 persons with 3.6 economically active individuals; 41% of the rural population is under 14 years old. The average farm size is 2.0 ha, with a very equitable distribution: 71% of farms are between 0.5 and 2.5 ha, and the Gini coefficient of farm size distribution is 0.34. 2/ Further, farm size varies directly with the size of the farm household; for example, the 30% of farmers who are polygamous cultivate one to two ha more than the average. The main crops grown are foodcrops - sorghum, millet and yams - and only 47% of the farms grow any industrial crops at all (mainly groundnuts and a little cotton). The average farm also includes a pair of cattle, a few goats and chickens. Farming tools are limited to hoes, machetes and axes; there is no mention of animal traction or mechanized farming.

78. Income among Atacora farm households averaged $82 per person in 1976-77 (about half the national GDP per capita). Agriculture accounted for 98% of this income and livestock for 2%; off-farm employment was not included in the study though this is stated to be small. Some 84% of farm income is consumed in kind on the farm. Cash expenditures are for (in priority order): tools, fertilizers, livestock; clothing; ceremonies; taxes; medicines; and food.

1/ Structure des Exploitations Agricoles Traditionelles de la Province de l'Atacora (campagne agricole 1976-77), Ministere du Developpement Rural et de l'Action Cooperative, Porto Novo, March 1977. This survey was carried out by the Studies and Planning Directorate of the Ministry in cooperation with the Atacora CARDER. In addition, infrastructure development and incomes were included in the survey at the request of and financed by the Bureau Central des Projets. This makes the Atacora survey particularly useful in socioeconomic terms. The survey covers only traditional agriculture, but this accounts for at least 99% of the area under cultivation, the remainder consisting of State and Provincial farms.

2/ The Gini coefficient is a summary measure of inequality in income distribution, ranging from zero for perfect equality to one for perfect inequality. Its use here is only indicative, since the link between farm size and income is not known.

79. Social services have improved in Atacora Province during the 1970s. The percentage of villages with schools doubled from 1969 to 1976 (reaching 41%); water supply has improved; farmers' pre-cooperative Groupements Villageois now cover half of all villages; the proportion of villages with health centers (13%) and local markets has increased. However, feeder road access has not kept pace with the establishment of new villages, and the proportion of villages enjoying year-round access (50%) was slightly lower in 1976 than in 1969.

80. This picture of rural life in Atacora Province may be representative of conditions in the north of the country. Similar surveys for the south would certainly show higher income levels, higher population densities, better services, and an important urban population about which the mission was not able to obtain much information. The Atacora data do support the mission's general impression of rural life in Benin, dominated by smallholder, subsistence agriculture using rudimentary technology. If non-farm income were added to farming incomes, it is likely that rural incomes would show a surprisingly small gap, on average, compared to urban incomes. A larger income differential is likely to arise between rural and unskilled urban workers on the one hand and traders on the other. There does not appear to be any significant class of agricultural landlords or tenant farmers, and the impression received by an outsider is of a rather egalitarian society. The substantial recent improvements in social conditions, particularly in education as discussed in paras. 68-73, attest to the priority accorded the social sectors by the Government.

III. DEVELOPMENT PROSPECTS, 1977-85

A. The Three-Year State Development Plan (1977/78-1979/80)

The Plan

81. The Three-Year State Plan, released in October 1977, is essentially a shopping list of projects set in a loose macroeconomic framework 1/. It is envisaged as an important step in achieving planned socialist development in Benin, and includes as its objectives raising the standard of living of the entire population; seeking independent national direction of economic policies and international relations; and promoting mass participation in the conception and implementation of economic and social change. The Three-Year Plan is the first published planning document to appear since the 1971-72 Interim Plan, and is the first plan reflecting Benin's socialist orientation. It was drafted by the Revolutionary Military Government, and was extensively discussed throughout the country for nearly a year prior to publication.

82. The Plan begins with a discussion of the 1972-76 economic and social situation which covers the same ground presented in the earlier sections of this report. Development problems of the past five years are recognized: stagnation of incomes, outmoded agricultural techniques, shortages of trained manpower, urban unemployment and emigration. The continuing fragility of the economy and the concentration of exports (composed 60% of edible oils) are noted. However, the analysis of the sharp economic upturn of 1975 and 1976, while recognizing the importance of domestic factors, must also recognize the country's success in taking advantage of expanded trading opportunities with neighboring Nigeria.

83. Targets for the planning period are set in terms of growth, investment, and employment. GDP growth rates are presented in terms of current prices; adopting a price deflator estimated by the mission, the Plan's target growth rates become, in constant prices:

	1977/78	1978/79	1979/80
GDP growth, % p.a.	2.5	9.5	12.7

The structural composition of the economy is projected to shift sharply in favor of industry (rising from 11% to 17% of GDP at factor cost between 1977 and 1980), while the relative contributions of commerce (presently nearly one-fourth of GDP) and public administration would decline. The proportion of GDP attributable to the primary sector (mainly agriculture) would remain constant at 37-38% of GDP at factor cost, and agriculture would contribute to the financing of industrial expansion.

1/ The Plan extends from October 1977 to December 1980. It was originally intended to cover the calendar years 1977-79 but adoption was slightly delayed; the second and third years of the Plan now coincide with calendar years 1979 and 1980 respectively.

84. The investment program outlined in the Plan to bring about this growth is unrealistically ambitious and heavily concentrated in capital-intensive enclave projects and in a significant expansion of transport facilities (Table 16). The Plan envisages nearly 90% of the CFAF 244 billion investment program to take place in the first two years, for an average of CFAF 108 billion per year. Using the Plan's estimates of GDP, this would represent 64% of GDP on average in 1977/78 and 1978/79, up from about 20% in 1976. Beninese project preparation, financing and manpower are not adequate to permit execution of this magnitude of investment, and it is clear that investment will be much more modest than planned over the three-year period (see paras. 94-96).

Table 16: SUMMARY OF THREE-YEAR PLAN INVESTMENT (1977/78 - 1979/80)

Sector	Amount (billion current CFAF)	Percent of Total
Industry, of which	111.5	45.7
Save sugar	30.0	12.3
Onigbolo cement	17.4	7.1
Oil refinery	25.0	10.3
Offshore oil production	20.0	8.2
Transport, of which	54.8	22.5
Roads	22.7	9.3
Rail	7.6	3.1
Port	19.6	8.0
Rural Development	26.0	10.7
Public Utilities	22.1	9.1
Tourism	3.2	1.3
Commerce	3.5	1.4
Health	6.8	2.8
Education	16.0	6.6
Total	243.9	100.0

Source: Plan d'Etat de Developpement Economique et Social 1977/78-1979/80, Rapport de Synthese, December 1976.

85. Plan investment is focussed on five large projects (Save sugar, Onigbolo cement, oil production, the oil refinery, and the port of Cotonou) which together account for CFAF 112 billion or 46% of total investment. Investment in the modern sector, including industry, transport, and public utilities, comes to CFAF 180 billion or 77% of the total. By contrast, rural development projects covering such areas as foodcrops, livestock, fisheries, and support of the CARDERs, amount to CFAF 26 billion or 11% of total. This allocation clearly opts for industrialization through capital-intensive enclave ventures. However, this is partly the result of the availability

of financing for the large projects, which might not have been available for smaller or more internally-oriented projects. If the five large projects are excluded, the proportion of spending for rural development rises from 11% to 20%.

Development Strategy

86. Benin's development strategy, as expressed in the Plan, aims first to increase the pace of industrialization. This is to be accomplished by stressing production of intermediate goods, developing the internal market, and providing state control of major industrial enterprises. Investment in rural development is to focus on food self-sufficiency, increasing rural purchasing power, and providing a surplus which can finance imports of capital goods. The possibility of shifting from exports of traditional cash crops to foodcrop exports is also mentioned. Transport investment is viewed as a key to the country's development, and the Plan includes several ambitious projects. Objectives in health and education are to provide basic public health and schooling throughout the country, without charge, and to develop technical and professional training.

87. Benin's planned investments are in fact heavily devoted to capital-intensive, export-oriented, and foreign-financed projects having enclave characteristics (Save sugar, Onigbolo cement, oil production). Where the test of economic efficiency is carefully applied, these projects can provide valuable foreign exchange and public revenues. The need for economic efficiency is highlighted by the IBETEX textile plant, which will not contribute to Benin's economic growth until managerial and marketing problems are resolved to permit profitable operation. There will be few linkages between these large-scale industrial ventures and the bulk of the population working in agriculture. Projects such as a cooperative (COBEMAG) which designs and manufactures simple farm implements for the internal market are few and modest in comparison, due largely to the small size of the domestic market. This emphasizes the need for Benin to exploit its role as a strategically-located transit center by promoting exports of manufactured goods by medium-size firms and agricultural commodities to neighboring countries. This implies healthy private and cooperative sectors to supplement the large public enterprises.

Allocation of Resources

88. An analysis of the allocation of resources proposed in the Plan is rendered difficult by the lack of project detail provided to the mission. Since many investment areas are not described in depth, the analysis here will focus primarily on major projects, assessing the degree of project preparation, the status of financing, and the priority of the project.

89. The 40,000 ton Save sugar project, now estimated to cost CFAF 43 billion, is one of the largest projects in the Plan. Land clearing and construction of an irrigation dam began in 1977, but the CFAF 22.5 billion in debt financing has not yet been secured. It is a joint venture, with Nigeria providing 40% of the equity and the UK technical partner, Lonrho, 5%. Three-fourths of the sugar mill output will be exported to Nigeria, which should

have no trouble absorbing this sugar in light of total projected Nigeria sugar imports of 140,000 tons in 1979/80. This project is a capital-intensive enclave project which will create 3,000 seasonal jobs (average investment cost of $40,000 per job) and will not attack the broad problems of rural development. Therefore, the main benefit is the foreign exchange saved on imports and earned on exports, and this means that the economic return to Benin will be based on the operating efficiency achieved and the export price negotiated with Nigeria. Considering the very heavy debt service burden (about $360 per ton), it is recommended that Benin seek to negotiate a pricing arrangement with Nigeria which would tie the price to the cash flow situation (i.e., a higher price while suppliers credits are being repaid). This would ease the medium-term liquidity problem. With efficient operation and an adequate pricing agreement, the Save project could be quite successful by capitalizing on Nigeria's market and financial backing.

90. The Onigbolo cement project is designed to produce 500,000 tons of cement per year, based on Benin's limestone deposits, for a capital cost, including infrastructure, of CFAF 34 billion (about US$280 per ton). The market is primarily Nigeria, and the Nigerian Government is participating in the equity and fully guaranteeing the debt on the cement factory. The Government of Benin holds 49% of the CFAF 6 billion equity, Nigeria 41%, and the Danish technical partner (F.L. Smidth and Co.) 10%. The remainder of the CFAF 25 billion factory cost is being financed by European commercial banks and suppliers credits. Work on the factory is scheduled to start in March 1979 and to take about 34 months. The transport of cement to Nigeria will be by rail, and planning for this component must proceed as quickly as possible. Other infrastructure will include electricity, roads, and a workers' city. The Government anticipates a satisfactory rate of return on this major investment which will exploit presently untapped mineral resources. The pricing of cement for sale to Nigeria should not pose a problem since the Nigerian Government is financially committed to the project.

91. Promising indications of crude oil reserves have been located off the Benin coast, and an initial study for an oil production project has been completed. Recoverable reserves are estimated at several tens of millions of barrels of low sulphur, low gravity crude oil. Negotiations are now underway with a Norwegian firm for production of the oil, which could begin in the early 1980s. The Plan includes CFAF 20 billion for this investment, which should yield a reasonable return to the Government over the 10 to 15 years of production from the field. However, the Plan also includes CFAF 25 billion for an oil refinery. It is not likely that a refinery would be justified since Benin only imports about 100,000 tons of petroleum products annually, thus implying a low-volume, high-cost operation. The current worldwide surplus of refining capacity would not make the export of refined products an attractive possibility. The Government should therefore resist any temptation to invest in a refinery, particularly on commercial financing terms.

92. Investments in the transport sector are planned to total CFAF 54.8 billion, geared toward increasing the capacity and viability of the "Benin Route" to Niger and other landlocked countries. The expansion of the road network in the south and paving from Bohicon to Dassa and Savalou can be justified by the geographical comparative advantage of Benin transit for Niger and Nigerian goods. Expansion of Cotonou Port (costing about CFAF 11 billion) is clearly needed to cope with the rapid increase in Nigerian imports routed through Benin, and this project is being financed by external sources led by the World Bank Group. Improvement of the Cotonou-Parakou railway is underway, and a study is to be carried out of the possibility of extending the railway to Niamey. Modal competition will become serious in the early 1980s when the remaining segment (Dassa-Parakou) of the north-south road link is paved making direct truck transport from Cotonou to Niamey cheaper for most goods and faster than rail.

93. Among the other sectors, few specific projects emerge from the Plan. Rural development investments (excluding Save sugar), total about CFAF 9 billion, and concentrate on support for the CARDERs. Major projects, including both technical assistance and productive components, are planned in support of each provincial CARDER, with financing provided by multilateral and bilateral aid agencies. A maize mill is under construction at Bohicon. Projects in education and health, including the Polytechnic Center at the University, primary teacher training schools, agricultural training, and health services, are underway or being planned. The Onchocerciasis Control Program, covering seven West African countries, should greatly reduce the risk of riverblindness in northern Benin by 1979. Rural water supply and increased thermal generating capacity are also to be provided. A mineral resource inventory of Benin is in the preliminary stages.

Resource Mobilization

94. An analysis of the probable medium term investment level must be based on an assessment of available financial resources and absorptive capacity. The Plan indicates that foreign commitments of about CFAF 102 billion are already assured or in view. This is consistent with the mission's estimate (which includes inflation up to early 1979) of likely foreign financing over the three years (Statistical Appendix Table 4.6). However, the remaining CFAF 120-140 billion of financing required is unlikely to be obtainable over the 1977-80 period from foreign sources given present knowledge of commitments. These planned expenditures can only be regarded as an indication of future investment priorities; any substantial investment which would actually take place by 1980 would already require a financial commitment. The mission's best estimate of foreign resource availability over the plan period is presented in Table 17. Although these figures represent only the foreign-financed components of projects, there is a substantial discrepancy between the mission's estimate of realistic investment and the Plan total. The discrepancy is mainly due to Plan projects whose financing is not yet confirmed, and it is not believed these will materialize over the period.

Table 17: MISSION ESTIMATE OF FOREIGN FINANCIAL COMMITMENTS FOR INVESTMENT, 1977/78-1979/80

	Mission Estimate, CFAF billion	% of Plan Total
Industry, of which:	65.8	59.0
Save Sugar	39.3	131.0
Onigbolo cement	22.0	126.4
Oil production /a	0.0	0.0
Oil refinery /b	0.0	0.0
Transport, of which:	27.8	50.7
Roads	11.6	51.1
Rail	5.4	71.1
Port	10.8	55.1
Rural Development	9.0	34.6
Public Utilities	11.9	53.8
Tourism	0.0	0.0
Commerce	0.0	0.0
Health	2.4	35.3
Education	5.2	32.5
Unallocated	3.3	n.a.
TOTAL	125.4	51.4

/a Considered possible, but not likely during Plan period.
/b Not considered likely.

Source: Statistical Appendix, Table 4.6.

95. To these foreign resources must be added an estimate of the potential for domestic resource mobilization. On the basis of projected Government current revenues and expenditures, allowing for an increased socialization of the economy, the current surplus over the 1977/78 - 1979/80 period is estimated at about CFAF 8-9 billion. When reasonable financing from the Central Bank and domestic banking system is added (about CFAF 5 billion), the total domestic contribution to public investment would be around 15%. This percentage is based on foreign loan and grant disbursements of CFAF 80-90 billion over 1977/78 - 1979/80, so that public investment would reach about CFAF 100 billion. Total fixed investment, including housing construction and limited private investment not considered in the Plan, would be around CFAF 110-120 billion over the three years, or 19% of projected GDP.

96. This analysis leads to a more reasonable size and timing of proposed investment. The revised public investment of CFAF 100 billion, equivalent to gross domestic fixed investment of 19% of GDP compares with 15.3% of GDP, on average, over 1972-76. The increase is substantial, and is largely made possible by the Nigerian guarantees of the financing for the Save and Onigbolo projects (no substantial investment in petroleum production or refining is

included in this projection). These investment estimates also presuppose a satisfactory trained manpower situation to implement the various projects, and this is potentially a serious bottleneck.

97. The Plan document originally lacked consideration of current budget implications. This was a shortcoming, since once the proposed investments are implemented (largely on the basis of foreign financing), it becomes necessary to maintain, staff, and operate the facilities created within the constraints of current revenue. However, an initial step was taken in 1979, when the annual investment budget and the second annual tranche of the Plan were adopted simultaneously. The investment budget thus includes the necessary counterpart funds for the projects envisaged in the Plan. In addition to this useful step, it would be extremely valuable for the Planning Ministry (MPSAE) to prepare projections of the current budget linked to the investment plan. Such a projection would give early warning of increased revenue efforts or cuts in capital or current expenditures required to achieve a desired fiscal balance. This analysis would underline, for instance, the need for higher road, rail and port tariffs to place the transport sector on a more sound economic footing. It would also indicate the sharply increased debt service burden which will accrue as a result of increased investment and greater reliance on suppliers' credits. Monitoring and medium term forecasting of public enterprise financial operations will become increasingly critical.

National Planning System

98. The Three-Year Plan has been produced within an entirely new system of national planning (Statistical Appendix, Figure 1). The Supreme Planning Council is a political body, presided over by the President of the Central Committee, which sets the objectives, priorities, and general strategy of development. The National State Planning Commission carries out these directives and coordinates the entire planning system. It is headed by the Minister of Planning and the Director of State Planning provides the secretariat. Regional Planning Committees are established in the provinces under the leadership of the prefect, and unite political, administrative and social representatives. There are Directorates of Studies and Planning (DEPs) in each ministry which plan the execution of development within their individual sectors, and each province and state enterprise also contains a planning unit.

99. This planning system is sound in concept, and provides for political direction, technical implementation and local feedback. The mission particularly supports the concept of the DEP in each ministry which provides a standardized contact point on planning and programming matters throughout the Government. There has also been, over the past year, considerable discussion and popularization of the Plan within the various ministries and at provincial meetings. The aspect of monitoring Plan implementation is not discussed in detail, but the Director of State Planning indicated to the mission that the DEPs have primary responsibility for monitoring progress in their sectors while State Planning would review these reports to see if the plan is on schedule. The mechanism for making adjustments based on actual execution

is not clearly understood by the mission, and needs perhaps to be elaborated more fully within the Planning Ministry to ensure that the Plan retains its usefulness during the implementation period.

B. Medium-Term Prospects

100. The following projections of economic growth in Benin over the medium-term are based on the mission's best estimate of project implementation, known and projected foreign aid commitments, and reasonable trends in the subsistence sector. The precise magnitude of the figures obtained may have modest significance, but the relationship of the parts to the whole provides a useful perspective.

101. The medium term outlook for economic growth in Benin is favorable as a result of strong demand from Nigeria for food, re-exports, and services, and the impact of a higher level of investment supported in large part by foreign aid. Real growth during 1978-85 is thus expected to average 6 percent per annum (Table 18). This outlook assumes a higher level of investment in transport and initiation of two large industrial projects, financed jointly with Nigeria, to produce sugar and cement for the Nigerian market. These projects are at an advanced stage of preparation, but the extent of their benefits to the Benin economy will depend on the negotiation of favorable prices with Nigeria and the efficiency of their operations. Benin's growth prospects will also depend on effective agricultural pricing and marketing policies to stimulate the present lackluster performance of the rural sector. In the long term Benin's growth potential is limited by poor resources to perhaps 5% per year, with some upside potential related to offshore oil possibilities. Even achievement of this rate will depend on the ability of Government to channel resources and orient programs--in social and economic infrastructure, training, and marketing--to the development of food and, to a lesser extent, cash crops.

Table 18: MACRO-ECONOMIC PROJECTIONS

	1977	1978	1979	1980-82	1983-85
Growth rate of GDP, constant prices, % p.a.	9.8	5.1	6.1	5.8	5.6
Primary Sector	12.8	2.3	2.4	3.4	3.6
Industry	9.4	8.5	12.0	10.0	14.4
Commerce	10.0	7.0	7.0	6.3	5.0
Public administration	5.0	5.0	5.0	5.0	5.0
Gross domestic investment as a % of GDP	17.1	17.6	23.2	19.8	16.0
Gross domestic savings as a % of GDP	2.0	3.0	1.9	2.5	4.8
Resource gap as a % of GDP	15.1	14.5	21.3	17.3	11.2
Debt service as a % of exports	4.6	3.8	4.1	10.3	12.1

Source: Mission estimates.

Strategy

102. To achieve the projected rate of development of the economy, certain policy options are recommended which in a number of respects constitute alternatives to the strategy outlined in the Three-Year Plan. First is the encouragement of outward-looking regional and international trade policies. The poor performance of exports in the past needs to be corrected through emphasis on agriculture. The potential for increased foodcrop and manufactured goods exports to Nigeria should be investigated and any administrative or infrastructure constraints on this trade should be removed. Of course, the long term stability of Nigerian demand should be assessed before basing further export-oriented projects on the Nigerian market. Second, better programs for training skilled manpower in critical occupations is needed, as well as the paring down of "luxury" education programs to keep the burden on the current budget to a reasonable level. Technical manpower will be increasingly in demand as large new projects, relying initially on expatriate managers, come on stream. Third, policies to strengthen the analytical and management information base for economic planning are recommended. These should encompass further development of project economic analysis capability (such as the Bureau Central des Projets), better financial control of public enterprises, and better statistics in agriculture and trade. Such capability is needed, for instance, to closely evaluate pricing arrangements for projects like Save sugar and Onigbolo cement and to study the implications of hard-term financing. Better medium-term financial planning within the Government and a mechanism for adjustment of Plan targets would also contribute to the planning process. 1/

103. With a rising investment rate (GDI, including stock changes, projected to average 18.5% of GDP over 1978-85, compared to 16.5% during 1972-76), it becomes crucial to examine production possibilities in agriculture and industry. To promote the preparation of agricultural investments, it is suggested that the Government undertake studies of small-scale irrigation possibilities (which could be an inexpensive means to supplement low and irregular rainfall) and village-level foodgrain storage needs (which would be a prime component of any foodcrop expansion program). An analytical review of agricultural pricing incentives and marketing systems would be desirable to obtain a clearer understanding of problems in the sector. In industry, the 1972 Investment Code needs to be brought up to date to encourage equity participation by domestic and foreign entrepreneurs in priority areas, thereby relieving some of the public financing burden. Given the limited domestic market in Benin, whose expansion depends on development of the rural sector, future large-scale projects should generally be export-oriented. At the same time, many opportunities in mechanical repair, small import-substitution industries, and exports aimed at neighboring countries are probably best suited to small private entrepreneurs, mixed enterprises or cooperatives. The traditionally important role of domestic small-scale traders and manufacturers needs to be considered in the development planning process and encouraged through provision of credit and technical assistance. An economic study of

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1/ These ideas are more fully discussed in paras. 107-116 and in Annex A (Agriculture) and Annex E (Statistical Problems).

Benin's industrial prospects and problems would provide valuable indications for future investment opportunities. 1/

Production

104. The 1977 economic picture is dominated by a strong recovery in agricultural production, due to improved rainfall after the poor 1976 harvest. The 13% jump in real primary sector output must be viewed as part of a much more modest long-term trend indicated by 1972-77 average growth of only 1.5% per annum. Industrial production is estimated to have grown 9% in 1977, moderating slightly after very high growth in 1976. Commerce probably registered a 10% gain as trade to Nigeria continued to expand. This results in an overall 10% real growth of GDP in 1977, or the same level of increase recorded in 1976.

105. In agriculture, growth of between 3-4% p.a. is projected during the early 1980s. The assumptions underlying this result are virtually no growth in tuber output, a 2% annual growth in maize, a doubling (to 40,000 tons) of cotton production by 1985, oil palm output increasing at 2% p.a., and the Save sugar project beginning operations (at half capacity) in 1980. The food-crop projection represents a potential shortfall in light of probable 2.8% annual population growth, but is consistent with past trends. Cotton increases presume a major project within the next 3-4 years, and Save sugar output assumes that the present schedule will be maintained, including debt financing to be secured in 1978. Development of agricultural production in the north should be encouraged by the present program to control onchocerciasis. Industry is projected to continue its rapid growth at about 12% per year over the 1978-85 period. This forecast is based on continued expansion of the textile and beverage industries, and assumes implementation of the Onigbolo cement plant in 1983 and a second IBETEX textile mill in 1984. These assumptions hinge upon the further expansion of Nigerian demand for Beninese manufactures (which is likely but carries some risk of variability) and the arranging of finance for the Onigbolo project (for which negotiations have apparently been completed). Delays in these projects or with Save sugar would reduce the growth rate slightly, while including oil production (which is not considered definite) would raise the growth rate somewhat. The growth rate of commerce is expected to decline to 7% p.a. over 1978-81 and 5% thereafter following the boom of 1975-77 linked to Nigerian transit trade. Public administration will probably increase in real terms by about 5% p.a. or slightly faster than in the past.

Manpower

106. Prospects are for an 8% annual growth rate of employment in the modern (formal and informal) sector between 1975-1985, i.e. for the creation of about 90,000 new jobs (increasing from 80,000 to 170,000). To achieve a better distribution of the labor force by qualification, middle-level and skilled staff should increase even faster, by respectively 15% p.a. and 9% p.a.(Table 19).

1/ These recommendations are more fully developed in Annexes A and B.

Table 19: TARGET MODERN SECTOR WORKFORCE, 1985

Senior staff	6,000
Middle level staff	20,000
Skilled staff	50,000
Unskilled staff	24,000
Subtotal	100,000
Informal sector and unemployed	70,000
	170,000

Source: Mission estimates.

The comparison of annual labor demand with the output of the existing educational and vocational training system indicates strong excess demand at all levels except the university level (Table 20).

Table 20: SUPPLY AND DEMAND OF QUALIFIED MANPOWER, 1975-85

	Annual Demand 1975-85	Annual Supply (Existing Capacity)
University level	500	450 /a
High level vocational & administrative training	2,100 (combined)	300
Middle level vocational and administrative training		450
Skills upgrading centers	6,500	2,700 /b

/a Includes CPU.
/b Includes CPPE.

Source: Mission estimates.

107. Projections of labor demand growth foresee little improvement in the unemployment situation. Assuming an 8% annual growth rate of employment in the modern sector and the continuation of the urban drift at a pace of 5% p.a., as in the past, there is little chance that current low productivity and incomes in the informal sector urban labor force could increase in the medium term. This may continue to exert a depressive pressure on unskilled urban wages in general while skilled and public sector wages are expected to increase in real terms to encourage the supply of critical skills.

108. Several conclusions can be drawn from this rough analysis. First, the lack of qualified manpower which has constrained the country's economic growth is becoming more and more critical and there is little chance that the local education and training system can produce the required output. This means that adjustments to the existing system have to be made as soon as possible. In the meantime, all development projects will have to include a large training component. Training will have to be done either abroad or on the job with the assistance of foreign experts. Without this technical assistance, it is unlikely that the projected 6% annual GDP growth rate could be achieved. Second, employment in the modern sector will remain limited to those with the required skills and will not resolve the unemployment problem whose solution lies in the countryside. Special efforts will have to be made to stimulate rural production to avoid a massive drift of the rural population to the urban centers. Government has recently undertaken investments in electricity and water supply in secondary centers which should help limit the migration to Cotonou. An additional important aspect of improving living conditions in the rural areas, aside from providing better social services, is to increase producer prices for export crops.

109. The dilemma is clear. There is a striking need for more and better education but there is no chance that the education budget can be substantially increased in view of the increasing demand for resources from the other important sectors (agriculture, road maintenance, etc.). At best, education expenditures can grow in line with the general budget, i.e. by 6% p.a., from an estimated CFAF 6 billion in 1977 to about CFAF 10 billion (in 1977 prices) in 1985.

110. At present the Government is considering requesting IDA financing for a second education project which would consist of two teacher training centers and school production units. Before committing itself to financing these items, the Association should be satisfied that the school production units can work effectively, and that there are no more urgent training needs. A UNESCO/IDA mission is reviewing the sector. The Government has requested AfDB financing for two primary teacher training colleges, 60 school cooperatives and 8 pilot technical schools.

Public Finance

111. With reasonably good underlying economic prospects and adequate foreign support, Benin should be able to maintain a satisfactory public finance profile over the 1978-85 period despite rising current expenditures. Current revenues are expected to grow by about 13% per year in current prices (Table 21). This would allow for an increase in materials and supplies expenditures, a steady increase of salaries in line with inflation and a local contribution of about 15% to the public investment program. Although realistic, this set of projections is nevertheless optimistic. First, it assumes that Nigeria will not take any drastic measures to control unofficial border trade, which would cause a loss of Government revenues from imports by converting indirect re-exports into direct tax exempt re-exports. Second, it assumes that state enterprises will generally operate at a surplus, not requiring any

subsidy--and this may be questionable. As indicated earlier, profitability of the very large public enterprises created to operate the Save sugar and Onigbolo cement projects depends critically upon pricing and financing arrangements which have not yet been negotiated.

Table 21: PUBLIC FINANCE PROJECTIONS

	1977	1978	1979	1982	1985	Average Annual Growth rate, % 1978-1985
	(Current CFAF billion)					
Central Government						
Current revenues	26.1	28.5	33.4	47.6	66.4	12.8
Current expenditures (excl. public debt amortization)	18.1	22.9	27.2	39.7	55.7	13.5
Current surplus (before amortization)	8.0	5.6	6.2	7.9	10.7	9.7
Savings available for investment	2.0	3.6	4.2	4.4	6.2	8.1
Borrowing from banking system	0.0	1.0	1.5	1.5	1.7	7.9
State enterprise surplus	1.5	0.5	0.5	1.0	1.5	17.0
Total surplus available for investments	3.5	5.1	6.2	6.9	9.4	9.1
Total public investments	22.4	27.3	41.3	46.2	58.9	11.6
GDP (current CFAF)	155.6	178.2	204.2	301.9	435.8	13.7

Source: Mission estimates.

112. The Central Government's current revenues are projected to average 15.8% of GDP over 1978-85, compared to 14% over the 1972-75 period and 16% in 1976-77. This is the equivalent of a 0.9 elasticity of Government revenues with respect to GDP, in current prices. Tax revenue is not expected to grow any faster due to a leveling off of the clandestine re-exports to Nigeria. Current expenditures are expected to increase by about 13.5% per annum, or 0.7 percentage points faster than revenues. Salaries would increase by 15% annually in current terms, allowing for a 5% growth in staff and a 1-1/2% annual premium to allow for progressive realignment of civil service salaries. Material and supplies expenditures will also increase substantially as the maintenance backlog is attacked and new investments come on stream. The mission estimates that savings of the state enterprises available for investment will average about CFAF 1 billion p.a.

113. These assumptions lead to public savings averaging CFAF 7 billion p.a., contributing 15% toward public investment. Even this contribution will be difficult to maintain in the face of rising current expenditures. Increased recurrent expenditures are highly justified in Benin, considering the need for road maintenance expenditures (see Annex C) and the need to increase expenditures on economic services. These are priority expenditures, since the shortage of local funds for investment can be more easily made up by foreign aid. The projected Government contribution of 15% toward its public investment is regarded as satisfactory in light of Benin's overall resource limitations.

Balance of Payments

114. The balance of payments (Table 22) reflects heavy medium-term investments, with foreign loans affording scope for a large import surplus during 1979-81. In 1982, the resource gap is reduced due to the impact of exports from the large projects put into operation, but imports subsequently increase faster than exports thus widening the gap. A substantial element of uncertainty is introduced into the estimation of trade figures by the importance of border trade with Nigeria and other neighboring countries. Terms of trade, including re-exports, are projected to vary extremely little. Interest payments on external debt increasingly have a negative impact on the current account balance, and current transfers are not expected to increase much. On the other hand, a continuation of the recent rapid increases in remittance inflows is expected over the short-term due to continued opportunities for employment in Nigeria. The projected overall balance allows for small increases in reserves in every year except 1980 and 1981.

Table 22: BALANCE OF PAYMENTS PROJECTIONS
(current CFAF billion)

	1977	1978	1979	1982	1985
Exports, goods and NFS	46.7	54.8	61.8	113.0	167.2
Imports, goods and NFS	72.8	82.5	107.1	153.5	214.6
Resource balance	-26.1	-27.7	-45.3	-40.5	-47.4
Investment & Interest income (net)	-0.1	+0.2	-0.6	-5.0	-7.2
Workers' remittances	3.7	5.9	7.4	9.8	9.8
Net transfers	3.4	2.5	3.1	4.1	5.4
Current account balance	-19.1	-19.1	-35.4	-31.6	-39.4
Public capital grants	10.9	8.1	11.1	11.0	14.7
Public loans (net)	5.1	13.6	23.1	28.2	27.1
Direct private investment	2.6	1.0	2.4	0.0	0.0
Short-term private capital	0.5	0.0	0.0	0.0	0.0
Change in reserves (increase =-)	0.0	-3.6	-1.2	-7.6	-2.4

115. The mission recommends encouraging foodcrop exports to Nigeria as a means of strengthening the trade balance and improving the income possibilities of rural families. Exploration of export possibilities could lead to rural development projects focusing on foodcrop sales to Nigeria; this was partially the case, for instance, in the Semry Rice Project (Cameroon). It

would be necessary to obtain Nigerian agreement to such a scheme, and investments in roads and storage might be needed. The mission believes that gains to Benin from this trade would more than offset costs associated with any necessary increase in grain imports for the southern cities, which have ocean access to foreign supplies. Self-sufficiency could still be achieved in the event of a worldwide grain shortage since domestic production could be diverted to national consumption to meet emergency needs.

116. Approximately 85% of gross domestic investment over the 1978-85 period will be provided by foreign resources. Because of the growth of investment and the use of suppliers' credits to finance several large projects, Benin's external debt service ratio will increase sharply from the present level of about 4-5% to a level of 10% in 1980-82 and 12% in 1983-85. These debt service ratios are considered manageable but high in light of the small size of the economy, the concentration of exports, and the very large individual projects now planned. The Save and Onigbolo projects will absorb a substantial portion of Benin's commercial borrowing capacity, though loans for these projects will be jointly guaranteed by Nigeria.

Bank Group Financing Terms

117. Benin's overall financial management has been good in recent years, reversing a long history of budget deficits and foreign budgetary support. In view of the country's low per capita income, the need for external funding of a growing investment program, and Benin's exposure to widely fluctuating world market conditions, the major part of foreign financing necessary to sustain economic growth should continue to be provided on concessionary terms, and Bank Group intervention should remain on IDA terms. The Government's cautious management of scarce resources over the past five years has placed the country in a sound financial position from which to launch the Three-Year Development Plan. Benin is expected to be able to finance about 15 percent of its overall public investment program, up from 11 percent over 1972-1976. Foreign donors should therefore provide on country grounds about 85% of project costs, including a portion of local costs where these may exceed 15% of total. Consideration should also be given to limited financing of recurrent costs, given the heavy burden of current expenditures on the budget, the low income level, and the Government's attempts to provide for social needs, especially in education.

ANNEX A. AGRICULTURE

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ANNEX A. AGRICULTURE

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AGRICULTURE

I. Background

1. Agriculture, forestry and fisheries contributed 38% of GDP in 1976, declining from 43% in 1972. It is the most important sector of the Beninese economy, and over 70% of the population is engaged in agricultural production. Agriculture is largely subsistence-oriented, with manioc and maize as the major staple crops in the south and yams and sorghum in the north. Oil palm, cotton and groundnuts are produced for export and for domestic consumption. Growth of the sector has been sluggish for the past decade, and the Government has attempted over the last 4-5 years to improve the situation through a transformation of the institutional structure which so far has not had any positive impact. The Three-Year Plan now underway includes significant investment in agriculture. This Annex discusses production trends, the new institutional setting, implications of the Plan, and recommendations based on the mission's findings.

2. Land use and rainfall patterns vary as one moves from south to north in the country (see Tables 1 and 2). Rainfall in Benin is substantially less than that in nearby coastal countries such as Ivory Coast and Nigeria; both of the latter enjoy rainfall in excess of 1,000 mm over most of their land areas while in Benin roughly three-fourths of the country receives less than 1,000 mm of precipitation. Southern Benin has the highest annual rainfall in the country (about 1,200 mm, compared to an average of over 2,000 mm in Southern Nigeria) spread over two rainy seasons, but this is inadequate for coffee, cocoa and rubber. Rural population densities are highest in the three small southern provinces (Mono, Atlantique, and Oueme) and compared with the central and northern provinces a high proportion (17 to 19%) of arable land is cultivated. In fact, there is severe population pressure in some areas, resulting in a transition from shifting agriculture to fixed cultivation and the assertion of property rights. Oil palm is the main cash crop, though yields are generally low due to marginal climatic conditions. Double cropping of maize effectively increases the relatively small actual crop area per family of 1.2 ha to the equivalent of 2.0 ha.

3. Zou Province, in the center of Benin, represents a transitional zone both in terms of climate and population density. In the southern part of the province double cropping is possible while the northern portion has only one rainy season. Cash crops are mainly oil palm, cotton, and groundnuts, while foodcrops include maize (partially a cash crop), manioc, yams and beans. Rural population density and the ratio of cultivated to arable land (9%) are both about half that of the south. The statistical farm size per household (3.1 ha) is the largest in Benin.

4. The northern provinces (Borgou and Atacora) are sparsely populated, with relatively high cultivated area per household (2 to 2.7 ha) and a single rainy season. Sorghum, maize and yam are the main staples; modest quantities of cotton, groundnuts and rice are also grown. Total cultivated area is only 3-5% of all arable land, and large areas of both provinces are underutilized due to water shortages, rough terrain, and diseases including riverblindness.

An onchocerciasis control program is presently underway and this bottleneck to development should be effectively eliminated by mid-1979. Whether this will lead to spontaneous or organized settlement of large land areas is not yet clear.

II. Production Trends

5. Benin's agricultural statistics (particularly for foodcrops) are considered unreliable because of institutional changes and because of the importance of subsistence farming and unofficial trade. Hence, the figures discussed here must be considered tentative and subject to wide margins of error. The significant decline in per capita foodcrop production over the past decade (see Table 3) cannot in fact be easily explained since rural food supplies are adequate and grain imports are not large. Agro-economic surveys are currently being carried out in each province, and these will provide a better picture of the rural economy. The first completed survey, for Atacora Province, provides an interesting view of the social organization of production but unfortunately does not include any time series or data on yields. The remaining surveys will presumably provide more detail on these points.

Foodcrop Production

6. Despite the apparent stagnation of foodcrop production over the past decade, it is likely that Benin still has a positive overall food balance. Imports of grain have fluctuated from year to year but are generally modest, though in the drought year of 1976 they reached nearly 30,000 tons (see table below). Maize is imported only exceptionally, as in early 1977 when 12,000 tons were brought in. Foodcrops are exported unofficially, particularly maize to Nigeria in recent years. No firm information is available on the volume of this trade, but a reasonable estimate is that 30-40,000 tons are exported in some years. Nationwide, then, Benin may enjoy surplus food production despite occasional grain shortages in the southern urban areas.

Grain Imports
(thousand metric tons)

	1972	1973	1974	1975	1976
Total Grain, of which:	21	15	5	8	28
wheat	6	5	2	n.a.	n.a.
rice	12	10	3	4	8

Sources: BCEAO, MDRAC, and Cotonou Port statistics.

7. Manioc and yams are the main foodcrops grown (Table 4), and production of the former has declined since the mid-1960s while the latter has held constant. These crops are largely grown for on-farm consumption, and

difficulties in data collection make the estimates uncertain. Manioc is also transformed by village women, especially in Zou Province, into a meal called gari which is sold in the southern cities as an important staple. The decline in manioc production could be related to the high labor input required to transform it into a tradable commodity, hence stimulating a substitution into maize.

8. Maize, grown both for domestic consumption and for unofficial export to Nigeria, is Benin's principal domestically produced foodgrain. Production has tended upward in the Zou Province (from 15,000 tons in 1965 to 50,000 tons in 1974) as maize demand expanded and hybrid varieties were introduced. Average yields have increased 30% nationwide over the past decade, but reduced plantings have resulted in steady production of about 210,000 tons. 1/ Poor output in the drought year of 1976 (estimated at 150,000 tons) rebounded sharply in 1977 to 234,000 tons. Sorghum is produced in northern Benin in areas where rainfall is limited, and yields have steadily increased from about 530 kg/ha in 1965-67 to 760 kg/ha in 1976-77. This improvement may result from better sorghum varieties; production in 1977 stood at about 75,000 tons. 2/

9. Rice production has increased rapidly from less than 5,000 tons of paddy in 1972 to 18,000 tons in 1976. This results in part from development of irrigated rice by SONIAH (Societe Nationale d'Irrigation et d'Amenagement Hydroagricole) and the CARDERs (Centres d'Action Regionale pour le Developpement Rural). SONIAH presently cultivates about 500 ha of irrigated rice and the CARDERs another 100-200 ha (42 ha by the Atacora CARDER), out of 10,000 ha planted in rice. Rice imports have been decreasing, though they were still 8,000 tons in 1976, and the Government plans to achieve self-sufficiency in rice production by 1985. Benin's rice production mainly takes place on swamp land (bas fonds) and it is not yet clear whether net returns from irrigated rice will exceed domestic resource costs.

10. Vegetables and fruit are produced in modest quantities for domestic consumption. The Government is actively promoting increased tomato growing, and a facility to process 6,000 tons of tomatoes annually into paste is being constructed in Natitingou (Atacora Province). This facility is unlikely to operate at capacity since 1976 production in the area was only about 1,200 tons of tomatoes. Citrus is produced on a 100 ha state farm by SONAFEL (Societe Nationale de Fruits et Legumes), established in 1969 near Bohicon with Israeli assistance. Yields have been low and disease problems prevalent. A UNDP technician is presently assisting in problems of disease control. It is now planned to irrigate the entire orchard and to plant an additional 100 ha in 1978. Citrus production is still too recent to tell whether disease, transport, and irrigation problems can be overcome to realize the potential of this high-value crop.

1/ "Tons" consistently refers to metric tons in this report.

2/ It is not known whether the IRAT foodcrop research agency introduced improved sorghum varieties, as they did with maize.

Industrial Crop Production

11. Oil palm products, cotton and groundnuts are the principal industrial and export crops produced in Benin (Tables 5 and 6), although coconut, tobacco, coffee and a few other crops are also produced and exported in small quantities.

12. Most oil palm fruit has traditionally been harvested from an estimated 2-300,000 ha of wild palm groves which have become old and have low and declining productivity. Nearly all the fresh fruit bunches collected from these trees are processed artisanally into palm oil which is sold through traditional channels for domestic consumption, although in good years some may be exported unofficially to Nigeria. Palm kernels are either sold to the Societe Nationale pour l'Industrie des Corps Gras (SONICOG) for processing into palm kernel oil, or moved to Nigeria. Palm kernels are also imported from Nigeria at times to supply SONICOG's mills.

13. Nearly 30,000 ha of improved palm groves have been planted in recent years (including 6,000 ha under IDA financing; see para. 62), much of which is just coming into bearing. Although yields from these plantings are low (7-8 mt/ha at full production) in comparison to those in neighboring countries, they are several times greater than those from traditional groves. The fresh fruit bunches harvested from these groves are, for the most part, processed by SOBEPALH (Societe Beninoise de Palmier a l'Huile), which sells a portion of palm oil domestically and transfers the balance to SONICOG for export. SONICOG also produces some palm oil itself, but is increasingly specializing in palm kernel oil.

14. Mission estimates of recent trends in oil palm production, based on receipts of palm kernels by SONICOG (Table 5), show generally increasing production, particularly from new plantings, although the 1976/77 production dropped sharply due to drought in southern Benin in 1976. It should be noted that oil palm producer prices have not been raised in over five years, while palm oil prices on the world market have increased by 70%. Prospects for 1977/78 appear favorable; there are still about 4,000 ha of improved plantings which are not yet in bearing, and Government is now planning to irrigate about 900 ha of improved oil palm. Production of traditional groves is projected to continue to decline, but total oil palm production should rise moderately over the next ten years.

15. Cotton production was accelerated in Zou and Borgou Provinces by French technical assistance beginning in 1963. Substantial success was initially achieved, with Benin's production of seed cotton increasing from 5,000 tons in 1965 to 50,000 tons in 1972. Since then, production has dropped sharply to less than 20,000 tons despite a joint IDA-FAC cotton project which became effective in 1973. The two major problems with cotton production have been the erosion of financial incentives over the past five years compared to maize and the discontinuity caused by the switch from foreign to local technical assistance for cotton. Maize cultivation is much less labor-intensive than cotton (less than 100 man-days/ha compared to more than 150 man-days/ha), maize yields have generally been higher than cotton in Zou Province, and the

farmgate price for maize has risen relative to the cotton price. These changes resulted in a dramatic shift of net returns to farmers with maize becoming much more attractive than cotton (see Table below). The low cotton yields can be attributed to marginal rainfall conditions for cotton in Zou Province and to disruption of input delivery and extension services. However, the price structure is the decisive factor especially when maize prices at the Nigerian border have been reported in the 50-70 CFAF/kg range. The relative flexibility afforded farmers in marketing their maize surpluses on the open market is another favorable factor compared to cotton which must be sold through SONAGRI.

Comparison of Returns from
Cotton and Maize, Zou Province

	1972	1976
Cotton		
Yield, kg/ha a/	840	350
Price, CFAF/kg b/	35	40
Revenue, CFAF/ha	29,400	14,000
Less inputs c/	9,000	5,000
Net Income per ha, CFAF	20,400	9,000
Man-days	150	150
Net Income per man-day, CFAF	136	60
Maize		
Yield, kg/ha a/	750	900
Price, CFAF/kg b/	15	30
Revenue, CFAF/ha	11,250	27,000
Less inputs d/	1,125	2,700
Net Income per ha, CFAF	10,125	24,300
Man-days	100	100
Net Income per man-day, CFAF	101	243

a/ For Zou Province, from Zou Borgou Cotton Project Completion Report.
b/ Financial farmgate prices from Tables 4 and 6.
c/ Mission estimates, at subsidized prices; cotton inputs lower in 1976 to reflect lower use of fertilizers and insecticides.
d/ Estimated at 10% of gross production value to account for fertilizer use which is, however, generally paid out of cotton proceeds.

16. Groundnut production has grown modestly over the past ten years. SONICOG plans to expand its oilseed crushing plant at Bohicon to handle anticipated increases in groundnut output. There appear to be opportunities for further expansion of groundnuts particularly in the center and north of Benin, but no foreign assistance projects have so far focused on groundnuts.

Livestock Production

17. Growth of livestock production in Benin has been rather good in recent years, according to incomplete data and mission estimates (see Table 7). The value of livestock production (offtake plus herd increase) in constant terms has increased by over 40% since 1965-67, an increase of 3.6% per year. Much of the migratory and semi-migratory herd in northern Benin has moved fully across international boundaries, with Nigeria constituting a major market for meat products.

18. Cattle production is concentrated in the Borgou, Atacora, and northern Zou Provinces. Cattle raising is most often carried out by semi-nomadic herdsmen, who graze animals on natural pasture and on crop residues after harvest. In addition there is some farm-type production, and there is also, in the extreme north, the typical Sahelian transhumanic cattle raising with herds moving between Benin, Nigera, Upper Volta and Nigeria. Feed conditions have been adequate in most years, and Benin was not affected by the Sahelian drought to the same extent as its northern neighbors. There is also a strong livestock raising tradition throughout northern Benin.

19. The development of ox-drawn cultivation has been closely associated with cattle raising, particularly in Borgou Province, but is still quite limited in the rest of the country. The Ministry of Rural Development estimates that more than 4,000 pairs of animals are currently in use in Borgou and it plans to convert the Okpara Ranch (35,000 ha southwest of Parakou) into a breeding and training center (AfDB financed) supplying stock for animal traction. In addition the ranch will incorporate a fattening operation.

Forestry

20. Although about 25% of Benin is wooded, the forestry sector is very small (2% of 1976 GDP). Timber production of 15,000 tons in 1976 produced by three small sawmills did not meet domestic requirements of 22,000 tons, the deficit being met by imports. Production of second grade timber and firewood meets domestic needs. A state enterprise, Societe Nationale pour le Developpement Forestier (SNAFOR), has been created to manage forest plantations. A number of existing Government plantations were transferred to it and revenue from these and from some budgetary transfers is being used to clear land and plant fast growing species such as teak, filao and cashew.

Fisheries

21. Total fish catch in Benin is estimated at only about 21,000 mt in 1976, down from more than 32,000 mt in 1971 (Table 8). All types of fishing have declined, and fisheries represent only 2% of GDP. The decline in deep-sea fishing is due to aged and inadequate equipment and to some extent by switching to catching of shrimp for which a favorable export market exists. Foreign-owned trawlers were also transferred out of Benin in the last few years following the nationalizations of 1974-75. Inland fishing has declined as a result of low rainfall, overfishing and from leakage of salt water into

fresh water lagoons around Cotonou following port development. A barrage is under construction at Cotonou to end the leakage and more adequate rainfall should restore interior water levels, but the problem of fresh water over-fishing will undoubtedly remain.

22. Fish is an important protein source in southern Benin, and the decline in production has been accompanied by an increase in imports from 3,900 mt in 1971 to an estimated 10,000 mt in 1976. These imports are largely purchased from the Soviet fleet fishing offshore. At the same time exports which totaled 3,150 mt in 1971, rising to 5,000 mt in 1973 and 1974 have declined to 2,700 mt in 1976. As a result, domestic fish consumption declined by about 13% from 1971 to 1976.

23. The Societe Nationale d'Armement et de Peche (SONAPECHE) has responsibility for industrial fishing development, and plans to acquire some modern equipped vessels. So far, financing has not been found to implement these plans. SONAPECHE also has a monopoly for processing and exporting shrimp and for importing, distributing and transit of industrial fishing products.

III. Institutional Setting

Production and Distribution

24. Regional production efforts are the responsibility of the CARDERs (Centres d'Action Regionale pour le Developpement Rural) located in each of the six provinces. The CARDERs are responsible to the Ministry of Rural Development, and group the regional representatives of the central directorates of agriculture, livestock, production, forestry, rural engineering, and fishing. The CARDER directors also act as advisors to the prefects of the provinces, who chair the Boards of Trustees of the CARDERs. The CARDERs provide all agricultural inputs and extension services, maintain some rural roads, and handle primary marketing for most crops; they do not handle research. Within each Province, each CARDER has a District organization under the direction of a "responsable de production," who directs the central services provided by the CARDER and supervise services at lower levels (communes and villages).

25. The CARDERs represent a major change in the basic philosophy of providing extension and input supply and marketing services. Prior to their creation, these services and related activities were handled on a specialized crop-by-crop basis. Now the regional CARDER has responsibility for provision of all these services for all crops within the Province. The mission supports the basic idea of the CARDERs, but has observed two problem areas. First, the relationship between the CARDERs and the functionally oriented agricultural agencies, notably SONAGRI and the various research units, could be clarified. Second, the staffing (and funding) of the CARDERs at the field level (communes and villages) is far from complete, and management at the provincial level is often inexperienced. These shortcomings indicate a need for organizational and financial assistance, which is currently being provided by IDA (para. 64), FED, and German aid.

26. The CARDERs are also charged with formation and direction of local Groupements Villageois. These are usually of a pre-cooperative nature, have shown steady growth in recent years (for instance, they are now present in 48% of the villages in Atacora Province), and have been active in purchasing farm produce and maintaining credit accounts for their members. In some cases they have organized input distribution and started mutual savings funds. Where Groupements Villageois are capable of managing marketing of produce, they receive a commission for their work from the CARDERs.

27. In 1976, the Government embarked on a collectivization campaign aimed at setting up cooperative farming schemes. This movement has caught on fairly well in Borgou Province, where there has traditionally been a strong interest in cooperative action. By 1978, there were 25 collective block farming schemes without individual plots (CATSs) and 115 blocks made up of individual plots (GRVCs) in operation in the Borgou. The main issue is that Government is trying to promote this type of development by providing some cooperatives with tractors, which raises issues of soil degradation and uneconomic farming. However, this development is still very new and it is too early to judge the farmers' response. The Government should monitor progress closely as these methods of production organization represent significant departures from traditional methods.

28. At the time of the mission, foodcrop marketing and transport at the regional level had recently been confided to the RACs (Regies d'Approvisionement et de Commercialisation) which, in liaison with the CARDERs, were to eventually act as wholesalers for farm produce and consumer goods. The purpose of the RACs was to "insure an adequate supply of foodstuffs at reasonable prices to urban consumers" which meant elimination of "unscrupulous traders" and a reduced role for traditional marketing channels. At the same time, it was hoped that the RACs will benefit farmers by assuring a market outlet at a fair price and suppressing speculation.

29. The RACs were disbanded in late 1978 in favor of smaller, more specialized provincial agencies. Apparently the RACs were not financially viable, though the mission was not able to obtain a clear picture of their operations or finances. The RACs were to buy foodcrops at the official price, which is a floor price, so it is difficult to understand how they could ever have built up a stock of produce for stabilization purposes when the market prices were above the floor price.

30. Action programs in agriculture are for the most part carried out by a number of semi-autonomous state enterprises (Societes d'Etat) attached to the Ministry of Rural Development. These organizations are quite important, and their projects have been discussed earlier. They are SNAFOR (Forestry), SONIAH (irrigation and rice milling), SONAGRI (production inputs and cotton ginning), SONAFEL (fruits and vegetables), SODERA (livestock) and SONAPECHE (fisheries). Little information was obtained concerning the operations of these enterprises (other than projects already mentioned), and financial data were available only for SONAGRI. These show that SONAGRI has an outstanding overdraft with the Banque Commerciale du Benin of more than CFAF 1.6 billion which would be covered if accounts receivable of CFAF 2.9 billion could be

collected. A recent Bank supervision mission estimated that much of the CARDERs' debt to SONAGRI for production inputs (CFAF 935 million) was probably uncollectable.

31. In addition to its regional and local organizations, Government plans to develop a series of state farms, at least one per province. Each farm will be approximately 1,000 ha and will be highly mechanized and operated by hired labor. These farms would seek to apply modern cultivation techniques which might eventually be extended to small farmers, though at present there appears to be little if any link between the state farms and traditional farmers.

32. A second category of official farming is currently being carried out by the state enterprises on tracts ranging from 10 to 50 ha. Employees of the enterprises are expected to provide farm labor during their free time. Other Ministerial services have a number of small garden plots to grow food-crops for their employees and primary schools are also required to cultivate fields. Figures are not available on the total production from these activities.

Supporting Agencies

33. Several supporting agencies are particularly relevant to the future of agricultural development in Benin. The Caisse Nationale de Credit Agricole (CNCA) is the cornerstone of the new system of agricultural credit, begun in late 1975. CNCA is under the general direction of a national committee composed of representatives by the Ministries of Finance, Commerce and Rural Development and from the various state societies. In addition to its initial capitalization (CFAF 300 million), CNCA derives its resources by serving as treasurer for FAS and the state enterprises and receives advances from the Government. It extends credit principally to the state enterprises (82% of loan volume) and the CARDERs, which are at present the major executing agencies in agriculture. The interest rate is presently 5-1/2% plus a 1% loan guarantee fee. During its first year of operation, CNCA operated at a loss because of startup costs. The 1975/76 credit volume of CFAF 1.2 billion has increased rapidly to reach CFAF 7.8 billion of credit outstanding by late 1978. Evaluation of applications is one the main bottlenecks.

34. Regional and local Caisses are also incorporated into the system to better serve the individual farmers and cooperatives. Each province has a Regional Caisse which in addition to its own resources, has rediscounting privileges with CNCA. The Regional Caisses lend to the CARDERs, GRVCs, and CATSs. It is also planned to establish local Caisses in many of Benin's 362 rural communes; 76 are now in place. These local Caisses extend short-term credit to local cooperatives (not to individual farmers) and mobilize rural savings. The local Caisses at the commune level are staffed by a single person. No accounts are yet available, but the mission questions whether this administrative structure can be cost effective given the likely low volume of activity and small size of credits by the local Caisses. Farm credit is clearly needed, however; a solution over time may be found by eliminating the local Caisses in favor of the Regional Caisses which deal with larger cooperatives. It may not be practical for the credit system to embrace so many retail outlets.

35. SONACEB (Societe Nationale de Commercialisation et d'Exportation du Benin) carries out the marketing of agricultural exports. At present, these include cotton, groundnuts, cocoa, coffee, karite nuts, and tobacco. Until 1975, its functions were mixed with agricultural credit and stabilization in SOCAD (Societe de Commercialisation et de Credit Agricole du Dahomey), but these activities have now been separated. SONACEB receives credit from the BCB; advances funds to the CARDERs for seasonal purchases; and sells to overseas buyers, usually in Europe on c.i.f. terms, with COBENAM (Compagnie Beninoise de Navigation Maritime) acting as their shipping agent. In the case of cotton, SONACEB buys from SONAGRI; while for palm oil, palm kernel oil, and kernel cake, SONICOG still handles exports. The difference between SONACEB's revenues and the "baremes" paid to the CARDERs is transferred to the stabilization fund (FAS); the bareme itself includes a margin for SONACEB. SONACEB's 1976 sales were about CFAF 500 million; and it operates at a profit. It also runs a fleet of 30 trucks to supplement the CARDERs in transporting export crops.

36. The FAS (Fonds Autonome de Stabilisation) is an agricultural price stabilization agency similar in concept to others in West Africa. It is a stabilization fund to insure against fluctuations in export crop prices on the world market, and it provides subsidies for inputs of fertilizer and pesticides. FAS earnings come from taxes on selected imports (including sugar and beer) and the differences between "baremes" and actual selling prices for exports obtained by SONACEB. At present FAS does not deal in oil palm products, but is involved in marketing of cotton, groundnuts, coffee, karite and tobacco. No accounts were made available to the mission, and estimates of FAS resources range from CFAF 0.3 to 1.6 billion. A major accomplishment of FAS has been its establishment as an independent agency in 1975, with resources reserved for intervention in the rural sector. Previously, agricultural export margins were syphoned off into the Treasury; now FAS hopes to expand its role in supporting agricultural development through CNCA and possibly through direct intervention with CARDERs or state societies.

Agricultural Research

37. Until recently, agricultural research activities in Benin were under the direction of the French research institutes, IRHO (oil palm and coconut), IRCT (cotton) and IRAT (grain, yams, manioc, groundnuts and sugar). Research programs of the three agencies were managed as local components of regional West African commodity-oriented programs designed and managed by French headquarters. Costs were in general shared equally by the French and Beninese Governments although IRCT's cotton research were financed under the Zou-Borgou Project. This arrangement had the advantage of access to results from a wide-ranging research network, but the disadvantage that often the solutions were not strictly applicable to the peculiar conditions of Benin.

38. Effective in 1978 the Beninese Government plans to terminate this arrangement, creating a series of twelve "Research Units," specializing in the various cash crops (cotton, oil palm, coconuts, coffee, cocoa), foodcrops,

and research services. While this approach may have the advantage of focusing research efforts on Benin's peculiar production problems, it has the disadvantage of isolating Benin's research from related efforts in the rest of West Africa and could well create greater duplication of effort. It is difficult to see how this many research units can be staffed, given that the number of graduates limited from the University of Benin's agricultural program is quite limited. The chain of dissemination to the CARDERs of research findings and recommended practices developed by the Research Units has yet to be tested, and may prove complex.

IV. Markets and Prices

Domestic Market

39. A large proportion of Benin's foodcrops never reach market but are consumed on the farm. In Atacora Province, for instance, the 1977 socioeconomic survey indicates that 84% of agricultural production by value was directly consumed by the farm family. This makes the foodcrop statistics (see Tables 3 and 4), showing a sharp decline in per capita production over the past decade, particularly doubtful.

40. For the (unknown) portion of foodcrops which are marketed, prices are generally free of Government control. Manioc and maize prices both doubled between 1972 and 1976, while yams went up by 33%. The price changes are due to crop shortages in 1976, demand from the Nigerian market, and general price level increases in Benin. An indicative price (prix indicatif) for foodcrops was put into effect in 1976, when the maize harvest was very poor. Shortages, partly due to low rainfall, drove the price of maize on the Cotonou market to over 100 CFAF/kg, while the indicative price was 43 CFAF retail and 30 CFAF to the producer. The Government decided to enforce the 43 franc price in the market place, with the result that the market women protested vehemently, farmers held their maize on the farm, and the urban food shortage had to be solved by importing maize. Since 1976, the Government has not established any indicative prices for foodcrops, and maize was selling on the Cotonou market for between 55-60 CFAF/kg in September 1977. At the same time the price being paid to producers was between 33-35 CFAF/kg.

Nigerian Market

41. Nigeria is a large and growing market for maize and sorghum, and there is substantial unreported movement of these products across the permeable borders dividing Oueme, Zou and Borgou Provinces from Western Nigeria. The mission estimates that this trade may total 30-40,000 tons in some years, sold in exchange for consumer goods. This trade is traditional, with well-established channels, and with buyers often providing credit to Beninese farmers for production and other purposes. Provision of such services is an important determinant of farmers' marketing behavior, especially since official agricultural credit is just beginning to be available.

42. Cereal production in Nigeria has failed to keep pace with rapidly expanding market demand, and prices have risen rapidly as a result. Efforts are being made to upgrade Nigerian foodcrop production, to reduce dependence on imports. If such efforts are successful, it may be that if foodgrain demand is inelastic, a relatively small increase in marketed production will be sufficient to reverse recent trends in imports. However, a recent study by the International Food Policy Research Institute projects that Nigerian foodgrain imports will continue to be high and increasing during the coming decade. 1/

43. The Beninese Government has on several occasions attempted to limit this transborder trade in order to assure an adequate food supply for the urban centers. This policy has already proved to be unenforceable. It is suggested that Government capitalize on Benin's favorable location by encouraging exports of foodcrops to Nigeria for which, given Benin's generally low labor costs, the country may enjoy a comparative advantage. These exports are just as valuable to the economy as a whole as official exports and also improve the rural-urban terms of trade, one of the Government's policy goals. The maize mill now under construction at Bohicon could provide another convenient means to channel maize exports to Nigeria.

Recorded Exports

44. Oil palm products and cotton are Benin's principal recorded exports (see Statistical Appendix, Table 3.2). World market prices for palm oil increased sharply in 1974 and have subsequently declined, while higher cotton prices in 1974 have been maintained. Palm oil prices strongly influence Benin's terms of trade (measured by recorded imports and exports) which consequently fell from 1974 to 1976. Cocoa was an important official export of Benin through 1973, when 15,000 tons were shipped, although it has never been grown in the country. Cocoa was imported clandestinely from Nigeria, especially during the Biafra War years, in exchange for consumer goods which were hard to obtain in Nigeria. This cocoa trade has decreased recently in line with higher producer prices in Nigeria, better availability of goods, and increased Nigerian border surveillance. Groundnuts are now the third most important official export of Benin, and will increasingly be exported in oil form as the Bohicon mill is expanded. Benin's recorded exports of agricultural commodities in 1976 amount to CFAF 7.4 billion, largely exported to Europe.

45. The Commission Nationale des Prix sets producer prices for export crops each year. These prices are in the form of baremes, which work from a nominal export value and subtract transport and distribution margins to arrive at a fixed producer price. The baremes cover all major export commodities--palm kernels, cotton, groundnuts, as well as the minor ones--coffee, cocoa, karite, etc. Unfortunately, these baremes were not made available to the

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1/ International Food Policy Research Institute, Food Needs of Developing Countries, Washington, D.C.,1977.

mission nor were data on the stabilization fund, FAS, so it is not possible to discuss the effective export tax or subsidy levied on various crops. Nevertheless, analysis of producer prices presented in Tables 5 and 6 indicates virtually no increase in prices in 1975 or 1976 despite inflation estimated by the mission at about 8-9% in each year. Thus farmer revenues based on export crops do not appear to be keeping up with domestic prices.

V. Prospects

The 1977/78 - 1979/80 Plan

46. The Three-Year Development Plan adopted in October, 1977, stresses agriculture as the priority sector of the economy. A total investment of CFAF 61 billion is foreseen in agriculture (including agro-industry) over the three years accompanied by an average annual growth rate of output of 8.7% in real terms. Three major objectives are spelled out:

i. achieve self-sufficiency in food production, gradually eliminating food imports and promoting foodcrop exports to other African countries;

ii. develop internal markets by increasing incomes of the rural population and by linking agricultural production with agro-industries; and

iii. provide an economic surplus to help finance imports of capital goods by raising the average level of productive techniques and improving the quality of agricultural labor.

These goals are to be achieved by implementing the proposed investments (Table 9) and by adhering to the new institutional structure described earlier.

47. The first goal implies Government support of greater maize exports to neighboring countries. This the mission fully agrees with, and suggests that the Government study actions such as road construction, research, credit and storage which would promote the existing trade in foodcrops. The suppression of any existing Nigerian tariffs levied on official Beninese maize exports should also be investigated. The mission believes that Benin is probably already self-sufficient in food overall. Limited imports of food for city dwellers cannot perhaps be avoided, on economic grounds, given the higher food prices prevailing in Nigeria. Benin's good ocean access to foreign grain supplies and weaker internal transport facilities may favor exports of domestic grain to interior Nigeria and imports of grain to supply some of the needs of Benin's southern cities.

48. With respect to the second goal it should be pointed out that economies of scale and the small size of Benin's domestic market will not support the efficient processing of all agricultural commodities in the country. Projects such as the tomato paste factory in Natitingou and the planned construction of fruit juice factories rely upon steady sources of supply, efficient plant size, a good distribution network, and an adequate market to assure their economic viability. A detailed analysis of these factors and a calculation of economic profitability based on reasonable pricing assumptions should be made before decisions are taken on the location and construction of agro-industries. The BCP (Bureau Central des Projets) has this capability, and its economic and technical recommendations should be considered in the decision-making process. Opportunities that appear viable on this basis--for instance, production of livestock feed or blending of fertilizers--should be pursued with or without foreign financing.

49. The third objective includes several disparate concepts. Clearly, an increased economic surplus should be produced in agriculture. Introduction of animal traction, fertilizers, and small-scale irrigation should improve productivity and increase this surplus. Better nutrition, health and education for the rural population is also necessary. The question arises, however, of the allocation of agriculture's surplus. The mission was not able to obtain sufficient information from SONACEB, SONICOG and FAS to determine what margin the Government has retained from agriculture in the past, but it is likely that the rural sector has made some contribution to the financing of modern sector projects. Whether the surplus generated should be plowed back into agriculture or used to finance industrialization is a question hinging largely on the availability of viable projects in the two sectors.

Major Projects

50. The principal agricultural and agro-industrial projects currently envisioned are the Save sugar project (CFAF 30 billion, underway); the maize mill at Bohicon (CFAF 600 million, approved); the Mono River irrigation scheme (CFAF 25 billion, exclusive of the dam and hydroelectric components, proposed); and the Zou Borgou foodcrop project (CFAF 2 billion, requested). The mission obtained little information concerning other investments mentioned in the Plan (Table 9); presently estimated foreign aid commitments are shown in Table 10.

51. The Save sugar complex is a joint venture of Benin (49% of equity), Nigeria (46%) and the British technical partner Lonrho (5%) to establish a cane plantation and processing plant to produce 40,000 tons of refined sugar per year. The total estimated cost of CFAF 43 billion (US$180 million) is to be financed by CFAF 7.5 billion of equity capital and the remainder by debt, probably suppliers' credits guaranteed by Nigeria, which has not been finalized yet. Benin's sugar consumption will account for 10-12,000 tons per year and the balance of the output will be sold to Nigeria at a price which is not yet fixed. The Nigerian market should easily be able to absorb Benin's surplus in view of projected Nigerian sugar imports of 140,000 tons in

1979/80. 1/ The project got underway in 1977 with the first clearing of cane fields, and mill construction is to commence in 1978.

52. The mission was not permitted to examine the project feasibility study, so only limited general comments can be made. First, the project is essentially a capital-intensive enclave project, with a capital cost per (seasonal) job of about $60,000. The Save project is not a vehicle for any broad transformation of rural life. Second, the value of the project is related to the foreign exchange saved by reduced sugar imports and earned through exports to Nigeria. The earnings will depend critically upon the negotiated sugar price, and the Government should ensure that this price adequately protects Benin's economic interests since Benin will have to guarantee repayment of the debt. Third, estimates for a 60,000 ton sugar project in Guinea-Bissau indicate financial rates of return varying from 3.5% to 5.7%. 2/ Despite possible differences, it is unlikely that the Save project will yield very high returns, and the debt service burden of about $540/ton over the first ten years may well result in a negative cash flow at first. The pricing arrangement with Nigeria should allow for a higher price while the debt is being repaid. Fourth, cane yields of 90-105 tons/ha obtained in field trials are fairly typical for this kind of project. Fifth, the overall impact of this project on Benin's balance of payments and GDP growth is difficult to predict at present, and hinges upon pricing details and plant efficiency.

53. Construction of a maize mill at Bohicon is a CCCE/FAC project costing CFAF 600 million ($2.5 million). In Phase I, the mill will have an annual capacity of 19,000 tons, producing 15,000 tons of flour and 4,000 tons of animal feed. Tenders have been let, but initial bids exceeded the budgeted amount, and the project is being redesigned. The financial rate of return on the original design and cost is estimated at about 16%. The economic impact of the project will depend on whether the mill can offer an attractive price for domestic maize, which in turn will require close control of operating margins for profitable operation.

54. A prefeasibility study of a multipurpose power and irrigation project on the Mono River which, along its lower reaches, divides Benin and Togo, has been completed by Electroconsult (Italy) under UNDP financing. The study does not provide a thorough economic analysis of the irrigation aspects of the Mono project, but does give terms of reference for a full feasibility study. A pilot project to irrigate about 1,000 ha on each side of the river is now being financed by UNDP.

55. The project consists of a dam at Nangbeto, Togo, to provide power and water regulation. The irrigation perimeters are downstream near the mouth of the river, with a service area of about 30,800 ha on the left bank

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1/ Nigerian Third National Development Plan, quoted in IBRD: Nigeria Economic Memorandum, 1976.

2/ HVA International, Industrial Sugar Project Feasibility Study, November 1976.

(Benin) and 16,900 ha on the right bank (Togo). Cost of the total project is estimated at about US$140 million, and for the irrigation portion, about US$100 million or US$2,300/ha, which is not unreasonable. The projected cropping pattern includes maize, rice, oil palm, cotton and groundnuts, with sugarcane and jute as alternatives.

56. Before deciding to proceed with the Mono River project, the question of Benin's irrigation development should be examined systematically. Benin has ample surface water resources and the possible use of groundwater deserves additional study. Benin's low and variable rainfall limits production of rainfed crops and it may be that irrigation development could make a major contribution to increased productivity. However, irrigation development is costly, and present intensity of land use is relatively low in Benin, so that programs to improve rainfed agriculture could no doubt be carried out at lower cost than large-scale irrigation projects. Another factor to consider is how any irrigation project would be organized, whether as a smallholder development, coupled with extension services and adequate inputs or operated as a state farm or collective or as a combination of these systems.

57. Benin has submitted a request to FAC to finance a project in Zou and Borgou Provinces to increase foodcrop (maize and sorghum) production. The project would cover approximately 25,000 ha stressing mainly the culture of maize following cotton and the use of improved varieties of sorghum on about 8,000 ha. Project costs total CFAF 2 billion (US$8.1 million), and the major component is storage silos. FAC was considering the request at the time of the mission.

58. Since nearly 60% of project expenditure would be for grain storage, the question of additional needs for such storage should be examined more fully before undertaking a project of this nature. Existing centralized storage capacity in Benin (13,000 tons) is underutilized, and the mission believes that additional facilities should be at farm or village level. An inexpensive (CFAF 50,000) off-ground ear-corn (epi de mais) facility with a capacity of 2 tons was observed at the Zou CARDER. This type of structure has the advantage that maize can be stored at higher moisture levels in this form than as grain, and does not require drying and treatment for insect infestations. Careful consideration should be given to alternative methods of storage.

Projected Agricultural Growth

59. Medium-term projections for the primary sector (agriculture, livestock, forestry, fisheries) prepared by the mission indicate a 1978-85 average real growth rate of 3.4% per annum (see Table 11). In 1977, agriculture is expected to grow sharply by 13% in real terms due to the recovery from poor 1976 weather conditions. The 1978 figure is projected to show only a 2% real increase following the 1977 rise, and the remaining years to 1985 should each record real growth of 3-4%. The 1978-85 growth rate of 3.4% p.a. compares favorably with the 1972-78 growth of 1.6% p.a.

60. Numerous critical assumptions underlie these projections. First, Government projections were available only for livestock (2% per year for cattle; 2.7% p.a. for sheep, goats and swine), and all other agricultural

projections are mission estimates. Second, cotton production projected by the mission to reach 40,000 tons in 1985 assumes that a major development program for cotton will be undertaken with IDA and FAC financing, and that input delivery, pricing, and extension problems will be resolved. Third, foodcrop output projections are highly uncertain in view of the variations in production over recent years and the stagnation in output indicated by the statistics. The mission has assumed no real growth in manioc, 1% growth in yams, and 2% annual growth of maize output which is a slight improvement from past trends but not quite sufficient to keep up with population growth of 2.7% p.a. These trends were selected as a compromise between the stagnant growth trend revealed by past statistics and the observed reality that per capita consumption does not appear to be declining. If manioc in fact declines as it apparently has over the past decade, the overall growth of agriculture will be considerably affected. Fourth, output of fisheries is assumed to grow by 6.7% annually after 1980, and this implies a reversal of past negative trends in fisheries through investment in ocean fishing vessels and further development of inland fisheries.

VI. Conclusions

Policy Recommendations

61. The Government has carried out numerous changes in the institutional structure of crop production and marketing over the past five years. In light of this reorganization and the priority accorded to agriculture in the Three-Year Plan, the mission has advanced a number of suggestions throughout this Annex. These recommendations are based on our presently incomplete knowledge of the sector, and are proposed only as a basis for discussion with the Government. A summary of the mission's major recommendations for agriculture is as follows:

i. Irrigation. The mission recommends a study of the cost effectiveness of alternative small-scale techniques for groundwater and small dam irrigation systems, and their application to the different ecological zones in Benin (see para. 56).

ii. Storage. A study of grain storage needs, recommending what further investment and type of storage is required, would be useful. It is possible that such a study could improve upon the present allocation of 2,000 tons of storage per province (see para. 58).

iii. Foodcrop trade with Nigeria. The impact, at farmer and national levels, of foodcrop exports to Nigeria should be explored. At present, the scope and effects of this trade are not accurately known. If, as the mission suspects, these foodcrop exports have a positive net impact on Benin, the Government should consider constructing roads and extending credit to farmers for foodcrop production (see para. 47).

iv. Agricultural Pricing and Marketing. A thorough analysis of past pricing policies should be prepared to assist the Government in analyzing the impact of alternative strategies on farm production and urban consumption. The marketing systems--both traditional and reorganized--should be studied to determine means of increasing efficiency. Data which were not obtained by the economic mission--baremes, foodcrop prices, and the accounts of FAS, SONACEB, and CCN--would be necessary to carry out such a study.

v. Economic Analysis of Projects. An increased capability to analyze agro-industrial projects should be developed in Benin, probably within the Bureau Central des Projets (see para. 48).

vi. Management and Accounting. The new institutions created in agriculture--including the CARDERs, FAS and CNCA--need to be strengthened in the areas of management and financial control to enable them to fully carry out their functions. A variety of training and technical assistance measures could be considered to meet this need, in addition to assistance currently being provided by the Bank (see below).

vii. Save Sugar Project. The financing terms of this project and the pricing arrangement with Nigeria are critical items requiring close Government attention. The mission recommends adopting a two-step export price to Nigeria to match the cash flow characteristics of the project (see para. 52).

viii. Agricultural Research. The new structure of agricultural research should be made operational as soon as possible to prevent a hiatus in this important work. Consideration could be given to combining the research units to make administration easier. The flow of information to the CARDERs needs to be thoroughly organized. Technical assistance should be sought to ensure that the new arrangement gets off to a good start.

World Bank Group Strategy

62. IDA has financed three agricultural projects in Benin. The first, Hinvi Agricultural Project (144-DA, US$5.175 million) consisted of planting 6,000 ha of oil palm, preparing 6,000 ha for annual crop production, and constructing an oil mill. The project has been successfully completed, in part due to the introduction of ox-drawn cultivation for the annual crops. Production of fresh fruit bunches has been lower than appraisal estimates, but plantation maintenance has been good. Strong project management by Beninese nationals formed the basis for the project's success.

63. The second project, Zou-Borgou Cotton Project (307-BEN, US$6.1 million) did not reach appraisal targets and in fact coincided with a steep decline in cotton production, though maize, sorghum and rice production increased. This disappointing performance was the result of poor weather, insufficient producer prices for cotton, and disruptions in the organizational set-up.

64. The third project is Technical Assistance (716-BEN, US$1.7 million), presently ongoing, whose objectives are to strengthen SONAGRI and the CARDERs and to prepare additional projects in agriculture. This project is proceeding satisfactorily.

65. Development of future Bank Group projects in Benin largely rests upon the outcome of the Technical Assistance Project. The mission recommend that project preparation activities should focus separately on the potential for Zou Province and for Borgou. Borgou is the largest province in Benin, and conditions appear favorable for a rural development project involving foodcrops, cotton, livestock and animal traction components, especially once the detrimental effects of onchocerciasis are removed (see Annex D). In Zou Province, foodcrops could be emphasized, possibly including maize for the Nigerian market. Project preparation work in both provinces, linked to the respective CARDERs, would provide alternative possibilities for future Bank Group financing.

66. Bank agricultural sector work in Benin should focus on analyzing pricing and marketing issues. The economic mission has provided a rough sketch of institutional and production developments over the past five years, but was unable to acquire an adequate understanding of present pricing and marketing methods. Studies of these twin issues should be mounted in the context of the Technical Assistance Project. A report on these questions could serve as a useful tool for Government and as necessary background for future Bank Group projects in the sector. Particularly if future projects are to involve foodcrops, it will be very important for the Bank to obtain a better understanding of the roles of new public marketing agencies and of traditional distribution networks. Involvement in other studies mentioned in para. 61 above should be considered at the Government's request.

Table 1

Annual Rainfall at Selected Stations
(mm.)

	Cotonou	Bohicon	Parakou
1951-67 (average)	1371	1195	1201
68	2470	1516	1397
69	1353	978	1142
70	951	1231	671
71	1090	1013	1065
72	1310	1171	876
73	922	981	1368
74	--	1081	944
75	1127	897	1021
76	928	848	1014

SOURCE: ASECNA (Agence pour la Sécurité de la Navigation Aérienne en Afrique et à Madagascar).

Table 2

Selected Rural Population and Land Use Indicators, 1977

	Atacora	Borgou	Zou	Mono	Atlantique	Ouémé	Total Bénin
Total Households (000)	52	40	84	61	41	78	356
Agricultural Households (000)	50	39	73	59	37	64	322
Agricultural Population (000)	357	404	524	379	230	342	2,236
No. of persons per Agricultural Household	7.1	10.4	7.2	6.4	6.2	5.3	7.0
Total Land Area (000 ha)	3,120	5,100	1,870	380	320	470	11,260
Agricultural Land Area (000 ha) a/	2,184	3,570	1,750	372	302	422	8,600
Cultivated Land Area, physical (000 ha) b/	102	104	156	69	58	70	559
Cultivated Land, statistical (000 ha) c/	102	104	225	115	90	121	757
Cultivated Land as percent of total agricultural land: physical	5	3	9	19	19	17	7
statistical	5	3	13	31	30	29	9
Cultivated Land per Household (ha)							
physical b/	2.0	2.7	2.1	1.2	1.6	1.1	1.7
statistical c/	2.0	2.7	3.1	2.0	2.4	1.9	2.4
Rural Population Density (no/km^2)	16	11	30	101	76	81	26

a/ Includes pasture and forest land
b/ Actual cultivated area
c/ Includes land multiple cropped

SOURCE: MDRAC

BENIN

Value of Agricultural Production

Table 3

	1965/67	1972	1973	1974	1975	1976
	Million CFAF					
Foodcrops						
Staple foodcrops (current)	NA	16,458	18,659	20,315	20,759	24,591
(constant)	24,671	22,561	23,356	21,202	20,759	20,784
Fruits and vegetables (current)	NA	1,760	1,760	1,760	2,025	1,780
(constant)	NA	1,828	1,828	1,828	2,025	1,610
TOTAL (current)	NA	18,218	20,419	22,075	22,784	26,371
(constant)	NA	24,389	25,184	23,030	22,784	22,394
Industrial Crops						
Major Industrial Crops (current)	NA	4,926	4,653	5,060	5,133	5,231
(constant)	3,369	6,164	6,161	5,214	5,133	5,228
Other (current)	NA	NA	NA	155	144	139
(constant)	NA	NA	NA	160	144	134
TOTAL Industrial Crops (current)	NA	4,926	4,653	5,215	5,277	5,370
(constant)	NA	6,164	6,161	5,374	5,277	5,362
Livestock (current)	NA	5,549	7,240	8,777	9,216	11,736
(constant)	NA	9,082	9,919	10,052	9,216	10,871
Total Value of Production (current) a/	NA	28,693	32,312	36,067	37,277	43,477
(constant) a/	NA	39,635	41,264	38,456	37,277	38,627
Population b/	2.161 c/	2.869	2.948	3.029	3.112	3.197
	CFAF					
Value of staple foods production per capita d/	11,416	7,864	7,923	7,000	6,671	6,501
Value of production per capita a/ d/	NA	13,815	13,997	12,695	11,978	12,082

Sources: Tables 4 through 7

a/ Excludes value of other industrial crops before 1974. These values probably total somewhere between CFAF 100-150 million.

b/ Millions

c/ 1966 population

d/ In constant 1975 prices

Table 4

Production and Value of Major Foodcrops[a]

	1965/67	1972	1973	1974	1975	1976[b]
Maize						
Surface[c]	386	378	330	302	310	262
Production[d]	222	207	238	229	240	150
Price[e]	NA	15	20	23	25	30
Value (Current prices)[f]	NA	3105	4760	5267	6000	4500
(Constant prices)[g]	5550	5175	5950	5725	6000	3750
Sorghum and Pearl Millet						
Surface[c]	105	98	158	153	110	106
Production[d]	55	56	95	96	67	60
Price[e]	NA	15	15	18	20	23
Value (Current prices)[f]	NA	840	1425	1728	1340	1380
(Constant prices)[g]	1100	1120	1900	1920	1340	1200
Rice (paddy)						
Surface[c]	2.3	3.4	4.4	5.3	7.3	10.2
Production[d]	1.4	4.7	8.0	8.7	12.7	18.4
Price[e]	NA	20	20	25	30	36
Value (Current prices)[f]	NA	94	160	218	381	662
(Constant prices)[g]	42	141	240	261	381	552
Manioc						
Surface[c]	128	101	97	92	75	79
Production[d]	833	615	599	548	461	500
Price[e]	NA	6	7	7.5	10	12
Value (Current prices)[f]	NA	3690	4193	4110	4610	6000
(Constant prices)[g]	8330	6150	5990	5480	4610	5000
Yams						
Surface[c]	57	52	44	42	45	62
Production[d]	520	535	500	428	444	550
Price[e]	NA	15	15	20	17	20
Value (Current prices)[f]	NA	8025	7500	8560	7548	11000
(Constant prices)[g]	8857	9095	8500	7276	7548	9350
Beans						
Surface[c]	67	63	63	42	NA	59
Production[d]	19.8	22.0	19.4	13.5	22.0	23.3
Price[e]	NA	32	32	32	40	45
Value (Current prices)[f]	NA	704	621	432	880	1048.5
(Constant prices)[g]	792	880	776	540	880	932
Basic Foodcrops						
Surface[c]	745.3	695.4	696.4	636.3	547.3	578.2
Value (Current prices)[f/h]	NA	16458	18659	20315	20759	24591
(Constant prices)[g]	24671	22561	23356	21202	20759	20784
Vegetables						
Production[d]	NA	NA	NA	28	30	25
Price[e]	NA	NA	NA	20	21	25
Value (Current prices)[f/h]	NA	560	560	560	630	625
(Constant prices)[g]	NA	588	588	588	630	525
Fruit						
Production (000/mt)[d]	NA	NA	NA	40	45	35
Price[e]	NA	NA	NA	30	31	33
Value (Current prices)[f/h]	NA	1200	1200	1200	1395	1155
(Constant prices)[g]	NA	1240	1240	1240	1395	1085
Total Value						
Current prices[h]	NA	18218	20419	22075	22784	26371
Constant prices[g]	NA	24389	25184	23030	22784	22394

a/ Values from production estimates of Ministry of Rural Development (MDRAC) except where noted.
b/ Preliminary estimates
c/ Thousand ha.
d/ Thousand mt.
e/ CFAF/kg current prices n.a. for 1965-67.
f/ Millions CFAF.
g/ 1975 prices.
h/ Estimates for 1974-76 from Comptes de la Nation. 1972 and 1973 values assumed equal to those in 1974.

Table 5

Production and Value of Oil Palm

	1972	1973	1974	1975	1976 a/
Ffb collected (000 mt) b/	74.9	82.9	88.8	128.4	74.8
Palm kernels produced (000 mt)	5.4	5.2	5.8	6.4	4.4
Percent palm kernels to ffb (%)	7.2	6.2	6.5	5.0	5.9
Palm kernels received (000 mt) c/	48.8	38.5	46.4	49.8	41.4
Net traditional palm kernels received (000 mt) d/	43.4	33.3	40.6	43.4	37.0
Total traditional ffb (000 mt) e/	434	333	406	434	370
Total ffb produced f/	508.9	415.9	494.8	562.4	444.8
Value: (Million CFAF Modern @ CFAF 6/kg	449.4	497.4	532.8	770.4	448.8
Traditional @ CFAF 4/kg	1736	1332	1624	1736	1,480
Total	2185	1829	2157	2506	1,929

a/ Preliminary estimate.
b/ Collected by SOBEPALH and SONICOG. Analysis assumes that all modern sector production is processed by these two agencies.
c/ Total palm kernels received by SONICOG which has the only processing facility in Benin. Undoubtedly some palm kernels are sold in Nigeria so this probably understates total quantities received.
d/ Total SONICOG receipts of palm kernels less modern sector production.
e/ Estimated on the basis of palm kernel weight equals 10% of ffb.
f/ Combined traditional and modern production.

Table 6

Production and Value of Selected Industrial Crops[a]

	1965/67	1972	1973	1974	1975	1976
Cotton						
Surface[b]	13	47	55	48	31	26
Yield	592	1063	800	645	741	735
Production[c]	7.7	49.8	43.7	30.6	23.4	19.1
Price[d/e]	NA	35	35	35	40	40
Value (current prices)[f]	NA	1743	1530	1071	936	764
Value (constant prices)[g]	308	1992	1748	1224	936	764
Groundnuts						
Surface[b]	82.0	82.8	63.9	58.3	57.9	77.0
Production[c]	37.9	41.8	60.0	41.7	34.7	61.1
Price[d/e]	NA	18.5	19.0	40.0	40.0	40.0
Value (current prices)[f]	NA	773.3	1140	1668.0	1388.0	2444
Value (constant prices)[g]	1515	1672	2400	1668	1388	2444
Karite						
Production[c]	5.6	6.0	2.2	2.4[h]	7.5	1.9[h]
Price[d]	NA	10	12	20	20	20
Value (current prices)[f]	NA	60.0	26.4	48.0	150.0	38.0
Value (constant prices)[g]	112.0	120.0	44.0	48.0	150.0	38.0
Coffee						
Production (m.t.)	648	1200	400	150	600	535[h]
Price[d]	NA	70	70	75	80	85
Value (current prices)[f]	NA	84	28	11	48	46
Value (constant prices)[g]	52	96	32	12.0	48	43
Tobacco						
Production (m.t.)	795	1135	1245	1205	1200	112
Price[d]	NA	71	80	86.75	86.75	86.75
Value (current prices)[f]	NA	80.6	99.6	104.5	104.1	9.7
Value (constant prices)[g]	69.0	98.5	108.0	104.5	104.1	9.7
Subtotal						
Value (current)[f]	NA	2740.9	2824.0	2908.5	2626.1	3301.7
Value (constant)[g]	2018.8	3978.5	4329	3056.5	2626.1	3298.7

Other Industrial Crops[h]

	1974	1975	1976
Anacarde (Cashews)			
Production (mt)	727	345	338
Price (CFAF/kg)	17.0	17.0	18.0
Value (Million CFAF)	12.4	5.9	6.1
Ricin (Castor)			
Production (tons)	29	15	15
Price (CFAF/kg)	25	25	25
Value (Million CFAF)	0.7	0.4	0.4
Coconuts			
Production (tons)	1626	5722	5304
Price (CFAF/kg)	19	20	21
Value (Million CFAF)	116.4 (122.5)	114.4	111.4 (106.1)
Copra			
Production (tons)	347	324	300
Price (CFAF/kg)	72	72	72
Value (Million CFAF)	25.0	23.3	21.6

TOTAL VALUE (Other Industrial Crops)

	1974	1975	1976
Current	154.5	144.0	139.4
Constant	160	144	133.8

a/ Excluding oil palm (see Table 5).
b/ Thousand ha. except where noted.
c/ Thousand mt. except where noted.
d/ CFAF/kg.
e/ Average first and second grade.
f/ Million CFAF.
g/ Million CFAF at 1975 prices.
h/ Not reported by MRD so estimates derived from Comptes de la Nation. Estimates from this source only available for

Table 7

Livestock Production and Value (1972-76)

CATTLE PRODUCTION	1971	1972	1973	1974	1975	1976
Total Herd (000) a/		646	675	684	680	711
Offtake (%) b/		13	13	13	13	13
No. of head slaughtered (000) a/		84	88	89	88	92
Price per head c/		20,000	25,000	30,000	35,000	38,000
Total Value (million CFA)		1680 d/	2200	2670	3080	3496
Change in stocks (000)		20	29	9	(-4)	31
Value of stocks		400	725	270	(-140)	1178
Total Value (million CFA)		2080	2925	2940	2940	4674
SHEEP AND GOATS						
No. of head. (000) a/		1265	1370	1582	1630	1679
% offtake b/		30	30	30	30	30
Head slaughtered (000)		380	411	475	489	504
Av. Wt. (kg)		20	20	20	20	20
Price/head (CFA) c/ e/		2500	3000	3500	4000	4500
Total Value of meat production (million CFA)		950	1233	1662	1956	2268
Increase in herd (000 head)		70	105	212	48	49
Increased herd value (million CFA)		175	315	742	192	220
Total Value (million CFA)		1125	1548	2404	2148	2488
SWINE						
No. of head (000) a/		348	352	353	368	385
% offtake b/		60	60	60	60	60
Head slaughtered (000)		209	211	212	221	231
Value/head b/		4050	5500	6500	8000	8500
Value of production (million CFA)		846	1160	1378	1768	1963
Change in stock (000)			4	1	15	17
Value (million CFA)			22	6	120	144
Total Value (million CFAF)		846	1182	1384	1888	2107
OTHER						
POULTRY						
Meat produced (tons) a/	3200	3400	3600	3800	4000	4200
Price (CFAF/kg) c/	250	250	250	300	300	300
Value (million CFA)		850	900	1140	1200	1260
EGGS						
Production (millions) e/	28	29	30	31	32	33
Price (CFA/egg) c/	6	7	8	9	10	10
Value (million CFA)		203	240	279	320	330
MILK						
Cows/milk production (million l) e/		11	11	12	12	13
Price (CFAF/l) f/		30	30	35	40	45
Value (million CFA)		330	330	420	480	585
Goats' milk (50% of value of cows' milk in National Accounts g/		115	115	210	240	292
Total milk		445	445	630	720	877
TOTAL VALUE OF LIVESTOCK PRODUCTION		5,549	7,240	8,777	9,216	11,736

---

a/ Herd and production estimates 1974-76 from Ministry of Rural Development MDRAC and Sce. National d'Elevage earlier estimates from Comptes de la Nation, adjusted to MDRAC

b/ Assumed constant throughout based on MRD 1974-76 estimates.

c/ 1972 prices based on 1971/72 estimates by IBRD mission to Dahomey. 1975/76 prices estimated in Comptes de la Nation. Chad Agricultural Sector Memorandum shows a price increase of about 90% from 1971-75 for beef and 55% for sheep and goats.

d/ Mission estimate

e/ 1971/72 production estimates by IBRD Dahomey Livestock Mission. 1974-76 estimates by MRD and FAO Yearbook, 1976.

f/ MRD estimate

g/ Estimated at 1/2 value of cows milk by SODERA and MDRAC

Table 8

Fish Production and Trade

Type of Fishery	Quantity (metric tons) 1971	1972	1973	1974	1975	1976[a]
Maritime						
industrial	5,816	6,590	5,073	3,822	2,028	1,215
traditional	4,100	3,800	3,600	3,200	3,100	2,800
Continental						
lagoon	14,000	13,000	11,000	10,550	10,500	9,600
river	8,500	8,200	8,300	8,200	8,100	7,800
Total Production	32,416	31,590	27,973	25,772	23,728	21,415
Imports	3,900	3,735	4,771	7,140	8,875	10,000
Exports	3,150	3,027	5,035	5,021	3,334	2,705
Total Consumption	33,166	32,298	27,709	27,891	29,269	28,710

a/ Estimate.

SOURCE: Ministère du Plan, Comptes de la Nation (Provisoires) 1975, August 1977.

Table 9

Proposed Agricultural Sector Investment 1977-80

(CFAF billion)

Category	Total Planned Investment	Financing Status: Assured	In View	To Be Sought
Basic Foodcrops	8.8	-	-	8.8
Fruits and Vegetables	2.0	0.9	-	1.1
Other Perennial Cultures	1.5	0.4	0.3	0.8
State Farms	1.2	0.2	-	1.0
CARDERs	1.9	-	1.9	-
Forests and Protection	0.3	-	-	0.3
Livestock	6.8	0.5	-	6.3
Fishing	2.9	-	0.2	2.7
Water Resources	0.4	-	-	0.4
Agro-Industry a/	35.2	9.5	25.0	0.7
Total	61.2	11.5	27.4	22.4

a/ Principally Savé sugar project, estimated to cost CFAF 30.0 billion.

SOURCE: Plan d'Etat de Développement Economique et Social 1977/78-1979/80, Rapport de Synthèse, December 1976.

Table 10

Estimated External Aid Commitments 1977-79

(CFAF Billions)

	1977	1978	1979
Agriculture			
FED-Aid to CARDERs	2.23	-	-
Germany "	-	0.66	-
IDA/FAC Technical Assistance	0.22	0.43	
UNDP - Mono Pilot Project	-	0.83	-
Other 1/	-	1.83	-
Agro-Industry			
BOAD/CCCE - Maize Mill	0.60	-	-
Savé Sugar			
Nigerian Equity	3.80	-	-
Lonrho Equity	0.40	-	-
Suppliers Credits	-	-	35.50
Livestock			
FED - Ranching	0.50	-	-
AfDB Okpara Ranch	-	0.90	-
UNDP Oxdrawn Culture	-	0.50	-
UNDP Sheep Production	-	-	0.21
Total	7.75	5.15	35.71

1/ Includes UNDP/FAO Assistance.

SOURCES: Ministry of Plan and Aid Agencies

Table 11

Projected Production of Selected Agricultural Products 1980 and 1985

(Thousand Tons)

	1976	1980	1985
Industrial Crops			
Cotton 1/	19	27	40 2/
Oil palm (ffb)	434	591	640
Groundnuts	62	60	70
Foodcrops			
Maize 3/	150	245	270
Rice	18	32	48
Sorghum	60	78	88
Manioc 4/	500	550	550
Yams 5/	550	515	541
Livestock (Head Slaughtered)			
Cattle	92	100	111
Sheep and Goats	504	560	640
Swine	231	255	290
Poultry (meat)	4,200	5,000	6,000
Milk (Cows Million 1)	13	15	18

1/ Assumes a turnaround in the trend of Beninese crop production before 1985.
2/ Assumes that a major external assistance effort to assist the cotton subsector will be mounted before 1985.
3/ Assumes growth at 2%/year from the 1973-75 average with exports to Nigeria continuing at approximately current levels (30-40,000 tons/Year).
4/ Assumes a constant production level of 550,000 tons from 1977 on.
5/ Assumes 1% annual growth from a 1977 level of 500,000 tons.

SOURCE: Mission estimates and MDRAC.

FIGURE 1: ORGANIZATION OF AGRICULTURE SECTOR

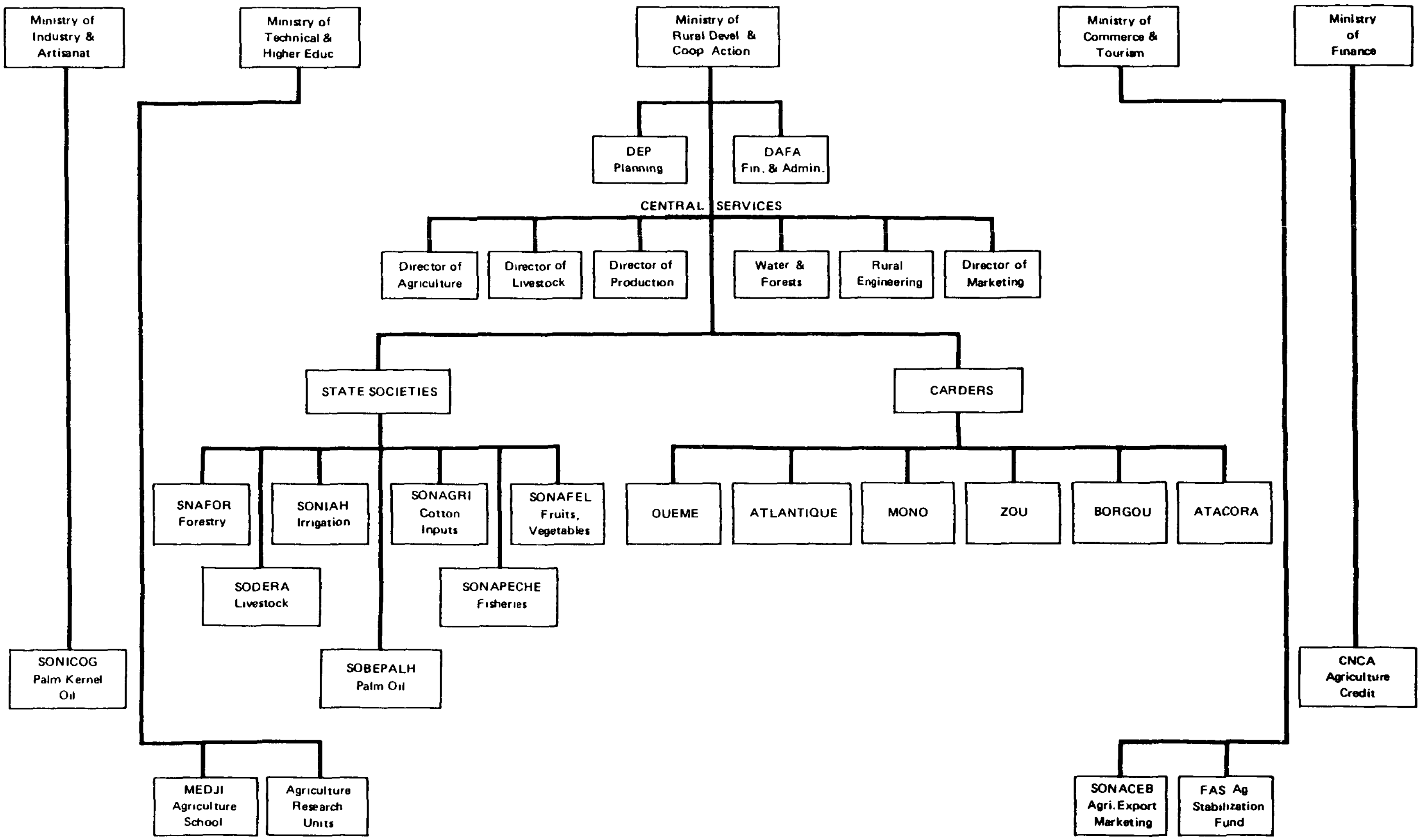

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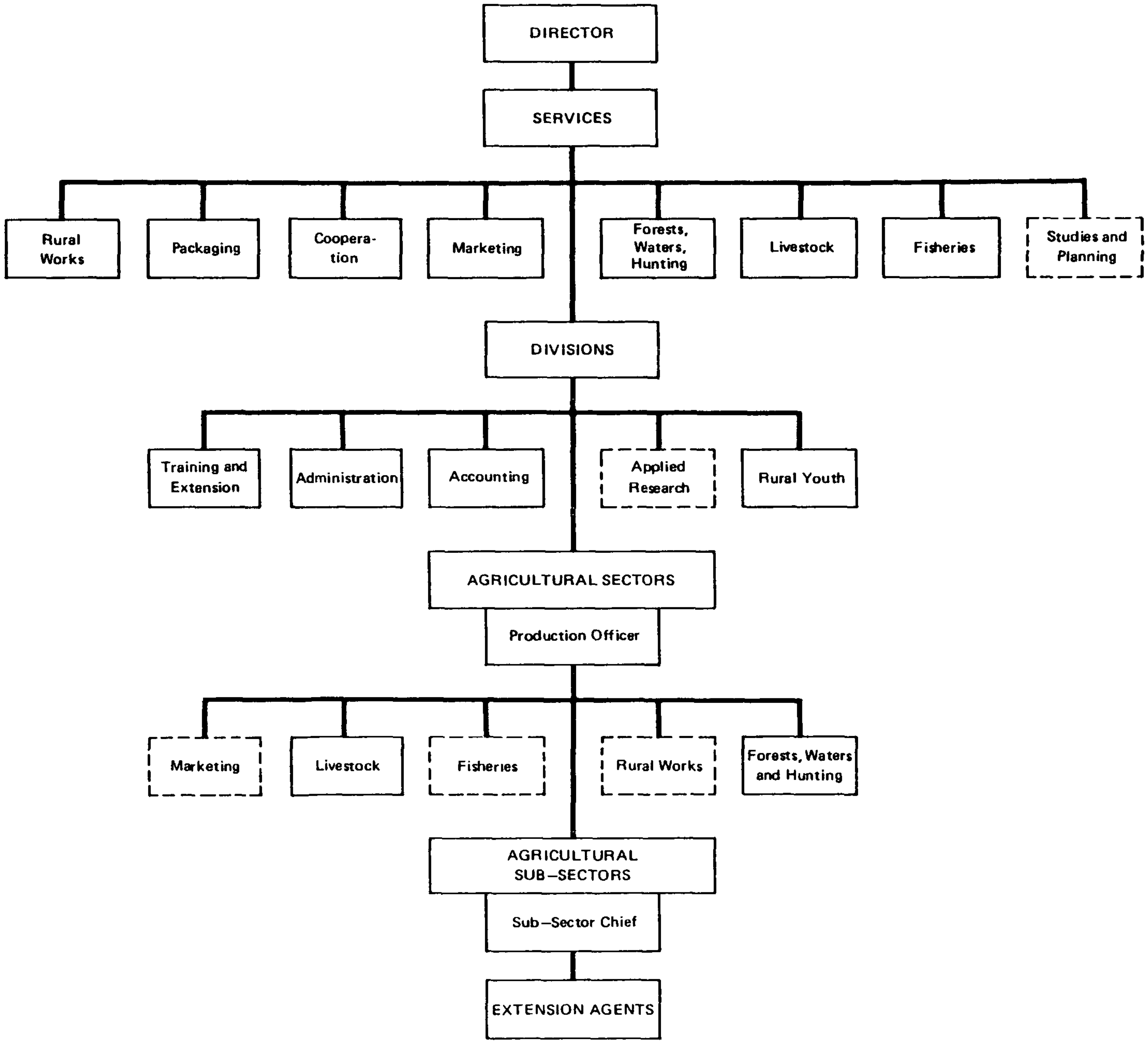
FIGURE 2: ORGANIZATION OF A CARDER



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ANNEX B. INDUSTRY

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INDUSTRY

INTRODUCTION

1. Benin's secondary sector has enjoyed the highest growth rate of any segment in the economy in recent years, increasing at an annual rate of 11% and raising its contribution to GDP from 12% in 1972 to 15% in 1976. Industry is generally of the import-substitution and agricultural processing variety, and its level of development so far has been modest in comparison with other West African countries. Three-quarters of the value added in the modern industrial sector is composed of textiles, beverages, and vegetable oil processing; the expansion of the former two branches, originally intended to supply the domestic market, has been largely due to exports of these products to Nigeria. The Government nationalized, or took a substantial participation in, almost all large industrial operations beginning in 1974 (Table 1). The Three-Year Plan (October 1977 - September 1980) indicates that future industrial development will focus on further expansion of the established modern industrial sector and the start-up of a substantial cement plant based on domestic limestone deposits. Petroleum refining, vaguely referred to in the Plan, is not considered likely although it is possible that Benin will be able to exploit its offshore oil reserves in the medium term. This annex describes the present structure of Beninese industry, explores two issues of particular interest (foreign investment and small-scale enterprises), and briefly analyzes the outlook for the future.

PRODUCTION TRENDS

2. The value added in modern industry was long dominated by vegetable oil processing and beverages, but beginning in 1975 textiles, garments, and shoes took the lead (Table 2). This is largely related to the expansion of a textile-printing operation in Cotonou and the start-up of an integrated textile mill in Parakou. Overall growth of value added over 1972-76 was 16% per annum in constant prices for modern industry and an estimated 1% annually for the traditional or artisanal sector. Based on 1975 figures (Table 3), the highest profit margins were recorded in textiles and vegetable oil processing; the most heavily taxed branch was beverages; and the most productive branch (output per worker) was clinker grinding. Employment in the modern sector enterprises surveyed by the Ministry of Industry in 1977 (these firms account for about 70% of the mission's estimate of value added in modern industry) rose from 2,100 persons in 1972 to 5,000 workers in mid-1976. Within the modern sector, industry is thus far behind the public administration (with 20,000 employees) in terms of employment. The cost of creating new jobs in industry over the 1972-76 period averaged about CFAF 4 billion per job ($17,000) in current terms, considerably lower than the figure of CFAF 6 billion per job recorded in Ivory Coast over 1970-74. Direct industrial exports are largely limited to the output of vegetable oil processing plants, though unofficial exports of Beninese-produced textiles and beverages to Nigeria are substantial. The low urban wage levels (60% below those in Senegal) provide an important competitive advantage.

Textiles

3. The textile branch consists essentially of two firms, the Societe Beninoise des Textiles (SOBETEX, ex-ICODA) and the Industrie Beninoise des Textiles (IBETEX, ex-IDATEX). SOBITEX was established in Cotonou around 1970, and bleaches and prints African designs on calico imported from Taiwan. Production capacity was increased in 1975-1976 from 15 to 20 million meters of fabric, and sales in 1976, using full capacity, reached a record CFAF 3.25 billion. Total fixed investment, at cost, was about CFAF 900 million in mid-1976. A 49% interest in SOBETEX was acquired by the State in 1975; the remaining 51% ownership continues to be held by foreign private interests. 1/ About 300 persons are employed, including several expatriate managers, and skilled workers are trained in the foreign partners' European factories. The output is sold entirely to Beninese wholesalers, who then export (unofficially) about 85% of the goods to Nigeria. Net profits after tax average 15% of total long-term capital in 1974 and 1976, and reached 91% in 1975.

4. IBETEX is an ambitious integrated textile factor located in Parakou which carries out all the manufacturing steps--spinning, weaving, finishing, and garment-making--required to turn Beninese ginned cotton into finished clothing articles. Construction began in 1971 and production first started in mid-1975; total investment costs are about CFAF 4.9 billion, largely financed by suppliers' credits. The equity is held 48% by the State, 23% by the French Voyer group (responsible for engineering and construction), 23% by the Dutch Arbatex group (handling marketing in Europe), and 6% by a French investor. The plan was for 3,200 tons per year of cotton fiber to be processed into garments which would be 95% exported, largely to Germany. In 1976, about 1,050 tons of cotton were actually used to produce a variety of garments, and employment reached 1,500 workers including 23 expatriates. Major problems have been encountered, particularly with the management of the factory (which was replaced in March, 1977) and the export marketing (the arrangement with Germany has collapsed, leaving sales at less than half of capacity). The value of the investment is in dispute and there will not be any accounts ready until late in 1978. Sales in 1976 are estimated by the mission at about CFAF 600-1,200 million, far below capacity.

5. The BATA shoe factory is a typical import-substitution operation. It is wholly-owned by the French parent company and produces about 240,000 pairs of shoes annually for the domestic market. Investment at cost amounted to CFAF 150 million, with sales of CFAF 360 million in 1975. Employment is about 125 persons including one expatriate. Production capacity has not been increased since 1971, and the very slow increases in personnel indicate low output growth and below-capacity utilization.

1/ CFAO, Compagnie du Niger, Lever Brothers, ITT (Togo), ICODI (Ivory Coast), and Schaeffer Engineering (Alsace).

Vegetable Oil Processing

6. This branch has always been State-owned and presently consists of the Societe Beninoise de Palmiers a Huile (SOBEPALH, ex-SONADER) which specializes in palm oil production, and the Societe Nationale de l'Industrie des Corps Gras (SONICOG, ex-SNAHDA) which produces palm kernel oil, other vegetable oils, and soap. SOBEPALH monopolizes the modern production of palm oil with six mills and an annual capacity of 40,000 tons of palm oil and 11,000 tons of palm kernels. In 1975/76, SOBEPALH's actual production was 20,000 tons of palm oil and 5,000 tons of kernels, or about one-half of capacity. During 1976/77, only about three-fourths of the previous year's output was achieved, owing to bad rainfall conditions, and most of the mills were closed for part of the year. Employment is about 1,500 persons and the management is assured by Beninese nationals. Sales in 1975/76 were CFAF 1.1 billion, with palm kernels being sold to SONICOG and palm oil sold locally and exported. SOBEPALH's expansion of oil palm plantations and mills has been financed in part by about CFAF 2.0 billion of loans and grants from FED, FAC, EIB, and IDA. A considerable planted area will be coming into production over the next few years.

7. SONICOG manages a palm kernel oil mill in Cotonou, a palm oil mill in Bohicon, and a soap factory in Porto Novo. The kernel mill has an annual capacity of 30,000 tons of kernel oil and 30,000 tons of cake; maximum output was 22,000 tons of each during 1976/77. All palm oil processing is being transferred to SOBEPALH, and the Bohicon palm oil mill is being converted, at a cost of over CFAF 1 billion (financed by KfW), into a mixed groundnut/cotton oil mill with a capacity of 8,000 tons of groundnut oil, 4,000 tons of cottonseed oil, and 17,000 tons of cake. SONICOG employs about 500 persons, manages capital stock worth CFAF 4.3 billion (at cost), and recorded sales of about CFAF 4.5 billion in 1975/76.

Beverages

8. La Beninoise is the only brewery in Benin and was wholly nationalized in 1975. Its sales have grown steadily over the years, and 1977 beer production (18 million liters) exceeded the theoretical plant capacity. In addition, 8 million liters of carbonated beverages and 9,000 tons of ice are produced. Employment is about 300, sales were CFAF 2.6 billion in 1976/77, and fixed assets (at cost) were valued at CFAF 1.3 billion. Return on long-term capital has varied between 6%-10% over recent years, after payment of substantial taxes. An expansion is planned for 1978 to double the brewing capacity to 30 million liters.

Food Processing

9. The two major firms operating in this field are both foreign owned. The Grands Moulins du Benin (GMB) operates a flour mill in Cotonou with a capacity of 125 tons of flour per day, and a second mill of the same size has been ordered. In 1976 and 1977, with the shortage of maize, consumption of bread increased sharply, and the GMB mill operated in excess

of normal capacity. Sales in 1974 exceeded CFAF 500 million (latest figure available) and have grown since; GMB is owned by a Lebanese group. The other large firm is the Industrie Alimentaire, part of the French BSN group, which produces noodles and couscous for export to Nigeria. This firm had 1976 sales of CFAF 200 million, and plans to add a spaghetti production line and additional storage silos. In addition to these two firms, there are numerous bakeries and smaller enterprises which participate in this dynamic branch.

Cement and Ceramics

10. The Societe des Ciments du Benin (SCB) operates a 200,000-ton capacity clinker grinding plant in Cotonou using imported clinker. Production has steadily increased and reached 185,000 tons in 1975, with sales of CFAF 2.2 billion. Ownership is 49% state and 51% private French nationals. In response to the rising demand for cement, a state enterprise, Societe Nationale des Ciments (SONACI) has been created to operate a second 200,000 ton clinker grinding plant in Cotonou. This plant, costing CFAF 2.5 billion, is 80% financed by BADEA and due to enter service in 1978. There is also a ceramic factory, Ceramique Industrielle du Benin (CIB), 80% State-owned and 20% German-owned, which just began production in 1977; investment is CFAF 500 million.

Electricity

11. The Societe Beninoise d'Eau et d'Electricite (SBEE) is the public utility in Benin, and was wholly purchased by the State in 1973. Its business consists of about 90% electricity sales and 10% water sales, totalling CFAF 1.7 billion in 1976/77. Less than 10% of SBEE's electric power is actually produced in Benin (about 4 million kwh; see Table 4). The remainder is supplied by CEB (the Communaute Electrique du Benin), an international corporation formed by the Governments of Benin and Togo in 1968 to provide power generation and high voltage transmission, as well as to supply bulk power to large individual industries. The CEB entered into a contract in 1973 with the Volta River Authority to purchase annually up to 50 mw of power generated by the Akosombo Dam in Ghana. Thus, the existing small diesel generating plants in Benin (about 28,000 kva total) are used only for peak loads or in case of emergency. SBEE had fixed assets of CFAF 2.1 billion at book value in 1976 and employment was about 400 persons. Rate of return on long-term capital was 3% in 1975/76.

12. SBEE plans to increase its thermal generating capacity by the addition of 61 mw over the years 1979-82; financing has been secured for the first two years of this expansion program. The Nangbeto hydroelectric project on the Mono River (joint project with Togo) is expected to produce 60 mw of peak power by the mid-1980s but this project is still under study by the two nations involved and potential financing agencies, including the Bank Group. No additional power will be available from Ghana beyond the 50 mw already contracted for, so domestic production must supply the increase in demand for electric power.

Other Industries

13. There are several other types of industrial enterprises operating in Benin, mostly small and privately owned. These include assembly (on a modest scale) of automobiles, motorcycles, and bicycles; nail manufacturing; mechanical workshops; furniture making; printing; foam manufacturing; and a cashew nut processing factory. An interesting cooperative (COBEMAG) producing agricultural implements--animal drawn carts and ploughs--has recently been established in Parakou. This cooperative is wholly owned by its 150 workers (capital of CFAF 150 million) and will be expanding with financing provided by BOAD. This is the only known example of a worker-owned and managed industrial cooperative in Benin.

INDUSTRIAL DEVELOPMENT STRATEGY

14. The overall objectives of economic development in Benin are to promote national independence and to diversify the structure of production within the framework of State economic planning. The industrialization of Benin is viewed as essential to its development, and the Three-Year Plan (October 1977 - September 1980) foresees an industrial growth rate considerably higher than that for the whole economy. The strategy adopted to achieve a rapid industrial development is as follows:

(a) Priority for intermediate goods production, especially goods linked to agriculture, as an initial step to transform current consumer goods orientation to long-term emphasis on capital goods;

(b) Development of the internal market by processing raw materials into manufactured goods for sale domestically, and through import substitution;

(c) Development of industries in which simple technologies can be efficient and internationally competitive;

(d) State control of major industrial enterprises and public leadership in the sector; and

(e) Encouragement of cooperatives for small-scale enterprises.

15. This strategy is not entirely compatible with Benin's position as a small, open economy whose major strength is its favorable location for regional trade and transit activities. The internal market for manufactured goods--whether Beninese--produced or imported--is strictly limited by the small modern-sector consumer demand and a rural sector which has in most cases not even reached the level of animal-drawn cultivation. In these circumstances, it is unlikely that concentrating upon production of intermediate goods, given minimum economic plant sizes, will be economically viable. Most such operations would require exporting the majority of production (as well as importing considerable amounts of raw materials since Benin's

primary production is not well diversified) which in turn demands sophisticated marketing abilities and efficient production management skills which are in short supply in Benin. These skills are also not likely to abound in the ranks of the public sector which is supposed to provide leadership in industry. The severe problems encountered by IBETEX (para. 4) and the collapse of the Kenaf factory 1/ indicate the importance of favorable supply, management, and marketing conditions. Given Benin's relatively poor resource endowment and shortage of industrial managers, viable opportunities may be rare, though SOBETEX and La Beninoise provide successful examples of manufacturing projects.

Three-Year Plan and Major Investments

16. The Plan envisions an investment of CFAF 111 billion in industry over the coming three years, compared with total industrial investment of about CFAF 10 billion over 1972-76 (Table 5). Of this investment, about CFAF 46 billion is likely to obtain financing (Table 6). The major projects included in the Plan are the Save sugar mill (see Annex A, para. 51), the Onigbolo cement project, a second textile factory for CFAF 5 billion, oil and mineral exploration for CFAF 2 billion, and CFAF 2 billion for the second clinker grinding plant in Cotonou. In the longer term, the exploitation of offshore oil is envisioned but is not considered likely within the Plan timeframe by the mission.

17. The second IBETEX factory listed in the Plan should be postponed for the time being. As mentioned earlier, the first IBETEX operation is beset with problems including lack of market outlets and there seems little point in trying to expand output until these problems are resolved. Part of the solution, in the case of Benin which has no established reputation as an exporter of textiles to Europe, would be to join forces with a sound European firm, or to re-orient production toward Nigeria, possibly with private Nigerian participation. Oil and mineral exploration is clearly of priority in these days of high and rising fuel prices and the investment in prospecting is no doubt sound. The mission was unable to determine whether the second 200,000 ton clinker grinding plant was meant to replace or to supplement the existing operation. In any case, this is presumed to be a fairly short-term solution which will eventually be overtaken by the construction of a 500,000 ton cement factory based on Benin's Onigbolo limestone deposits.

1/ The Government-owned Societe Dahomeene du Kenaf (SODAK) launched a project to produce sacks using domestically-grown kenaf in the late 1960s. About $10 million was borrowed from Italian suppliers and banks to construct this factory. However, the factory never operated anywhere near capacity because of SODAK's failure to successfully develop kenaf plantations in Benin. The factory imported kenaf from Asia for a time, producing bags which cost almost twice as much as imported ones. The factory is no longer operating, and the debt contracted has been in arrears for the past seven years.

18. The Onigbolo project, to cost about CFAF 25 billion for the cement factory alone, would enter production in the early-mid 1980s and output would be primarily exported to Nigeria. Joint financing has been provided, with Benin holding 49% of the CFAF 6 billion equity, Nigeria 41%, and the Danish technical partner (F. L. Smidth and Co.) 10%. The cost, including infrastructure such as a rail link, workers' township, and electric capacity, might reach about CFAF 34 billion. Suppliers' credits of CFAF 19 billion for the factory have been obtained, and official aid sources will finance the infrastructure development. The feasibility study was not made available to the mission, but it is understood that the Government is satisfied with the economic viability of the project. Work on the factory is due to begin in early 1979, with construction taking about 3 years. The issue of cement price for sale to Nigeria should not pose too great a problem, since the Nigerian Government is financially committed to the project. Obviously, the pricing question is important to Benin since the major benefit of this project will be in terms of foreign exchange saved or earned, rather than broad development.

Potential For Industrial Expansion

19. Compared to other West African coastal states, the positive factors setting Benin apart as a potential industrial producer are essentially its favorable geographic location on several transit routes, its proximity to the large Nigerian market, and its relatively low wages. Urban wage levels, especially in the public and parapublic sector, have consciously been held down by the Government, and the current minimum industrial wage in Benin (CFAF 45 per hour) is 60% lower than that in Senegal and 25% lower than in Togo. The Nigerian market has accounted in recent years for an increasing proportion of Benin's manufactured goods output, especially in textiles. This market will remain important for Benin, but the long-term availability of this outlet depends upon Nigeria's own development plans and on continued good political relations between the two countries. Plans are now underway to exploit the mineral resources available, including limestone and offshore oil; the latter development could make Benin self-sufficient in petroleum and might generate some surplus for export. Recoverable reserves are estimated by an oil exploration firm at several tens of millions of barrels. Given the limited domestic market in Benin and the shortage of trained personnel, future large-scale projects will generally need to be export-oriented while small-scale enterprises could be active in importsubstitution of simple consumer goods and equipment. Among the constraints to future industrial growth, two issues -- foreign investment and small-scale enterprises -- are singled out for further discussion below.

Foreign Investment

20. It is unlikely, given the Government's objective of decreasing foreign domination of the economy, that direct foreign investment will ever regain the importance (or virtual monopoly) which it once held in Benin. Already, average net direct foreign investment has declined from

CFAF 1 billion per year during 1970-73 to zero during 1974-1976. The industrial development strategy clearly grants preference to state-controlled enterprises, though private foreign investment is allowed (a) without government participation if a non-negligible portion of profits are reinvested in Benin, or (b) in association with national public capital.

21. Within these policy guidelines, however, there is scope for further useful contributions by foreign capital in Benin. Specifically, private firms can bring the technical, managerial and marketing know-how which is essential in a manufacturing enterprise. Also, at the present stage of economic development where investable resources will largely come from overseas, it is desirable to attract a certain portion of that capital as equity rather than as debt. One way to ease the absorptive capacity constraint, though clearly not applicable in all situations, is through the judicious encouragement of foreign investment in selected industries.

22. The major step required in such an effort is the revision of the 1972 Investment Code. This Code establishes three different preferential tax regimes (A, B and C) for foreign investment and one (Regime D) for small national entrepreneurs, which vary only in degree according to the size of the investment. The incentives offered range from exemption from import duties and exemption or reduction of profits tax to negotiated deals for large investments (over CFAF 500 million). In general, investors are exempted from profits taxes for a period of years commencing with plant start-up. 1/ The problem with the Code is that it no longer reflects Government policies and priorities, and its application seems to have become rather inconsistent. For instance, the brewery La Beninoise (100% State-owned) paid taxes equal to 41% of sales in 1976, whereas the textile firm SOBETEX (49% State-owned) paid taxes equivalent to only 10% of sales. This is partly due to the fact that SOBETEX has been granted Regime C (the most favorable status) under the Code until 1983, while La Beninoise does not benefit from the Code. These two operations have similar benefits to the economy in terms of foreign exchange saved and employment, and should be similarly taxed. Thus, it is suggested that the Ministry of Industry should review the objectives and provisions of the Investment Code, with a view toward encouraging foreign and domestic private investment. The proximity of the Nigerian market should make certain investment opportunities attractive to private investors if the Government's attitude toward the private sector is positive.

1/ Taxation of corporations in Benin includes the profits tax (BIC), levied at the rate of 35%, and the turnover tax levied at 13% on sales of goods and 15% on services. In computing BIC, firms can deduct 50% of investments over a five-year period; for the turnover tax, full costs of materials are deducted and exports are exempted from the tax. Code des Investissements, 1972, and subsequent amendments in 1972 and 1973.

Small-Scale Enterprises

23. Small-scale enterprises, though common in the commercial field in Benin, are not well-developed in manufacturing. Only eight firms currently benefit from Regime D of the Investment Code (for "small-scale" Beninese entrepreneurs investing over CFAF 10 million and employing ten persons or more), according to the 1977 Industrial Survey. 1/ The Center for Study and Promotion of Enterprises (CEPEB) and the Business Administration Center (CEFAP), which provide short-term business training, are not sufficient to provide technical assistance to small-scale enterprises. The recent construction of a modern market building in Cotonou again caters more toward small-scale trade and services than to industry.

24. There is a danger, in centralizing industrial planning, that attention may become concentrated on large-scale projects like Save or Onigbolo to the exclusion of small-scale possibilities. Naturally, projects in the former category require close planning and support by the Government while smaller operations can in a sense be "relegated" to the private sector. To achieve meaningful growth, however, and especially to maximize urban employment, it is important to consider possible means for encouraging small manufacturing. State intervention which might be appropriate includes credit facilities (already available at preferential rates in Benin), technical assistance, development of industrial areas for lease to small manufacturers, revision of the Investment Code to eliminate the minimum size of investment, and assistance in the formation of worker-owned cooperatives. The experience of COBEMAG as an example of the latter possibility is encouraging.

Projected Industrial Growth

25. Benin's industrial sector is projected by the mission to grow at an annual real rate of 12% over 1978-85, considerably above the growth rate for the economy as a whole. Industry (excluding construction) accounted for 10% of GDP at factor cost in 1976 and is expected to reach 16% of GDP in 1985. The strong growth of industry is tied to the substantial present and planned investments in the sector which are mainly linked to the Nigerian market. Value added in textiles is expected to increase by 14% annually over 1978-85, vegetable oil processing by 6%, beverages and food by 17%, and electricity by 13% per annum. In addition, the Onigbolo cement plant is projected to come on stream at partial capacity in 1983.

1/ Regime D provides for exemption from import duty of all capital goods imports, exemption from the turnover tax for five years, reduced export duties, and exemption from profits tax for two years provided 50% of profits are re-invested. Code des Investissements, 1972.

26. The main assumptions guiding these projections are that modern sector investments will proceed as presently envisaged, notably the Onigbolo cement project, the Bohicon oilseed mill, planned expansions of the brewery, SOBETEX and SBEE, and the start-up of a new textile mill in 1984. This should lead to an annual growth rate of output in modern manufacturing of about 14%. Some improvement of the climate for foreign investment would be helpful in achieving these targets (para. 22), as would better technical training. The traditional manufacturing sector is assumed to grow at a real annual rate of only 3%, as conditions at present do not appear favorable for rapid expansion of small private enterprises. If improved technical and organizational assistance are provided (para. 24), it should be possible to improve the performance of small-scale enterprises.

Table 1. Evolution of State Control in Modern Industry [a/]

Branch	Sales, million CFAF 1972 Private	1972 Public	1976 Private	1976 Public	Public % of Sales 1972	Public % of Sales 1976
Textiles[b/]	1,900	0	370	5,910	0	94
Vegetable Oil	160	3,030	230	4,440	95	95
Food Processing[c/]	590	0	3,120	0	0	0
Clinker Grinding	980	0	0	2,500	0	100
Electricity, Water	900	0	100	1,470	0	94
Beverages	1,360	0	200	2,100	0	91
Metal Fabrication	460	0	1,180	0	0	0
Printing[d/]	70	0	70	0	0	0
Wood, Furniture[e/]	60	0	40	0	0	0
Subtotal	6,480	3,030	5,310	16,420		
Weighted Average					31.9	75.6

a/ State control defined as Government ownership of at least 48% of the stock.
b/ Includes IBETEX
c/ Excludes SONAPECHE, a State enterprise now active in fisheries.
d/ Excludes printers taken over by the State enterprise ONEPI, for which no data is available.
e/ Excludes activities of SNAFOR.

Source: Ministry of Industry, L'Industrie Béninoise, May 1977, and mission estimates.

Table 2. Modern Industrial Sector Value Added by Branch, 1972-76

Branch	1972	1973	1974	1975	1976	1972-76 growth rate % p.a.
	(current CFAF millions)					
Vegetable Oil Processing	501	1,287	1,347	875	1,168	23.6
Textiles, Garments, Shoes	576	526	511	1,256	2,467	45.2
Food Processing	81	182	143	290	400	49.0
Clinker Grinding, Ceramics	278	304	196	123	200	-8.6
Beverages	803	903	934	815	1,300	12.8
Water, Gas, Electricity	327	379	446	553	662	19.3
Mechanical/Metal Fabrication	60	45	77	164	200	35.1
Printing	21	30	21	27	27	6.5
Wood, Furniture	30	30	30	30	30	0.0
Others	24	32	60	80	100	42.8
TOTAL	2,701	3,718	3,765	4,213	6,554	25.0

Sources: Direction de l'Industrie, L'Industrie Béninoise, No. 1, May 1977; and mission estimates.

Table 3 . Selected Indicators of Modern Industrial Production, 1975

Branch	Sales	Taxes	Profit	Value Added	Employment	Sales per Worker	V.A. as % of sales	Profit as % of sales
	-------million CFAF--------				persons			
Textiles[a]	3,403	27	618	1,267	395	8.6	37.2	18.2
Vegetable Oil	5,636	157	504	875	1,054	5.3	15.5	8.9
Food Processing	2,256	36	1	290	631	3.6	12.9	0.0
Clinker Grinding	2,211	194	-207	123	48	46.1	5.6	-9.4
Electricity, Water	1,324	4	72	553	313	4.2	41.8	5.4
Beverages	1,597	472	58	815	322	5.0	51.0	3.6
Metal Fabrication	967	24	-18	164	297	3.3	17.0	-1.9
Printing	67	4	-7	27	45	1.5	40.3	-10.4
Wood, Furniture	35	2	1	30	79	0.4	85.7	2.9
Subtotal	17,496	920	1,022	4,144	3,184	5.5	23.7	5.8

a/ Does not include IBETEX.

Source: Ministry of Industry, L'Industrie Béninoise, May 1977 and mission estimates.

Table 4. Electric Power Generation

1. Production

	1974	1975	1976	1977 (Jan.-June)
	(million kwh)			
SBEE:				
Purchased from CEB	49.0	52.9	57.5	n.a.
Locally produced by SBEE thermal plants	3.2	3.6	4.4	n.a.
	52.2	56.5	61.9	37.2
Independents: (SOBEPALH, IBETEX, SOBETEX)	4.6	n.a.	n.a.	n.a.
	56.8			

2. Power Plants (1977)

	(kva)
SBEE Thermal Plants:	
Cotonou	16,650
Porto Novo	540
Abomey	1,470
Parakou	1,500
Natitingou	450
Lokossa	270
	20,880
Independents:	
SOBEPALH	2,740
IBETEX	3,750
SOBETEX	850
	7,340
TOTAL:	28,220

3. SBEE sales

Year	million kwh	Year	million kwh
1961	10.2	1974	46.1
1965	19.3	1975	50.0
1970	28.9	1976	55.9
1972	37.1	1977	67.2 (est.)
1973	41.3		

4. SBEE Planned Investment

	Year	Capacity	Financing
Thermal plants:	1979	7 mw	CCCE/BOAD
	1980	7 mw	CCCE/BOAD
	1981	7 mw	not determined
	1982	4X10 mw	not determined
Hydro (Mono Project):	1983-84	2X30 mw	

Sources: SBEE, Electro consult and BCEAO.

Table 5. Gross Investment in Modern Industry

(current CFAF million)

	1972	1973	1974	1975	1976	1972-76
Beverages	1	160	31	56	118	366
Textiles, shoes a/	47	2,021	2,210	924	119	5,321
Food	54	304	251	168	125	902
Cement, tiles, minerals	26	5	0	0	545	576
Mecan/Metal	9	6	31	14	10b/	70
Elec., Water, Gas	200b/	255	305	516	715	1,991
Vegetable Oils	136	603	225	0	60b/	1,024
Wood/Furniture	0	3	5	0	0b/	8
Printing	0	0	0	0	0	0
Others	6	112	51	16	30b/	215
TOTAL	479	3,469	3,109	1,694	1,722	10,473

a/ IBETEX initial investment of CFAF 4.9 billion spread over 1973, 1974, and 1975. SOBETEX expansion in 1974 and 1976.

b/ Rough mission estimate.

Sources: Ministère de l'industrie et de l'artisanat, L'Industrie Béninoise, May 1977; data on individual enterprises; mission estimates.

Table 6. Planned Industrial Investments

(Current CFAF, billion)

Category	Three-Year Plan: Total Cost	Three-Year Plan: Assured Financing Amount	Three-Year Plan: Assured Financing Purpose	Mission Estimates of Financial Commitments, 1978-80 Period: Amount	Source	Purpose
Consumer Goods	42.1	40.9		46.0		
Agro-industry	35.2	34.5	Savé, etc.	43.0	7.5 equity, rest debt	Savé sugar project
				1.0	CCCE/FAC	Bohicon maize mill
Beverages	1.4	1.1	La Béninoise	1.0	domestic credit	Doubling brewery capacity
Textiles	5.2	5.1	IBETEX II	1.0	domestic and suppliers' cred.	Expansion of SOBETEX
Printing	0.2	0.2	n.a.	0.0	n.a.	n.a.
Woodworking	0.1	0.0	n.a.	0.0	n.a.	n.a.
Intermediate Goods	48.1	2.4		1.5		
Offshore oil production	20.0	0.0	n.a.	0.0	Not likely during Plan period	
Oil refinery	25.0	0.0	n.a.	0.0	Not likely	
Paper industry	0.3	0.0	n.a.	0.0	n.a.	n.a.
Chemicals and petrochems.	0.7	0.3	n.a.	0.0	n.a.	n.a.
Prospecting and studies	2.1	2.1	Oil, minerals	1.0	FED, etc.	Mineral exploration
Other	0.0	0.0	n.a.	0.5	n.a.	Other
Capital Goods	21.3	2.5		27.6		
Construction materials	2.4	2.4	Clinker grinding	2.5	BADEA 2.0; Govt. 0.5	Clinker grinding plant
	15.0	0.0	Onigbolo Cement	25.0	6.0 Equity, rest debt	Factory only (excl. infra-structure)
Mechanical industries	0.4	0.1	COBEMAG	0.1	BOAD	COBEMAG
Electrical industries	3.5	0.0	n.a.	0.0	n.a.	n.a.
TOTAL	111.5	45.8		75.1		

Source: Plan d'Etat de Développement Economique et Social, 1977/78 - 1979/80, Rapport de Synthèse, December 1976; and mission estimates.

ANNEX C. TRANSPORT

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TRANSPORT

1. Benin's transport system consists of about 7,200 km of roads, 580 km of railways, and a deepwater port and an international airport at Cotonou. The Port of Cotonou is the starting point for the "Benin Route" which extends the length of Benin from Cotonou to landlocked Niger. This transport link consists of the port (with a one million ton annual capacity), a 440 km railway extending from Cotonou to Parakou, completed by a 320 km two-lane paved road from Parakou to Malanville, hence through Niger to Niamey. The "Benin Route" carries most of Niger's overseas trade. Since 1976, because of the congestion at Lagos, Cotonou has also become a transit port for Nigeria.

2. Transport and commerce activities, which rely heavily on Benin's "entrepot" function, constitute the second largest economic activity after agriculture, accounting for 25% of GDP, generating a large share of foreign exchange and employing 15,000 persons.

Roads

3. Road transport is the predominant mode, carrying about 70% of all freight and 90% of all domestic passenger traffic. The road network includes 760 km (10%) of paved roads, 2,600 km (30%) of all-weather roads and 3,800 km (60%) of partially-improved earth roads and tracks. Road maintenance has substantially improved since the early seventies, and IDA has been directly involved. Under the First Highway Project (1971), a central equipment maintenance division was created and training in equipment maintenance was begun. Maintenance programming and budgeting were introduced. The Second Highway Project (1973) included the planning of routine and periodic maintenance of laterite roads. Under the Third Highway Project (1977), improved maintenance of laterite roads will be continued and expanded to include bituminous roads. A Feeder Road Project (1977) provides for the construction and maintenance of about 1,300 km of feeder roads. Upon completion of the Third Highway Project, if the training program is a success, Benin should have built up the technical capability to maintain its road network.

Table 1: Road Maintenance Expenditures and their Financing
(in million CFA Francs)

	1972	1973	1974	1975	1976	1977
Local Resources	634	512	590	767	694	647
Road Fund Revenues	289	249	223	217	235	250
Government Budget	345	263	377	550	459	397
Expenditures	660	561	674	719	711	647
Maintenance	474	402	401	383	468	445
Investments	186	159	273	336	243	202
Balance	-26	-49	-84	48	-17	--

4. Lack of local funds for maintenance is presently a serious constraint. Recurrent maintenance expenditures are financed from regular budget allocations and from the Road Fund which receives an earmarked tax of CFAF 4 per liter on sales of diesel fuel and gasoline. As shown in Table 1 above, expenditures for road maintenance have been stagnating since 1972 at about CFAF 400 million per year, despite inflation and the extension of the road network. Government presently spends about CFAF 140,000 per km of paved and laterite roads, while according to Bank engineers, adequate routine and periodic maintenance expenditures would amount to CFAF 500,000 per km of paved road, CFAF 250,000 per km of laterite road and CFAF 75,000 per km of earth road; i.e., a total of CFAF 1.3 billion in 1977 compared to actual expenditures of CFAF 0.5 billion (see Table 2).

Table 2: Road Maintenance Expenditures by Road Type

		000 CFAF/km		Total million CFAF	
	Km	1976	Target	1976	Target
Paved roads	760	140	500)		380
			)	470	
Laterite roads	2,600	140	250)		650
Earth roads	3,850	--	75	--	290
				470	1,320

Under the Third Highway Project, the Government has agreed to increase its road maintenance expenditures to CFAF 0.75 billion in 1978 and CFAF 0.9 billion in 1980. The balance is to be provided from foreign-financed maintenance projects, of which the Third Highway is one of the most important; this project includes in addition to the rehabilitation of the Godomey-Bohicon-Abomey road, a program to eliminate backlog maintenance of bituminous roads (195 km) and laterite roads (273 km). After 1980, the Government is committed to maintenance expenditures matched to the needs of the country. The mission estimates that following the paving of Bohicon/Dassa-Zoume (75 km), possibly the paving of Dassa-Zoume/Parakou (300 km) in the early 1980s (para. 12), and the construction of about 1,000 km of new feeder roads within the next decade, maintenance expenditures would amount to at least CFAF 1.6 billion in 1985 (in 1976 prices). This would correspond to a considerable increase from 2.5% of the Central Government's overall expenditures in 1977 to 5% in 1985. The question is whether the Government will be able to finance such a program, given the other pressures on the general budget (education, health, agriculture and other economic services). The Government is well aware of the problem; it is presently exploring cost-saving solutions, such as voluntary work and the participation of local communities in feeder road maintenance.

5. This brief analysis points out the importance of carefully-planned road construction and upgrading programs, which must be limited to the highest priority projects in view of Government's limited capacity to finance recurrent costs.

Rail

6. The railway is operated by the Organisation Commune Benin-Niger (OCBN), a financially autonomous agency, established in 1959 by the Governments of Niger and Benin to manage all transport on the "Benin Route". In addition to the main trunk line from Cotonou to Parakou, the railway operates two coastal lines, Cotonou-Segboroue (western line, 34 km long) and Cotonou-Pobe (eastern line, 107 km long). Traffic is limited on these two lines. However, the Government has kept these lines open, the short western line for social reasons, and the eastern line because it will form part of a necessary rail link to the Onigbolo cement plant. OCBN is regarded as one of the best managed railways in Africa. Future prospects are limited by the competition which will arise when a parallel road link is paved (para. 12).

Transit Function

7. There has been an unprecedented increase in the traffic of the Port of Cotonou during the last three years, linked with the rapid growth of transit traffic to Niger and Nigeria. General cargo traffic increased by about 22% per year between 1974 and 1977, compared to a 5% annual growth rate in the early seventies.

8. Niger is located about 1,000 km from the sea, and the "Benin Route" provides the shortest and cheapest ocean access for Niamey. Cotonou-Niamey (via Parakou, Malanville and Gaya) is about 1,100 km, compared to the "Togo Route" Lome-Niamey (via N'Gourma) which is 1,300 km long and has the further disadvantage of crossing a third country (Upper Volta). The "Nigeria Route" through Kano is the shortest way to central Niger, where two of the uranium mines are located, but with the present congestion of Lagos it is little used. Niger is a slightly larger country than Benin in terms of total population and GDP, and its economy is expected to grow at a rate of about 6% per annum in the medium-term, including substantial further development of uranium mining. Import traffic of equipment and sulphur for two of these mines has already substantially increased over the last two years. In 1977, Niger's traffic, 140,000 tons, accounted for about 20% of the total general cargo traffic of Cotonou Port and 70% of the OCBN freight.

9. Limited port and rail facilities in Nigeria, coupled with the dramatic increase in its imports over the last three years, have resulted in an extraordinary congestion in Nigerian ports. Waiting time for berths reached several months and ships were diverted to ports in neighboring countries. The Port of Cotonou has been one of the beneficiaries of this diversion. Transit traffic destined to Nigeria jumped from a negligible volume in 1974 to 330,000 tons in 1977, of which 190,000 tons consisted of direct transit trade and 140,000 tons of goods consigned to Benin for later (indirect) shipment to Nigeria. In 1977, traffic to Nigeria accounted for 50% of the total general cargo traffic of Cotonou.

10. Prospects are for a doubling of the Niger general cargo traffic through Cotonou between 1977 and 1981 and a further doubling within the next decade (i.e., about 500,000 tons in 1991). 1/ Direct transit traffic to Nigeria is expected to increase to 250,000 tons in 1983, and thereafter to decline to about 150,000 tons in 1990 as a result of the improvement of Nigerian ports; the indirect transit is estimated to remain at about 170,000 tons. It is assumed that the traffic to Nigeria will be destined essentially to the western part of the country which will constitute part of the hinterland of Cotonou. The Niger and Nigeria traffic, together with the expected increase of the domestic traffic, would double the general cargo traffic of the Port from 700,000 tons in 1977 to 1,400,000 tons in 1991 (see Table 3).

Table 3: Port of Cotonou Traffic
('000 tons)

	1972	%	1977	%	1981	%	1991	%
A. General Cargo								
Benin	262	67	223	32	287	29	504	37
Imports	152		174		207		392	
Exports	110		49		80		112	
Niger	106	27	140	20	271	28	524	38
Imports	75		130		240		481	
Exports	31		10		31		43	
Nigeria	21	5	326	47	420	33	320	24
Imports	--		190		250		150	
Exports	21		136		170		170	
Upper Volta-Mali	--		--		--		12	
TOTAL GENERAL CARGO	389	100	689	100	978	100	1,360	100
B. Bulk Traffic (clinker & oil)	293		379					
Benin	235		309					
Niger	58		70					

11. The achievement of these goals implies, however, substantial investment and the introduction of a number of institutional improvements to increase the capacity and the productivity of the "Benin Route". This is one of the Government's priorities, and the first step was to pave the

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1/ This projection allows for the diversion of about 30% of Niger's imports (for southeastern and eastern Niger) through Nigeria.

Parakou-Malanville road in 1976/77 (totalling $30 million). Investments now under consideration consist of: 1) the doubling of the capacity of the port by constructing an additional 610 m of berth (cost estimated at $60 million); 2) new equipment for OCBN (motive power, rolling stock and track equipment; cost $24 million) to be procured in two phases, the first of which is underway; and 3) improvement of the Parakou terminal (cost estimated at $6 million) which constitutes a major bottleneck on the "Benin Route". This program covers the more urgent short-term needs and totals about $90 million, i.e., about 20% of the country's total investment over the next three years. The foreign financing for this program is almost entirely assured.

12. In the longer-term, the Government is considering paving the road parallel to the railway, which would greatly facilitate direct transport by truck from Cotonou to Niamey. The southern road sections -- Godomey-Bohicon and Bohicon/Dassa-Zoume -- will be paved by 1979 ($22 million at 1979 prices). The paving of the Dassa-Zoume/Parakou road is being studied and its construction is planned for the early 1980s under FED financing ($30 million estimated cost). By the mid-eighties, road transport capacity on the "Benin Route" will be considerably increased, and the railroad will lose its monopoly. It will probably be left with the low tariff commodities such as cement, salt, and sulphur, while the road will concentrate on higher tariff commodities such as petroleum products, beverages, metal products and general cargo. This will seriously reduce the railway's profitability. The Government is also considering the possibility of extending the railway north from Parakou to the Niger border, and the French Government has agreed to finance the necessary studies. Considering present traffic projections, it is unlikely that such a project will become economical. The Government should be discouraged from undertaking such an investment which would be extremely expensive, and should limit its investments in the Cotonou-Parakou line to the strict minimum described above, in view of the strong road competition expected in the near future.

13. With respect to the Nigerian traffic, the magnitude of the infrastructure investments to be made is considerably less. The Government of Nigeria has built, at its own expense, the Benin portion of a paved coastal road (50 km long) linking Seme to Gbadogri, as part of a Cotonou-Lagos link. The Government of Benin is presently building a two-lane bridge across the lagoon ($15 million) which will replace the old existing bridge, long a major bottleneck on the road to Nigeria.

14. Institutional improvements will include strengthening of cargo handling and stevedoring operations within the Port and at the Parakou terminal. This can best be achieved by providing training and technical assistance to the institutions involved. It is also important that customs clearance be simplified. Relations between Benin and its two neighbors are also of great importance since there is always the danger of traffic diversion to the Togo or Nigeria routes.

Road Transport Industry

15. There is no regulatory agency for the road transport industry in Benin. OCBN carries out this function in practice, since it charters the trucks which carry freight between Parakou and Niger, allocates the freight between Niger and Benin truckers after the goods have been unloaded from the train in Parakou, and fixes the tariffs. In principle, two-thirds of the goods destined for Niger are to be carried by Niger truckers and one-third by Benin truckers. However, the freight rates offered to the trucking companies are too low. They result in lack of competition and poor standards and maintenance of vehicles. Under the Cotonou Port project, the Association is requesting a tariff study of the whole "Benin Route" (including the Port, the railway and the trucking industry). The study will probably recommend an overall tariff increase on the "Benin Route". The greater productivity and efficiency resulting from the Port Project should, however, counterbalance the effect of higher tariffs.

16. The road transport industry in Benin consists of about 350 small operators with less than four trucks each on average. Following the wave of nationalizations in 1974-75, the two main transporters (who were foreigners) left. They were operating a total of 50 trucks. To make up for the insufficiencies of the private sector, the Government is stepping into the road transport industry. To handle the growing transit traffic to Nigeria, a national transport company TRANSBENIN has been created with state and private participation; it plans to purchase 180 trucks but financing has not yet been obtained. Recently, the Government also approved about $3 million for the creation of local and provincial transport companies to handle domestic traffic. The creation of new companies, if not coordinated and properly planned, may lead to overcapacity in the trucking industry. This is being studied by the Government.

The Association's Role in the Transport Sector

17. As mentioned in para. 3, the Association has had four road projects in Benin, totalling $39.8 million, i.e., 70% of the Association's overall lending to Benin. The Association and the Government have established a constructive dialogue on both project and sector issues (such as transport coordination, tariffs, etc.). The Association has taken the lead, in the Port of Cotonou project, in the preparation of studies and coordination of financing. Future projects should focus on secondary and feeder roads and the consolidation of the maintenance program.

ANNEX D. ECONOMIC DEVELOPMENT ASPECTS OF ONCHOCERCIASIS CONTROL IN BENIN

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Economic Development Aspects of Onchocerciasis Control in Benin

Background

1. Onchocerciasis is a serious disease which can cause blindness and affects about a million people in the Volta Basin of West Africa, including northern Benin. The disease is generally found close to rivers, hence called riverblindness, because the blackfly which transmits it lays its eggs along fast-flowing streams. The blackfly transmits the disease by biting an infected human, becoming infected itself, and then passing on the infection to other humans. People bitten by the blackfly over a ten or fifteen year period run a high chance of contracting onchocerciasis which saps the strength of the individual as well as eventually causing blindness. An estimated 100,000 people are either partially or totally blind in the Volta Basin as a result of onchocerciasis. Since the disease is prevalent in river valleys, populations have often been forced to desert fertile bottomland to escape the blackfly. Substantial land areas in West Africa are uninhabitable due to onchocerciasis.

2. The Onchocerciasis Control Program (OCP) in West Africa was designed to put an end to this human and economic tragedy by spraying certain river sites with insecticide lethal to blackfly larvae. The OCP is a joint undertaking by the Governments of Benin, Ivory Coast, Ghana, Mali, Niger, Togo and Upper Volta with the support of the international community. Following a 1973 mission which proposed a strategy for onchocerciasis control and for the future economic development of reclaimed areas, nine donor countries, 1/ the IBRD, AfDB, WHO, and UNDP established the Onchocerciasis Fund to finance a 1974-79 Control Program. The six-year program 2/ was estimated at US$53 million and the full 20-year program was estimated to cost US$120 million. WHO is the executing agency, the Bank coordinates financial assistance, and a Joint Coordinating Committee (JCC) of Government representatives and the four sponsoring agencies (FAO, IBRD, UNDP and WHO) holds policy-making authority and supervises execution of the program.

1/ Belgium, Canada, France, West Germany, Japan, Kuwait, the Netherlands, the UK and the US.

2/ The introduction phase of the Control Program is now complete. Phase I (1975): covers the basins of the Black Volta, the Comoe-Leraba, the Bandama and the Banifung, involving Ghana, Ivory Coast, Mali and Upper Volta. Phase II (1976): covers the basins of the Red Volta, the White Volta and the Oaka, involving mainly Upper Volta. Phase III (1977): covers the basins of the Oti-Pendjari, Mo and the southern tributaries of the Niger, involving Benin, Ghana, Ivory Coast, Mali, Niger, Togo and Upper Volta.

3. The Program is headquartered in Ouagadougou (Upper Volta) and consists of three operational units: a Vector Control Unit, an Epidemiological Evaluation Unit and an Economic Development Unit. The Vector Control Unit (VCU) controls the proliferation of the similium damnosum (the female blackfly) by aerial application of larvicides on breeding places at intervals less than required for larval development. The Epidemiological Evaluation Unit (EPI) monitors the effectiveness of the Vector Control Program through medical examination of samples of the affected population, and conducts research and experiments in chemotherapy. The Economic Development Unit (EDU) collects and disseminates economic, social and health data in the Program Zone. It is also responsible for carrying out particular studies such as migration in the Program Zone.

The Onchocerciasis Control Program in Benin

Description of the Zone

4. The zone covered by the Onchocerciasis Control Program (the OCP area) in Benin comprises the area north of latitude 10^{o}N, or most of the two northern provinces of Atacora and Borgou. The southern limit of the zone is about 40 km north of Parakou, the capital of Borgou province. These two provinces have an area of about 82,000 km^2 or 73 percent of the national territory and a population of 821,000 inhabitants or 26 percent of the country's total population. There is no reliable estimate of the number of people suffering from onchocerciasis in Benin.

5. The area, relatively flat in the northern districts of Malanville, Banikora and Kerou becomes hilly on the reaches of the Atacora. Average monthly temperatures range from 28^{o}C to 39^{o}C. The climate is Sudano-Guinean with one rainy season. Rainfall increases as one goes southward and ranges from 840 to 1,000 mm annually spread over an average of 55 days in the north near the Niger, to 1,200-1,300 mm over 90 days in the southern fringes of the OCP area. There are very few permanent rivers and their flow varies considerably from month to month.

6. The soils in the plateau area are ferrilitic, relatively depleted and easily eroded. Alluvial soils along river basins are relatively fertile and vast areas of arable land have been identified, mostly in the southern part of the OCP area.

7. The OCP area is relatively sparsely populated with a population density in the area only about 10 percent of that of the three southern provinces. Population density by district varies from 5 to 20 inhabitants per km^2 except for localized pockets in the Boukombe and Natitingou districts of southwest Atacora province where densities reach 138 per km^2. The age distribution of the population shows a high proportion of young people, with children

under 15 representing about half of the population in the OCP area. There is a strong migratory current of young workers toward urban centers such as Parakou, Cotonou and Porto Novo in the south and the capitals of neighboring countries (Niamey, Lome, Abidjan, Accra).

8. The economy of the OCP area is predominantly agricultural. In 1973, about 270,000 ha of land were cultivated in the two northern provinces, involving some 200,000 farmers. Cultivated land represents only about 3 to 5 percent of total agricultural land and large areas with considerable agricultural potential remain unexploited because of the lack of feeder roads, water scarcity, and disease problems including riverblindness. Besides agriculture, forestry and especially livestock are also economically important. Industrial development is embryonic and consists mostly of limited agricultural processing (textiles and vegetable oils) and the manufacture of farm implements by rural artisans. Tourism is limited to the National Park of Pendjari in the northwest corner of the region, which attracts a few hundred tourists annually.

Organization of the OCP in Benin

9. Within the framework of the Onchocerciasis Control Program, the work in each country is coordinated by a national committee. In Benin, this is accomplished by a 25-member interministerial committee, the Comite national de lutte contre l'onchocercose (CNLO), established in November 1973, headed by the Minister of Health. In 1976, a Permanent Secretary was named to provide full-time staffing of the committee. The CNLO has primarily been concerned with facilitating the start-up of vector control operations in Benin. A national onchocerciasis information week was held in March 1977 and the local administrations in the north were familiarized with the purpose of the helicopter operations which commenced larvae spraying in July 1977.

10. The CNLO has also prepared documents requesting extension of the OCP zone from 10 degrees North (passing roughly through Birni and Nikki) to $8^{o}30'$ N (which would coincide with the southern boundaries of Atacora and Borgou Provinces). Though complete studies of the extension area are not available, limited surveys have indicated 50 percent or more oncho-positive subjects in groups of villages in Nikki, Parakou, Djougou and Bassila districts presently outside the zone. The OCP recognizes the existence of riverblindness in the extension zone, and has recommended specific medical, entomological and hydrological studies over a two-year period which would indicate the vector control activities to be undertaken. The extension of the zone would have the advantage of including the low-population density Bassila district which is of potential resettlement interest (see para. 16).

11. The remaining activities of the CNLO are limited to touring the OCP zone from time to time and holding regular meetings. It may be difficult to accomplish much more with a group consisting of only one full-time staff member. It was the mission's impression that the committee and its Permanent Secretary were not especially well-informed about either the vector control

activities or the economic development strategy for the zone. Although there are two other groups involved in these activities (see below), it is not clear exactly what coordinating role the CNLO is playing.

12. The Vector Control Unit (VCU) directed from Ouagadougou has established a sector in Benin based in Natitingou. A Ghanaian heads this sector and directs the vector control operations. These consist of capturing flies on a weekly basis, since July 1976, at 50 capture points and analyzing their microfilarial level; and coordinating the airborne treatment of water courses which began in July 1977, and is done by helicopters based at Ouagadougou. Already by August 1977, the annual biting rate at the various fly capture points had decreased to roughly 10 percent of the year-earlier level (see Table 1). However, the capture points are mainly concentrated around Natitingou/Boukombe and in the Kandi area, with a few located between Djougou and Parakou. The degree of oncho infestation at each capture point seems to follow no particular geographic pattern; some oncho-infested points are quite isolated, others are in villages along main roads or near large towns. It is difficult to tell from these data which areas might be resettled once river-blindness has been controlled.

13. The third group working on onchocerciasis matters in Benin is the Groupe de planification du developpement (GPD), an interministerial committee under the chairmanship of the Planning Minister. The task of the GPD is to coordinate and oversee development planning for the oncho zone, and particularly to implement the three-phase OCP economic development methodology. This comprises the establishment of a data bank, a 10-year development plan for the area, and investment studies. The GPD has had little impact on development planning to date, however, because the committee's staff is very limited. Reports on the status of specific development projects in the zone have been prepared by special OCP economic development unit missions to Benin from Ouagadougou, but the GPD does not seem to have implemented the OCP's suggestions for improved planning and coordination.

14. The GPD is supposed to be strengthened in the near future with the hiring of expatriate advisors (under UNDP financing) to assist in the preparation of a 10-year development plan for the two northern provinces. However, the relationship between this plan and the 3-year National Development Plan (1977-1979) is not clear and coordination between the GPD and the Planning Ministry seems to be weak. A number of individual development projects are proceeding in the Atacora and Borgou Provinces, but no development strategy for the oncho-free areas has been prepared.

<u>Status of Ongoing Studies</u>

15. a. <u>UNDP</u>: <u>Soil use and rainfall</u> studies will be ready by first quarter 1978. <u>Mosaics</u> at 1:50,000 of the two northern provinces (from aerial photographs) will be ready by June 1978.

b. USAID: The Landsat contract was to have been signed in December 1977 with a final report to be ready by June 1979 and preliminary information available sooner. This study, which will combine satellite images with ground-truthing and other available information, should give a clear picture of soil quality, water resources, population distribution, etc. The terms of reference for a $550,000 socio-economic study of Atacora and Borgou Provinces are currently being discussed with the Government, and present plans are to include researchers from Benin's Bureau Central des Projets along with expatriate consultants to conduct the study. This important report, covering demographic, cultural, and agricultural aspects of the area and including some analysis of migration patterns, will not be completed until about early 1980.

16. These UNDP and USAID studies should provide an adequate data bank of information upon which to base development strategy and investment studies for the oncho-free zone.

Planning and Future Studies

17. a. 10-year Plan: The mission found that the CNLO was firmly committed to preparing a development plan as called for under the methodology, notwithstanding the mission's suggestion that a separate oncho plan was perhaps unnecessary. This plan, which should be brief and functional, could probably be prepared before all the data base is completed (especially the socio-economic study). Together with USAID and UNDP representatives, the mission reached a tentative conclusion that it would be worthwhile to encourage early preparation of a brief and operationally-oriented plan for the development of the oncho-free areas in the two northern provinces. However, this planning should be done in the context of national development planning. This plan would basically indicate the development strategy to be pursued in the zone, the type of settlement policy to be adopted, and general guidelines for development projects, without providing a detailed list of projects.

b. Investment Studies: The IDA-financed investment studies should follow after plan preparation and should benefit from the data base studies; that is, feasibility studies should begin around 1979 or 1980. It should be noted that there is no shortage of funds for these studies. In addition to the $200,000 of IDA money available for consultants under the Technical Assistance Project, there is also the likelihood that at least $174,000 of UNDP funds, which had been earmarked for socio-economic studies that USAID is now financing, would be available for investment studies (see Table 2). At present, therefore, it appears that the necessary studies have been programmed and are adequately funded. The timing of the studies, and the logical sequence which they should follow, indicate that an IDA project based on oncho-free areas could probably not be processed before FY81 or 82.

Resettlement in Oncho Areas

18. The mission learned of two cases of organized resettlement in Atacora Province. The first movement was led by a pastor about 20 years ago and involved resettling families from Dompago in the Ouake district (40 persons/km^2) to an area about 40 km south of Bassila (6.5 persons/km^2) in southern Atacora. Three new villages (Biguina I, II and III) were eventually created with about 1,000 people even though this is an oncho-infested area. No detailed studies are known. In 1969, the precursor of the Atacora CARDER organized a move of about 50 families from the crowded area around Boukombe to the Bassila area. Again, this move was motivated by a search for land, without regard to possible disease problems. This effort was preceded by a year of settler preparation, but no follow-up measures were taken. Results were mixed; some families returned to Boukombe in the first year, while other families eventually encouraged more settlers. The Bassila area apparently has good soils and rainfall, but suffers from trypanosomiasis as well as onchocerciasis.

19. Other areas of Atacora Province are not as promising from a resettlement point of view as Bassila. In the north, the Pendjari is a national park. The northeast is mountainous, and the eastern part of Atacora is difficult of access. One factor to consider in any resettlement plan is the attachment of the Somba people to their traditional landholdings in Atacora, and their consequent reluctance to move. There have apparently not been any resettlement attempts in Borgou Province, even though there are also variations in population density and pockets of oncho in this province.

Recommendations

20. Onchocerciasis is only one of the factors causing development of the OCP area to lag behind the rest of the country. There are other diseases such as malaria and trypanosomiasis which afflict the population of northern Benin, as well as problems of difficult access and water shortages. However, if the present onchocerciasis control program is successful, one of the health hazards of northern Benin would be eliminated.

21. The economic impact of onchocerciasis control in Benin is harder to evaluate and may not be of great proportions. Land availability does not constitute the major constraint to development of the OCP area, and it is not clear that spontaneous or organized settlement of oncho-liberated areas would be either likely or cost-effective. The program's most important impact is potentially that it has sensitized Government authorities to the economic, social, health and environmental problems besetting the area and may lead to the setting up of an institutional framework for a comprehensive approach to the development of Benin's two northern provinces.

22. The most immediate task is for the Government to strengthen GPD's planning capacity. GPD must operate in close cooperation with the Planning Ministry and other concerned technical services in the formulation of the strategy for the 10-year development plan of the OCP area, the identification of specific projects and sources of finance. In that regard, close coordination must be ensured between the 3-Year National Plan and the proposed 10-Year Plan. Preparation of the development plan need not wait until all the data base is complete; work should begin now on a brief and operationally-oriented plan. It must be stressed, however, that effective incorporation of the GPD into the national planning machinery is a more important goal than preparation of the oncho development plan itself.

Table 1: Annual Biting Rate at Selected Capture Points in Northern Bènin

Location	Annual Biting Rate: Pre-treatment (July 76 - June 77)	Annual Biting Rate: Post-treatment (August 77 as % of August 76)
Atacora Province		
Porga	12,300	49%
Dahohoun	4,200	0%
Wabou	25,200	11%
Toukountouna	1,000	0%
Kouporgou	7,000	4%
Korontiere	6,600	0%
N'Dahonta	800	0%
Ourbouarbou	11,100	0%
Beressingou	14,000	5%
Perma	7,300	8%
Tapounde	10,600	8%
Tipaoti	11,500	11%
Sina-icire	4,100	2%
Tchelenga	2,600	14%
Donga	1,100	a/
We-We	1,300	a/
Beterou	18,500	a/
Borgou Province b/		
Keremou	33,200	a/
Alibori Bridge	24,400	a/
Ferekire	8,400	a/
Kandifo	7,100	a/
Koutakroukrou	25,000	a/
Gbasse	64,300	a/
Zougou	30,100	a/
Dunkassa	4,400	a/

a/ Area not yet treated.

b/ Figures refer to August 1976 - July 1977 data.

Source: Data provided by VCU Natitingou Sector, September 1977 and mission calculations.

Table 2. Financing of Oncho Studies

	Completion date	US $ thousand UNDP[a/]	USAID	IDA	Total	Status
I. Data Bank						
Aerial photos	1976	212				completed and fully disbursed
Soil use/Rainfall	3/78	84				in process and disbursed
Mosaics	6/78	80				in process
Landsat	6/79		333			one-third of $1.0 million 3-country study
Socio-Economic	3/80	174	545[b/]			USAID TOR under discussion with Govt.; UNDP funds not required
Archives		25				
Subtotal		575	878		1,453	
II. Development Plan						
GPD	1980	122				
Technical assistance	1980	80				
Permanent advisor	1980	48				
Subtotal		250			250	
III. Feasibility Studies						
Consultants				200		under Technical Assistance Project
Research station				42		under Technical Assistance Project
Total		825	878	242	1,945	

a/ UNDP funds composed as follows: $292,000 regional funds; $209,000 regional funds still to be disbursed; $324,000 1977-81 CIP figure includes $304,000 in 1978 and $20,000 in 1979, subject to revision.

b/ Increased from $134,000.

Source: UNDP and USAID documents; mission discussions and estimates.

STATISTICAL PROBLEMS

1. An improved statistical data base deserves priority attention in Benin. The mission encountered substantial difficulties in reconstructing the past reality of economic development and the estimates obtained are rough due to lack of adequate statistics. Such data are essential for any serious analysis of Benin's economic situation, of likely future growth, or of policy alternatives. National accounts are at present available only for 1970 and for 1975 (provisionally). The 1975 estimates appear weak with respect to foodcrop production, the commerce sector, and domestic investment. Surveys of agriculture now being carried out in each province need to focus special attention on the estimation of foodcrop production, domestic marketing, and exports to neighboring countries. Foodcrops account for about 21% of GDP, and it is not believed that estimates in the recent past are accurate since they result in steadily declining production per capita over a ten-year period. Estimates of value added in the commerce sector provided in the provisional 1975 accounts do not give any detail on the methods used, and considering that commerce represents 23% of GDP its contribution should be estimated as carefully as possible. Domestic investment also deserves more detailed attention.

2. The mission suggests that the Planning Ministry might usefully invite experts of the UNECA to visit Benin on an annual basis for the purpose of preparing the national accounts. This technical assistance would produce a very useful end-product, and over time, could train the Beninese technicians required. In the short-term, it would free the limited number of economists in the Planning Ministry for policy analysis, presently one of the weakest areas of Beninese economic management. The economic implications of alternative policies and projects deserves considerably increased attention within the Planning Ministry.

3. Trade data could be considerably improved by preparing and publishing estimates of unofficial border trade. Official exports are generally only one-third to one-half the export value shown in the balance of payments, and hence form an inadequate basis for assessing Benin's trade position. Computations of terms-of-trade changes and the national food balance, for instance, cannot be accurate without this additional information. What is proposed is a rough estimate by major commodity groups of unofficial imports and exports toward neighboring countries as a group.

4. Public finance statistics also need improvement, and here it is suggested that the CAA take the lead in establishing a sound monitoring system over all public and publicly-guaranteed debt. The other area of public finance which could be strengthened is the accounting and management information procedures of the state enterprises. The volume of business transacted by these organizations, whose finances do not directly flow through the Central Government budget process, is increasing and the Government needs a firmer grasp of their financial situations. Creation of a special unit in the Finance Ministry might be useful to coordinate implementation of new reporting procedures.

STATISTICAL APPENDIX

STATISTICAL APPENDIX (Continued)

V. Public Finance

VI. Money and Credit

VII. Prices

FIGURES

Table 1.1. Rural and Urban Population, 1961-82

	(thousands)			(percentages)	
	Rural	Urban[a]	Total[b]	Rural	Urban
1961	1,896	210	2,106	90.1	9.9
1966	1.942	219	2,161	89.8	10.2
1971	2,439	353	2,792	87.4	12.6
1972	2,503	366	2,869	87.2	12.8
1973	2,562	386	2,948	86.9	13.1
1974	2,628	401	3,029	86.8	13.2
1975	2,693	419	3,112	86.5	13.5
1976	2,766	431	3,197	86.5	13.5
1977	2,837	449	3,286	86.3	13.7
1978	2,912	465	3,377	86.2	13.8
1979	2,986	483	3,469	86.0	14.0
1980	3,066	501	3,567	85.9	14.1
1981	3,140	523	3,663	85.7	14.3
1982	3,216	546	3,762	85.4	14.6

a/ Cities of Porto-Novo, Cotonou, Ouidah, Abomey, Bohicon, Parakou, Djougou and Lakossa.

b/ Population figures are actual for 1961 only; all other figures are projections based on the 1961 demographic survey, the latest data available.

Source: Enquête démographique, 1961, Institut National de la statistique et des études économiques, La coopération française, p. 22.

Table 1.2. Population by Age and Sex, 1975

(thousands)

Age Group	Men	Women	Total	%
0-14	741	694	1,435	46.1
15-24	193	258	451	14.5
25-54	454	520	974	31.3
55 and over	137	115	252	8.1
Total	1,525	1,587	3,112	100.0

Source: Revue de statistiques et de législation du travail, Ministère de la fonction publique et du travail, Cotonou, January 1977, p. 1.

Table 1.3. Population and Density by Province, 1976
(in thousands)

Province	Population	Surface (km^2)	Density (habitants/km^2)
Southern:	1,679	11,700	143.5
Ouémé	682	4,700	145.1
Atlantique	545	3,200	170.3
Mono	452	3,800	118.9
Central: Zou	681	18,700	36.4
Northern:	837	82,200	10.2
Borgou	432	51,000	8.5
Atacora	405	31,200	12.9
Entire Country:	3,197	112,600 km^2	28.4

Sources: Institut National de la statistique et de l'analyse économique.

Annuaire statistique de la R.P.B., 1975, Institut national de la statistique et de l'analyse économique, p.52.

Table 1.4. Population of Principal Urban Centers, 1975

Ville	Province		Population
Cotonou	Atlantique	(528,000)	178,000
Porto-Novo	Ouémé	(664,000)	104,000
Abomey	Zou	(660,000)	41,000
Ouidah	Atlantique		32,000
Parakou	Borgou	(423,000)	23,000
Bohicon	Zou		18,000
Djougou	Atacora	(398,000)	16,000
Lokossa	Mono	(439,000)	6,000

Source: Revue de statistiques et de législation du travail, Ministère de la fonction publique et du travail, Cotonou, January, 1977, p.17.

Table 1.5. Labor Force and Participation Rates, 1975

Age Group	Men	Women	Total
Active Population (thousands)			
0-14	53	42	95
15-24	163	169	332
25-54	442	399	841
55 and over	119	58	177
Total	777	668	1,445
Rate of Participation (%)			
	7.1	6.1	6.6
	84.5	65.5	73.6
	97.4	76.7	86.3
	86.9	50.4	70.2
	51.0	42.1	46.4

Source: Revue de statistiques et de législation du travail, Ministère de la Fonction Publique et du Travail, Cotonou, January 1977, Table 1, p. 1.

Table 1.6. Structure of the Labor Force by Activity Informal and Formal Sectors, 1975

Activity	(1000 persons) Informal	Formal	Total	Percentages Informal	Formal	Total	Men	Women
Primary Sector	845.4	2.4	847.8	61.5	3.4	58.7	84.4	21.3
Agriculture	845.4	2.3	847.3	61	3.2	58.6	80.4	21.0
Mining	0.4	0.1	0.5	0.5	0.2	0.1	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	4.0	0.3
Secondary Sector	18.0	13.0	31.0	1.3	18.2	2.2	7.1	10.3
Industry and Handicraft[a/]	7.0	8.0	15.0	0.5	11.2	1.1	5.5	9.3
Buildings & Public Works	11.0	5.0	16.0	0.8	7.0	1.1	1.6	1.0
Tertiary Sector	510.3	55.9	566.2	37.2	78.4	39.1	8.5	68.4
Commerce	497.0	6.5	503.5	36.2	9.1	34.8	3.1	68.0
Public & Other Services	13.3	49.4	62.7	1.0	69.3	4.3	5.4	0.4
Total Active Pop.	1,373.7	71.3	1,445.0	100.0	100.0	100.0	100.0	100.0

a/ Including electricity, gas, water.

Source: Ministère de la Fonction Publique et du Travail.

Revue de statistiques et de législation du travail, Ministère de la Fonction publique et du Travail, Cotonou, January 1977, Annex III, p. 18.

n.a. = not available.

Table 1.7. Formal Sector Employment by Economic Activity, 1975

B. Sectoral Breakdown

Activity	1970	1975	Average Annual Growth Rate
Primary sector	1,670	2,360	9.0
Secondary sector	3,840	9,150	24.2
Industry	2,420	5,950	25.2
Construction	1,420	3,200	22.5
Tertiary sector	31,120	38,410	5.4
Commerce	5,600	6,390	3.3
Public service	19,500	20,000	0.6
Other services	6,020	12,020	18.9
Total Employment	36,630	49,920	8.1
Unemployment	n.a.	21,300	n.a.
Total Formal Sector Labor Force	n.a.	71,300	n.a.

B. Public/Private Breakdown

	1975
Public service	20,000
Local collectivities	2,500
Para-public sector	19,000
Private sector	8,500
Total Employment	50,000
Unemployment	21,300
Total Formal Sector Labor Force	71,300

Source: Revue de statistiques et de législation du travail, Ministère de la Fonction Publique et du Travail, Cotonou, January 1977, Table 4, pp. 2 & 4.

Table 1.8. Training Level of Salaried Workers, 1975

Training Level	Civil Service	%	Para-Public Sector	%	Private Sector	%	Total	%
Senior staff	1,900	8.4	800	4.2	400	4.7	3,100	6.2
Middle staff	3,400	15.2	1,200	6.3	600	7.0	5,200	10.4
Qualified labor	6,000	26.8	2,600	13.7	1,100	12.9	9,700	19.4
Specialized labor	6,500	29.0	4,600	24.2	2,400	28.3	13,500	27.1
Unskilled labor	4,600	20.5	9,800	51.6	4,000	47.1	18,400	36.9
Total	22,400[a]	100.0	19,000	100.0	8,500	100.0	49,900	100.0

[a] Including local government.

Source: Revue de statistiques et de législation du travail, Ministère de la Fonction publique et du Travail, Cotonou, January 1977, Table 6, p.9.

Table 1.9. Evolution of Job Seekers and Job Offers, 1970-75

Year	Job Applications	Job Offers
1970	3,393	158
1971	2,550	173
1972	3,587	540
1973	15,771	1,307
1974	15,650	2,630
1975 [a]	11,600	2,510

[a] In 1975 the Cotonou Employment Center was closed for several weeks.

Source: Revue de statistiques et de législation du travail, Ministère de la Fonction publique et du Travail, Cotonou, January 1977, Table 5, p.8.

Table 1.10. Evolution of Minimum Wage Levels

	(CFAF per hour)		
	1972-73 a/	1974-75 b/	1977 c/
Agricultural workers (SMAG)			
Zone 1	32.92)		
Zone 2	26.88)-	27.50	37.50
Zone 3	23.85)		
Industrial workers and others under a 40-hour week system (SMIG)			
Zone 1	38.08)		
Zone 2	31.02)-	45.00	45.00
Zone 3	26.65)		

Note: Zone 1 included the major southern cities, Zone 2 the central towns from Abomey to Parakou, and Zone 3 all other parts of the country. In 1974 these zones were abolished in favor of nationwide minimum wage levels.

SOURCES: a/ IBRD, Economic Situation and Prospects of Dahomey, 1973.
b/ IMF, Dahomey: Recent Economic Developments, 1975.
c/ Ministère de la Fonction Publique et du Travail, 1977.

Table 1.11. Evolution of School Enrollment

		1971/72	1972/73	1973/74	1974/75	1975/76	Rate of Annual Growth, Average
Primary Schools	- public	132,552	143,700	176,984	243,128	266,603	19.1
	- private	65,299	63,983	67,048	16,752	13,070	-33.2
	- total	197,851	207,683	244,032	259,880	279,693	9.0
Secondary Schools	- public	17,863	22,865	29,256	31,961	37,398	20.3
	- private	9,010	9,483	10,508	9,841	8,174	-2.4
	- total	26,873	32,348	39,764	41,802	45,572	14.1
Vocational Schools	- public						
	- private						
	- total	350	300	500	860	1,338	39.8
University	- in Benin	580	1,117	1,911	1,900	2,102	37.9
	- overseas					995	
	- total						
Teacher training						170	

SOURCES: Statistiques Scolaires, 1975-1976, Ministère de l'Enseignement du Premier Degré, Porto-Novo, pp. 50 et 142. Revue de Statistiques et de Législation du travail, Ministère de la Fonction Publique et du Travail, Cotonou, January 1977.

Table 1.12 Vocational Training Centers

	Location	Duration of Program (years)	Number of Graduates per year
1. National Medico-Social Institute	Cotonou		
i) State Nursing School		3	30
ii) State Midwife School			15
iii) Social Workers School			
iv) Medical Analysis and Laboratory Technicians School			
2. Nursing School Assistants	Parakou		
3. Medji Agricultural School	Sêkou	4	30
4. Rural Education Centers	Porto-Novo, INA	4	30
5. Teacher Training College Félicien Nadjo	Porto-Novo	2 1	170 20
6. National Institute of Education	Cotonou		
i) School of Science & Educational Technology		2	15
ii) National Institute of Physical Fitness and Sports		2	20
7. Office Personnel Training Center (CFBE)			
8. Center for Study and Promotion of Enterprises in Benin (CEPEB)			
9. Business Administration Center (CEFAP)			
10. Social and Economic Education Institute (INFOSEC)			
11. Panafrican Cooperative Training Center			
12. Office Personnel Improvement Center (CPPE)			
13. Rural Youth Center (Club 4D)			
14. University Polytechnic Center (since Feb. 77) (CPU)			

SOURCE: Ministère de la Fonction Publique et du Travail

Table 2.1: GDP by Industrial Origin in Current Prices

(in billion CFA francs)

	1972	1973	1974	1975	1976
Primary Sector:	30.59	32.81	36.44	38.37	44.63
- foodcrops	17.11	19.17	20.73	21.39	24.76
- industrial crops	3.79	2.61	3.14	3.75	4.01
- livestock	5.22	6.81	8.25	8.66	11.03
- fisheries	2.72	2.37	2.32	2.37	2.43
- forestry	1.75	1.85	2.00	2.20	2.40
Industry:	5.74	7.32	7.67	8.43	12.14
- modern	3.83	5.27	5.34	5.98	9.30
- traditional	1.91	2.05	2.33	2.45	2.84
Construction & Public Works	2.65	2.94	3.69	4.66	5.13
Commerce	13.01	13.68	15.28	18.99	26.58
Public Administration	9.70	10.25	11.10	13.01	13.41
Transport	3.78	3.72	4.10	5.39	6.18
Other Services	6.30	6.87	7.93	8.93	9.79
GDP, factor cost	71.77	77.59	86.21	97.78	117.86
Indirect taxes	7.79	8.02	9.27	9.86	11.03
GDP, market prices	79.56	85.61	95.48	107.64	128.89

SOURCE: World Bank mission estimates.

Table 2.2. Percentage Distribution of GDP by Sector in Current Prices

	1972	1973	1974	1975	1976
Primary Sector:	42.6	42.3	42.3	39.2	37.9
-foodcrops	23.8	24.7	24.1	21.9	21.0
-industrial crops	5.3	3.4	3.6	3.8	3.4
-livestock	7.3	8.8	9.6	8.9	9.4
-fisheries	3.8	3.0	2.7	2.4	2.1
-forestry	2.4	2.4	2.3	2.2	2.0
Industry:	8.0	9.4	8.9	8.6	10.3
-modern	5.3	6.8	6.2	6.1	7.9
-traditional	2.7	2.6	2.7	2.5	2.4
Construction & Public Works	3.7	3.8	4.3	4.8	4.4
Commerce	18.1	17.6	17.7	19.4	22.5
Public Administration	13.5	13.2	12.9	13.3	11.4
Transport	5.3	4.8	4.7	5.5	5.2
Other Services	8.8	8.9	9.2	9.1	8.3
GDP, factor cost	100.0	100.0	100.0	100.0	100.0

Source: Table 2.1.

Table 2.3. GDP by Industrial Origin in Constant 1975 Prices

(in billion CFA francs)

	1972	1973	1974	1975	1976
Primary Sector:	41.54	41.68	39.08	38.37	39.75
- foodcrops	22.90	23.64	21.63	21.39	21.02
- industrial crops	4.75	3.76	3.22	3.75	4.11
- livestock	8.54	9.32	9.45	8.66	10.22
- fisheries	3.40	2.96	2.68	2.37	2.10
- forestry	1.95	2.00	2.10	2.20	2.30
Industry	6.99	8.53	8.35	8.43	10.92
- modern	4.61	6.13	5.93	5.98	8.45
- traditional	2.38	2.40	2.42	2.45	2.47
Construction	3.30	3.34	3.83	4.66	4.71
Commerce	17.51	17.06	15.99	18.99	23.73
Public Administration	11.84	12.20	12.57	13.01	13.66
Transport	5.26	4.85	4.87	5.39	5.94
Other Services	8.17	8.42	8.67	8.93	9.20
GDP, factor cost	94.61	96.08	93.36	97.78	107.91
Indirect taxes	10.27	9.93	10.04	9.86	10.10
GDP, market prices	104.88	106.01	103.40	107.64	118.01

SOURCE: World Bank mission estimates.

Table 2.4. Expenditure on Gross National Product at Current Prices

(in billion CFA francs)

	1972	1973	1974	1975	1976
Consumption	79.04	82.75	86.28	102.52	122.58
- private	67.16	70.22	72.83	88.37	107.28
- public	11.88	12.53	13.45	14.15	15.30
Gross domestic investment	11.03	11.09	17.46	19.00	25.86
- fixed capital formation	10.23	10.29	16.26	17.04	23.86
- increase in stocks	0.80	0.80	1.20	1.96	2.00
Exports of goods and NFS	21.62	25.60	28.02	25.23	34.60
- merchandise	16.98	20.72	22.70	19.20	23.50
- nonfactor services	4.64	4.88	5.32	6.03	11.10
Imports of goods and NFS	32.13	33.83	36.28	39.11	54.15
- merchandise	26.43	28.57	31.60	33.00	50.00
- nonfactor services	5.70	5.26	4.68	6.11	4.15
Expenditure on GDP	79.56	85.61	95.48	107.64	128.89
Net factor income from abroad	0.05	0.80	1.64	2.93	4.00
Expenditure on GNP	79.61	86.41	97.12	110.57	132.89

SOURCE: BCEAO and mission estimates.

Table 3.1. Balance of Payments, 1970-76

--CFAF billion --

	1970	1971	1972	1973	1974 a/	1975 a/	1976 a/
Trade Balance	-4.26	-4.84	-9.45	-7.85	-8.90	-13.80	-26.50
Exports of goods, FOB	+16.09	+19.30	+16.98	+20.72	+22.70	+19.20	+23.50
Imports of goods, CIF	-20.35	-24.14	-26.43	-28.57	-31.60	-33.00	-50.00
Net Nonfactor Services	-1.30	-1.08	-1.06	-0.38	+0.64	-0.08	6.95
Freight and insurance on goods	+1.01	+0.95	+1.19	+1.25	+1.79	+2.29	+4.50
Other transport	-0.26	-0.26	-0.35	-0.31	+0.41	-0.61	+1.85
Travel	-0.58	-0.69	-0.84	-0.94	-0.84	-0.74	-0.30
Government transactions n.e.i.	-0.75	-1.18	-0.42	-0.08	-0.23	-0.06	+0.70
Other services	-0.72	+0.10	-0.64	-0.30	-0.49	-0.96	+0.20
Resource Balance	-5.56	-5.92	-10.51	-8.23	-8.26	-13.88	-19.55
Investment income	-0.80	-0.97	-0.71	+0.04	+0.53	-0.27	-0.10
Workers' remittances	+0.46	+0.95	+0.76	+0.77	+1.12	+3.20	+4.10
Private transfers	+0.76	+0.94	+0.94	+0.90	+0.96	+0.70	+1.00
Public transfers	+0.80	+0.85	+0.90	+0.99	+2.81	+1.10	+3.20
Current Account Balance	-4.34	-4.15	-8.62	-5.53	-2.84	-9.15	-11.35
Public capital grants	+4.01	+4.30	+4.80	+3.10	+3.30	+4.40	+6.20
Public loans	+0.43	+1.90	+1.22	+2.00	+1.18	+1.99	+5.90
Direct private investment	+1.87	+0.78	+1.20	+0.76	-0.56	+0.41	0.00
Other long-term private cap.	-0.10	-0.44	+0.30	-0.25	+0.11	+1.40	+0.77
Short-term private capital	-0.25	+0.24	+0.18	+0.71	-1.09	+1.16	+1.83
Capital Account Balance	5.96	6.78	7.70	6.32	2.94	9.36	14.70
Errors and omissions	-0.18	-0.58	+0.70	-2.11	+2.98	-1.54	-2.30
Change in Reserves (increase = -)	-1.44	-2.05	+0.22	+1.32	-3.08	+1.33	-1.05
Allocation of SDRs	+0.47	+0.39	+0.38	0.00	0.00	-0.09	0.00

a/ Preliminary estimate.

Source: Based on BCEAO, Indicateurs Economiques Béninois, No. 255, November 1977, with certain adjustments, through 1975; mission estimates for 1976.

Table 3.2. Balance of Payments (credits and debits), 1970-76

(CFAF billion)

	1970		1971		1972		1973	
	Credits	Debits	Credits	Debits	Credits	Debits	Credits	Debits
Merchandise Trade	16.09	20.35	19.30	24.14	16.98	26.43	20.72	28.57
Nonfactor Services	4.50	5.80	4.55	5.63	4.64	5.70	4.87	5.25
Freight and insurance on goods	1.01	0.00	0.95	0.00	1.19	0.00	1.25	0.00
Other transport	1.10	1.36	1.04	1.30	1.21	1.56	1.54	1.85
Travel	0.21	0.79	0.25	0.94	0.29	1.13	0.36	1.30
Government services n.e.i.	1.24	1.99	1.37	2.55	1.09	1.51	0.91	0.99
Other services	0.94	1.66	0.94	0.84	0.86	1.50	0.81	1.11
Resource Balance	20.59	26.15	23.85	29.77	21.62	32.13	25.59	33.82
Investment income	0.33	1.13	0.40	1.37	0.40	1.11	0.74	0.70
Workers' remittances	0.60	0.14	1.10	0.15	1.44	0.68	1.47	0.70
Private transfers	0.94	0.18	1.02	0.08	0.99	0.05	1.01	0.11
Public transfers	1.06	0.26	1.23	0.38	1.21	0.31	1.51	0.52
Current Account Balance	23.52	27.86	27.60	31.75	25.66	34.28	30.32	35.85
Public capital grants	4.01	0.00	4.30	0.00	4.80	0.00	3.10	0.00
Public loans	0.80	0.37	2.60	0.70	1.81	0.59	2.36	0.36
Direct private investment	1.87	0.00	0.80	0.02	1.24	0.04	1.70	0.94
Other long-term private capital	0.12	0.22	0.00	0.44	0.43	0.13	0.08	0.33
Short-term private capital	0.00	0.25	0.34	0.10	0.28	0.10	0.92	0.21
Capital Account Balance	6.80	0.84	8.04	1.26	8.56	0.86	8.16	1.84
Errors and omissions	0.00	0.18	0.00	0.58	0.70	0.00	0.00	2.11
Change in Reserves (increase = debit)		1.44		2.05	0.22		1.32	
Allocation of SDRs	0.47		0.39		0.38		0.00	

	1974 a/		1975a/		1976 a/	
	Credits	Debits	Credits	Debits	Credits	Debits
Merchandise Trade	22.70	31.60	19.20	33.00	23.50	50.00
Nonfactor Services	5.31	4.67	6.03	6.11	11.10	4.15
Freight and insurance on goods	1.79	0.00	2.29	0.00	4.50	0.00
Other transport	1.88	1.47	1.91	2.52	3.10	1.25
Travel	0.47	1.31	0.56	1.30	0.60	0.90
Government services n.e.i.	0.91	1.14	1.07	1.13	1.70	1.00
Other services	0.26	0.75	0.20	1.16	1.20	1.00
Resource Balance	28.01	36.27	25.23	39.11	34.60	54.15
Investment income	0.96	0.43	0.75	1.02	0.40	0.50
Workers' remittances	1.76	0.64	3.77	0.57	5.00	0.90
Private transfers	1.08	0.12	0.80	0.10	1.10	0.10
Public transfers	3.14	0.33	1.53	0.43	3.70	0.50
Current Account Balance	34.95	37.79	32.08	41.23	44.80	56.15
Public capital grants	3.30	0.00	4.40	0.00	6.20	0.00
Public loans	2.41	1.23	3.19	1.20	7.40	1.50
Direct private investment	0.09	0.65	0.55	0.14	0.00	0.00
Other long-term private capital	0.64	0.53	1.77	0.37	0.77	0.00
Short-term private capital	0.29	1.38	1.25	0.09	1.83	0.00
Capital Account Balance	41.68	41.58	11.16	1.80	16.20	1.50
Errors and omissions	2.98	0.00	0.00	1.54	0.00	2.30
Change in Reserves (increase = debit)		3.08	1.33			1.05
Allocation of SDRs	0.00			0.09	0.00	

a/ Preliminary estimate.

Source: Based on BCEAO, Balance des Paiements Extérieurs du Bénin - Année 1975, No. 252, July 1977, with certain adjustments, through 1975; mission estimates for 1976.

Table 3.3. Exports of Principal Products

Commodity Group	1972	1973	1974	1975	1976
	Value in millions of CFAF, f.o.b.				
Palm products, of which:	2,369	2,311	4,642	3,483	3,782
Palm kernel oil	(1,345)	(1,481)	(2,425)	(1,596)	(2,412)
Palm oil	(388)	(434)	(1,698)	(1,572)	(738)
Palm kernel cake	(480)	(394)	(519)	(315)	(632)
Palm kernels	(156)	(2)	(0)	(0)	(0)
Cotton, of which:	3,108	3,007	4,561	2,711	2,185
Cotton fiber	(2,613)	(2,695)	(4,295)	(2,234)	(1,957)
Cotton seeds	(495)	(312)	(266)	(447 d/)	(228 d/)
Groundnuts	232	231	542	193	521
Cocoa beans	1,781	2,443	1,359	788	357 d/
Coffee	487	273	201	0	172
Coconuts, copra	3	10	20	0	0
Copra cake	3	5	8	0	0
Karite nuts, butter a/	182	101	415	0 d/	234 d/
Tobacco leaf a/	116	130	252	229 d/	115 d/
Shrimp a/	111	141	152	144 f/	32 d/
Total Principal Exports	8,392	8,652	12,152	7,548	7,398
Memo: Total Goods Exports b/ c/	16,983	20,716	22,700	19,200	23,500
	Volume in metric tons				
Palm kernel oil	23,574	21,772	16,544	15,542	31,250
Palm oil	7,247	7,784	11,256	13,284	9,884
Palm kernel cake	28,699	18,401	17,594	19,328	26,653
Palm kernels	4,950	0	0	0	0
Cotton fiber	16,367	15,345	17,326	11,944	7,685
Cotton seeds	22,886	17,846	16,351	15,222 d/	8,881 d/
Groundnuts	6,770	3,311	4,607	1,472	5,875
Cocoa beans	12,320	15,291	4,115	1,952	1,008 d/
Coffee	3,080	1,341	896	0	450
Coconuts, copra	120	158	186	0	0
Copra cake	191	201	301	0	0
Karite nuts, butter a/	11,758	3,158	10,888	0 d/	5,566 d/
Tobacco leaf, a/	748	552	1,132	1,046 d/	484 d/
Shrimp a/	695	895	948	719 e/	129 d/
Total Principal Exports	139,405	106,055	102,144	80,509	97,865
	Unit value, f.o.b., in CFAF per kg				
Palm kernel oil	57	68	147	103	77
Palm oil	54	56	151	118	75
Palm kernel cake	17	21	29	16	24
Palm kernels	32	-	-	-	-
Cotton fiber	160	176	248	187	255
Cotton seeds	22	17	16	31	26
Groundnuts	34	70	118	131	89
Cocoa beans	145	160	330	404	354
Coffee	158	204	224	-	382
Coconuts, copra	25	63	108	-	-
Copra cake	16	25	27	-	-
Karite nuts, butter	15	32	38	-	42
Tobacco leaf,	155	235	223	219	238
Shrimp	160	158	160	200	248

Sources: Except as noted below, data are taken from FED, Principaux Produits d'Exportation, 1977, in order to obtain a consistent series since official export data available only through 1974. These figures are thus tentative.

a/ BCEAO, Indicateurs Economiques, No. 251, June 1977.

b/ BCEAO, L'Economie Ouest Africaine, No. 252, July 1977.

c/ IMF estimate for 1976.

d/ Direction des Douanes et Droits Indirects, Produits du Cru 1976, 1977; and Statistiques des Exportations de Certains Produits, 1973-1975, 1977.

e/ BCEOM, Etude de l'Extension du Port de Peche de Cotonou, 1976.

f/ Staff estimate.

\- Not applicable.

Table 3.4. Estimated Goods Exports
(billion CFA francs)

	1972	1973	1974	1975	1976
Principal products[a/]	8.39	8.65	12.15	7.55	7.40
Other products	0.80	1.14	1.00	1.00	1.00
Recorded exports[b/]	9.19	9.79	13.15	8.55	8.40
Agricultural products	0.20	2.00	0.15	1.25	1.20
of which:					
Palm oil[c/]	(0.20)	(0.00)	(0.15)	(0.00)	(0.00)
Maize[c/]	(0.00)	(2.00)	(0.00)	(1.25)	(1.20)
Manufactured goods[d/]	1.74	2.50	2.64	3.98	4.87
Domestic unrecorded exp.	1.94	4.50	2.79	5.23	6.07
Unrecorded re-exports[e/]	5.85	6.43	6.76	5.42	9.03
Total exports[f/]	16.98	20.72	22.70	19.20	23.50

a/ From Table 3.3.
b/ Agrees with official trade statistics through 1973; then estimates.
c/ Staff estimates.
d/ From manufacturing data; consists about two-thirds of textiles.
e/ Residual.
f/ Balance of payments figures from Table 3.1.

Table 3.5. Imports of Principal Products

Product	1972	1973	1974	1975	1976	1972	1973	1974	1975	1976	1972	1973	1974	1975	1976
	-Value in millions of CFAF, c.i.f.--					--------Volume in metric tons---------					Unit value, c.i.f., in CFAF per kg				
FOODSTUFFS	4,134	5,045	6,117	..	..										
Cereals, of which:	819	907	542	656	1,437	21,112	15,351	5,417	8,200	27,800	39	59	100	80	52
Wheat	(238)	(210)	(197)	..	..	(5,701)	(5,201)	(2,573)	..	..	(42)	(40)	(77)	..	..
Rice	(473)	(680)	(344)	..	..	(12,142)	(10,102)	(2,776)	..	..	(39)	(67)	(124)	..	..
Sugar	564	670	878	784	1,099	7,670	8,315	7,380	3,900	8,100	74	81	119	201	136
Salt	76	120	146	304	483	6,505	9,727	8,475	15,300	20,700	12	12	17	20	23
Fish and crustaceans	164	192	325	..	..	4,094	5,208	7,275	..	..	40	37	45	..	..
Milk products	180	229	247	..	..	1,122	1,408	1,728	..	..	160	163	143	..	..
Fresh fruit, veget.	35	35	29	..	..	836	669	433	..	..	42	52	67	..	..
Processed meat & fish	153	215	233	..	..	898	1,256	1,068	..	..	170	171	218	..	..
Processed fruit, veget.	319	462	413	..	..	2,880	3,333	1,933	..	..	111	139	214	..	..
Beverages	558	647	888	1,475	2,071	3,888	4,185	3,923	5,900	9,200	144	155	226	250	225
Tobacco	1,266	1,568	2,416	2,691	4,655	3,043	2,301	2,918	2,100	3,000	416	681	828	1,282	1,552
Flour	..	..	..	68	52	..	..	..	1,500	1,300	..	..	..	46	40
CONSUMER GOODS	2,422	3,462	4,084	..	..										
Garments	862	1,387	1,751	..	..	830	910	864	..	..	1,039	1,524	2,027	..	..
Pharmaceuticals	690	927	1,002	..	..	721	704	897	..	..	957	1,317	1,117	..	..
Plastic articles	178	269	195	..	..	766	722	1,000	..	..	232	373	195	..	..
Rubber articles	308	432	472	..	..	1,802	1,079	1,000	..	..	171	400	472	..	..
Paper, boxes, books	384	447	664	..	..	1,869	3,325	4,414	..	..	205	134	150	..	..
INTERMEDIATE GOODS	4,620	4,579	5,303	..	..										
Chemical products	142	189	369	..	..	1,675	2,196	2,495	..	..	85	86	148	..	..
Fertilizer	329	176	884	1,088	605	13,151	5,720	13,670	14,200	12,000	25	31	65	77	50
Textiles, of which:	4,149	4,214	4,050	4,769	9,842	8,810	8,753	5,046	6,900	9,300	471	481	803	691	1,058
Cotton fabric	(3,338)	(3,424)	(3,336)	..	..	(5,126)	(4,555)	(3,441)	..	..	(651)	(752)	(969)	..	..
CAPITAL GOODS	7,578	7,349	13,568	..	..										
Construction materials,	432	510	1,155	1,349	2,044	61,056	78,693	33,438	148,200	192,000	7.1	6.5	34.5	9.1	10.6
of which: Clinker	..	..	..	(953)	(1,169)	..	..	..	(136,200)	(167,000)	..	..	..	(7.0)	(7.0)
Cement	(373)	(420)	(1,103)	..	..	(51,550)	(59,631)	(27,160)	..	..	(7)	(7)	(41)	..	..
Stone, ceramics	98	202	153	..	..	1,327	1,851	1,420	..	..	74	109	108	..	..
Iron, steel	1,644	1,480	2,649	..	..	19,397	12,542	17,505	..	..	85	118	151	..	..
Metal items, various	229	242	372	..	..	675	737	650	..	..	339	328	572	..	..
Machinery, of which:	2,985	2,752	6,709	6,773	10,080	4,520	5,517	10,405	10,500	14,000	660	499	645	645	720
Mechanical	(1,655)	(1,691)	(4,555)	..	..	(2,159)	(3,098)	(6,451)	..	..	(767)	(546)	(706)	..	..
Electrical	(1,330)	(1,061)	(2,154)	..	..	(2,361)	(2,419)	(3,954)	..	..	(563)	(439)	(545)	..	..
Road transport equip.	1,972	1,970	2,367	1,935	2,890	3,733	3,868	4,109	4,000	4,500	528	509	576	484	642
Precision equipment	218	193	163	..	..	102	94	78	..	..	2,137	2,053	2,090	..	..
FUELS	1,010	1,416	2,081	3,232	3,808	82,722	67,158	65,589	101,000	112,000	12	21	32	32	34
OTHER	3,747	3,008	4,022	7,590	11,543	42,600	26,700	26,763	50,600	67,900	88	113	150	150	170
TOTAL	23,510	24,859	35,174	43,050	..	297,804	272,322	229,893	372,300	481,800					

Sources: 1972-74 data from BCEAO, Indicateurs Economiques Beninois, No. 251, June 1977.

1975-76 data are mission estimates based primarily on tonnage figures from Cotonou Port statistics, modified by customs data; and prices from customs data and from BCEAO data for Benin (1974), Togo and Niger (1974 and 1975). The diversity of sources for 1975 and 1976 data implies that this information should be used with great caution; these are preliminary estimates only. 1975 total imports are from the IMF Direction of Trade, Annual 1969-75.

.. not available.

Table 3.6. Direction of Trade, 1970-76

	Exports FOB			Imports CIF		
	(Per Cent Share of Trade)					
	1970	1975	1976	1970	1975	1976
France	39.4	24.5[c]	21.8[c]	42.2	31.6[c]	31.5[c]
Germany	8.9	10.5[c]	10.1[c]	5.2	7.5[c]	7.7[c]
United Kingdom	4.2	.6[c]	9.0[c]	5.4	9.1[c]	6.2[c]
Netherlands	7.6	6.9[c]	4.2[c]	5.6	5.8[c]	7.0[c]
Italy	4.4	10.3[c]	3.7[c]	3.0	1.7[c]	1.5[c]
Belgium	.5	1.1[c]	1.3[c]	3.1	1.9[c]	1.1[c]
Spain	0.0	.3[c]	1.3[c]	0.0	1.6[c]	1.3[c]
Austria	0.0	0.0	.1[c]	0.0	.5[c]	11.7[c]
Japan	9.7	5.4[c]	8.7[c]	0.0	6.8[c]	1.3[c]
China	0.0	8.4[b]	8.7[b]	.9	2.8[b]	2.4[b]
United States	4.9	2.9[c]	2.7[c]	5.4	7.8[c]	6.7[c]
Republic of Taiwan	0.0	6.2[c]	.2[c]	0.0	3.0[c]	4.6[c]
USSR	0.0	0.0	0.0	0.0	.9[b]	.8[b]
India	0.0	0.0	0.0	0.0	5.6[c]	4.8[b]
Nigeria	9.3	13.9[c]	14.0[a]	1.9	.4[c]	.3[a]
Ghana	.6	.6[c]	.7[b]	0.0	.5[c]	0.0[b]
Ivory Coast	1.3	.2[c]	.2[b]	2.3	4.3[c]	3.7[b]
Egypt	0.0	0.0	0.0	0.0	0.0	0.0
OPEC (excluding Nigeria)	0.0	0.0	0.0	1.7	2.7[c]	.8[a]
Others	9.2	8.2	13.3	23.3	5.5	6.6
World	100.0	100.0	100.0	100.0	100.0	100.0
EEC	65.0	53.9	50.4	64.6	58.3	55.2
Africa	17.9	20.5	22.0	11.0	8.1	24.8
Others	17.1	25.6	27.6	24.4	33.6	20.0
World	100.0	100.0	100.0	100.0	100.0	100.0

a/ 6 months or less of reported data, 6 months or more derived or extrapolated.
b/ Extrapolated annual data.
c/ Annual data derived from partner country.

Source: Direction of Trade Annual 1970-76, IMF.

Table 3.7. Terms of Trade, 1972-76

	1972	1973	1974	1975	1976
	(based on current CFAF prices)				
Export price index a/	100.0	115.7	211.1	176.8	163.4
Import price index b/	100.0	130.7	167.6	173.8	200.4
Terms of trade	100.0	88.5	126.0	101.7	81.5
Memo Items:					
Export Price of 34 Primary Commodities (excl. petroleum) c/	100	135	195	144	190
World export prices d/	100	110	168	162	186

Sources and Notes:

a/ Calculated from recorded exports, table 3.3, with commodities weighted according to value year-by-year.

b/ Calculated from recorded imports, table 3.5, with commodities weighted according to value year-by-year; certain adjustments made to 1974 data to permit comparisons with 1975 and 1976 data from different source.

c/ IBRD, World Economic Indicators, Report No. 700/77/01, January 1977, Table VI; converted to base year 1972=100 and to CFAF basis by applying exchange rates (CFAF/US$): 1972, 252; 1973, 223; 1974, 241; 1975, 214; 1976, 239.

d/ IMF, International Financial Statistics, January and September 1977; Export Prices-World converted to CFAF basis as above.

02/03/78

Table 4.1 External Public Debt Outstanding as of December 31, 1976

DEBT REPAYABLE IN FOREIGN CURRENCY AND GOODS
(IN THOUSANDS OF U.S. DOLLARS)

TYPE OF CREDITOR / CREDITOR COUNTRY	DEBT OUTSTANDING: DISBURSED	UNDISBURSED	TOTAL	IN ARREARS: PRINCIPAL	INTEREST
SUPPLIERS CREDITS					
BELGIUM	294	-	294	-	-
DENMARK	21	-	21	-	-
FRANCE	3,962	-	3,962	-	-
GERMANY, FED.REP. OF	682	-	682	-	-
ITALY	8,642	-	8,642	8,642	4,434
LUXEMBOURG	161	-	161	161	5
NETHERLANDS	523	-	523	-	-
SPAIN	27	426	453	-	-
SWITZERLAND	165	-	165	-	-
UNITED KINGDOM	83	5	88	-	-
UNITED STATES	62	-	62	6	3
TOTAL SUPPLIERS CREDITS	14,622	431	15,053	8,809	4,442
PRIVATE BANK CREDITS					
FRANCE	2,081	-	2,081	-	-
ITALY	8,525	-	8,525	919	356
SWITZERLAND	918	-	918	-	-
UNITED STATES	352	-	352	21	-
TOTAL PRIVATE BANK CREDITS	11,876	-	11,876	940	356
PUBLICLY ISSUED BONDS					
FRANCE	12	-	12	-	-
TOTAL PUBLICLY ISSUED BONDS	12	-	12	-	-
PRIVATELY PLACED BONDS					
FRANCE	2	-	2	-	-
TOTAL PRIVATELY PLACED BONDS	2	-	2	-	-
MULTILATERAL LOANS					
AFRICAN DEV. BANK	2,105	8,002	10,107	-	-
AFRICAN DEV. FUND	1,105	3,128	4,233	-	-
ARAB BANK-AFRICA DEV	-	8,000	8,000	-	-
CONSEIL DE L'ENTENTE	2,112	4,383	6,495	-	-
EUROPEAN INVEST BANK	3,788	-	3,788	-	-
IDA	24,900	15,607	40,507	-	-
IPR AFR OCC (IPRAC)	5	-	5	5	1
SAFA (SP AR FUND AF)	2,400	-	2,400	-	-
UN DEVEL. PROGRAM	439	49	488	-	-
TOTAL MULTILATERAL LOANS	36,854	39,169	76,023	5	1
BILATERAL LOANS					
ALGERIA	250	750	1,000	-	-
CHINA, P.R. OF	2,274	8,364	10,638	-	-
DENMARK	3,417	2,487	5,904	-	-
FRANCE	13,649	1,045	14,694	187	87
GERMANY, FED.REP. OF	6,515	8,300	14,815	-	31
IVORY COAST	463	-	463	463	-
NIGERIA	-	1,585	1,585	-	-
POLAND	1,786	-	1,786	500	143
SWITZERLAND	296	-	296	34	-
UNITED STATES	7,255	16,632	23,887	-	6
USSR	-	5,348	5,348	-	-
ZAIRE	2,000	-	2,000	200	30
TOTAL BILATERAL LOANS	37,905	44,511	82,416	1,384	297
TOTAL EXTERNAL PUBLIC DEBT	101,271	84,111	185,382	11,138	5,096

NOTES: (1) ONLY DEBTS WITH AN ORIGINAL OR EXTENDED MATURITY OF OVER ONE YEAR ARE INCLUDED IN THIS TABLE.
(2) DEBT OUTSTANDING INCLUDES PRINCIPAL IN ARREARS BUT EXCLUDES INTEREST IN ARREARS.
(3) THE FOLLOWING UNCOMMITTED PARTS OF FRAME AGREEMENTS AND STANDBYS ARE NOT INCLUDED IN THIS TABLE.

BILATERAL LOANS	
CHINA, P.R. OF	42,553
TOTAL	42,553
TOTAL UNCOMMITTED FRAME AGREEMENTS AND STANDBYS	42,553

Table 4.2. Evolution of External Public Debt Outstanding

PROJECTIONS BASED ON DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF DEC. 31, 1976

INCLUDES ONLY DEBT COMMITTED JAN. 1, 1900 - DEC. 31, 1977
DEBT REPAYABLE IN FOREIGN CURRENCY AND GOODS
(IN THOUSANDS OF U.S. DOLLARS)

YEAR	DEBT OUTSTANDING AT BEGINNING OF PERIOD		TOTAL TRANSACTIONS DURING PERIOD					OTHER CHANGES	
	DISBURSED ONLY	INCLUDING UNDISBURSED	COMMITMENTS	DISBURSEMENTS	SERVICE PAYMENTS: PRINCIPAL	SERVICE PAYMENTS: INTEREST	SERVICE PAYMENTS: TOTAL	CANCELLATIONS	ADJUSTMENT *
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1971	40,528	55,816	12,626	9,985	2,652	922	3,574	-	3,257
1972	50,514	69,047	34,918	6,905	2,402	651	3,053	10,270	-402
1973	45,364	90,891	19,619	11,178	1,880	441	2,321	4	1,780
1974	57,743	110,406	32,559	24,402	5,381	755	6,136	1,900	2,725
1975	79,281	138,409	23,289	13,222	5,248	757	6,005	-	-3,131
1976	85,372	153,319	54,973	28,742	4,778	1,345	6,123	14,799	-3,334
1977	101,271	185,381							
	* * * * * * THE FOLLOWING FIGURES ARE PROJECTED * * * * * *								
1977	101,271	185,381	31,082	37,209	6,750	2,128	8,878	-	-11,137
1978	120,592	198,576	-	27,908	6,159	2,733	8,892	-	1
1979	142,335	192,418	-	19,003	4,716	3,262	7,978	-	-
1980	156,623	187,702	-	11,858	4,967	3,679	8,646	-	-1
1981	163,508	182,734	-	6,264	6,432	3,748	10,180	-	-4
1982	163,334	176,298	-	3,899	7,577	3,565	11,142	-	-
1983	159,655	168,721	-	3,436	7,674	3,326	11,000	-	-7
1984	155,409	161,040	-	3,156	7,282	3,055	10,337	-	2
1985	151,284	153,760	-	1,340	7,964	2,925	10,889	-	3
1986	144,663	145,799	-	776	7,935	2,660	10,595	-	-2
1987	137,502	137,862	-	360	7,730	2,379	10,109	-	-1
1988	130,131	130,131	-	-	7,411	2,109	9,520	-	-2
1989	122,718	122,718	-	-	7,532	1,882	9,414	-	3
1990	115,189	115,189	-	-	6,364	1,682	8,046	-	-4
1991	108,821	108,821	-	-	6,133	1,529	7,662	-	1

* THIS COLUMN SHOWS THE AMOUNT OF ARITHMETIC IMBALANCE IN THE AMOUNT OUTSTANDING INCLUDING UNDISBURSED FROM ONE YEAR TO THE NEXT. THE MOST COMMON CAUSES OF IMBALANCES ARE CHANGES IN EXCHANGE RATES AND TRANSFER OF DEBTS FROM ONE CATEGORY TO ANOTHER IN THE TABLE.

Table 4.3. Comparison of External Public Debt Structure, 1971 and 1976

Creditor	Debt Outstanding, Disbursed Only, US$ million		Debt Outstanding, Incl. Undisbursed, US$ million		Percent of Debt Outstanding, Incl. Undisbursed	
	Dec. 1971	Dec. 1976	Dec. 1971	Dec. 1976	Dec. 1971	Dec. 1976
Suppliers Credits	9.7	14.6	12.5	15.1	18.1	8.1
Private Bank Credits	3.5	11.9	3.5	11.9	5.1	6.4
Publicly Issued Bonds	0.0	0.0	0.0	0.0	0.0	0.0
Privately Placed Bonds	0.0	0.0	0.0	0.0	0.0	0.0
Multilateral Loans, of which:	2.6	36.9	11.7	76.0	17.0	41.0
African Development Bank	-	2.1	-	10.1	-	5.4
African Development Fund	-	1.1	-	4.2	-	2.3
Arab Bank African Devel.	-	-	-	8.0	-	4.3
Conseil de l'Entente	-	2.1	-	6.5	-	3.5
European Investment Bank	-	3.8	3.6	3.8	5.2	2.0
IDA	2.6	24.9	8.1	40.5	11.7	21.8
IPR Afr. Occ. (IPRAO)	0.0	0.0	0.0	0.0	0.0	0.0
Spec. Arab Fund Afr. (SAFA)	-	2.4	-	2.4	-	1.3
UNDP	-	0.4	-	0.5	-	0.3
Bilateral Loans, of which:	34.6	37.9	41.2	82.4	59.7	44.4
Algeria	-	0.3	-	1.0	-	0.5
Canada	2.0	-	3.0	-	4.3	-
China, P.R. of	-	2.3	-	10.6	-	5.7
Denmark	0.1	3.4	2.1	5.9	3.0	3.2
France	25.5	13.6	26.0	14.7	37.7	7.9
Germany, Fed. Republic of	2.0	6.5	2.9	14.8	4.2	8.0
Ivory Coast	1.8	0.5	1.8	0.5	2.6	0.3
Nigeria	-	-	-	1.6	-	0.9
Poland	-	1.8	-	1.8	-	1.0
Switzerland	0.4	0.3	0.4	0.3	0.6	0.2
United States	0.5	7.3	2.8	23.9	4.1	12.9
USSR	-	-	-	5.3	-	2.9
Zaire	2.2	2.0	2.2	2.0	3.2	1.1
Total External Public Debt	50.5	101.3	69.0	185.4	100.0	100.0

Notes: 1. Sub-totals may not add due to rounding.
2. Only debts with an original or extended maturity of over one year are included in this table.
3. Debt outstanding includes principal in arrears but excludes interest in arrears.
4. Uncommitted parts of frame agreements and standbys are not included in this table.

Source: IBRD, Debtor Reporting System.

Table 4.4 Gross Disbursements of Foreign Aid, 1972-77
(CFAF Billion)

	1972	1973	1974	1975	1976	1977
Current Transfers	1.2	1.5	1.8	1.9	3.7	2.9
FAC General Support to Universities	1.2	1.5	1.8	1.9	1.8	1.9
EEC (Stabex)	-	-	-	-	1.9	1.0
Capital Grants	4.8	3.1	3.3	4.4	6.2	9.3
FAC	..	0.9	0.6	0.6	0.8	0.9
EEC	..	0.9	1.4	2.0	0.7	3.2
U.N.D.P.	..	1.0	1.0	1.0	0.8	1.0
Canada	..	0.1	0.1	0.6	0.4	1.4
USAID	..	0.2	0.2	0.2	0.2	0.0
Federal Republic of Germany	..	0.0	0.0	0.0	0.0	0.0
Nigeria - Coastal Road	..	-	-	-	1.8	2.0
- Save	..	-	-	-	1.5	0.8
Loans	1.7	2.5	5.9	3.4	7.4	7.8
IDA	0.5	1.2	1.0	0.9	0.9	1.0
ADB	-	0.0	0.0	0.0	0.7	0.8
EIB	0.1	0.3	0.1	0.3	0.1	-
BADEA	-	-	-	-	-	-
France	0.1	0.5	0.2	0.4	0.6	0.9
of which CCCE	(0.1)	(0.4)	(0.2)	(0.3)	(0.3)	(0.8)
Canada 1/	0.4	-	-	0.0	0.9	-
USAID/Eximbank	0.1	0.1	0.4	0.7	1.2	1.4
Conseil de l'Entente	-	-	0.1	0.2	0.4	0.4
KfW	0.0	0.0	0.3	0.4	0.8	1.0
Algeria	-	-	-	-	0.1	0.1
SAFA	-	-	-	0.3	0.3	-
Denmark	0.1	0.4	0.0	0.0	0.2	0.2
USSR	-	-	-	-	-	-
China	-	-	-	-	0.5	1.4
Romania	-	-	-	-	-	0.1
Suppliers Credits	0.1	0.0	3.5	0.1	0.5	0.3
of which IBETEX	-	-	(3.5)	-	-	-
Other	0.3	-	0.3	0.1	0.2	0.2
TOTAL Disbursements	7.7	7.1	11.0	9.7	17.3	20.0
Debt Service	0.8	0.5	1.5	1.4	1.9	2.4
- Interest	(0.2)	(0.1)	(0.2)	(0.2)	(0.4)	(0.6)
- Amortization	(0.6)	(0.4)	(1.3)	(1.2)	(1.5)	(1.8)
TOTAL foreign aid net of amortization	7.1	6.7	9.7	8.5	15.8	18.2

1/ Starting 1977 all Canadian loans transformed into grants.

Source: Mission estimates and IBRD Debt Reporting System.

Table 4.5. Foreign Aid Commitments, 1972-76
CFAF Million

	1972	1973	1974	1975	1976	Total
Agriculture	1,905.0	537.0	447.1	1,842.0	1,144.3	5,875.4
of which IDA-Zou-Borgou Project	(1,690.0)					
BAD-Oueme Development (SONIAH)				(1,050.0)		
USAID-Food Production					(825.0)	
Agro-industry	2,080.0	192.7	53.8	179.3	1,860.0	4,365.8
of which oil mill	(1,170.0)[1]				(1,860.0)[2]	
Livestock	39.7	562.5	54.5	64.5	-	721.2
of which USAID/Conseil entente project		(247.5)				
UNDP - ox-drawn cultivation program		(315.0)				
Forestry and Fishing	780.0	-	-	49.3	-	829.3
Industry	2.5	3,013.3	698.5	-	2,000.0	5,714.3
of which IBETEX-suppliers credits		(2,763.3)	(698.5)			
USAID-Assist. to small-scale enterprises		(250.0)				
BADEA-Clinker grinding plant					(2,000.0)	
Mines and Mapping (UNDP)	-	-	484.0	-	12.5	496.5
Education	1,592.4	268.8	340.4	5,027.4	654.9	7,883.9
of which EEC: Ag. Training Center	(267.5)					
CIDA-CPU	(1,325.0)			(3,178.0)		
-CEFAP				(376.0)		
IDA-Education Project				(1,000.0)		
FAC-Construction of University		(253.0)	(291.0)			
Health	610.0	20.0	-	-	250.0	880.0
USAID-Mothercare Program	(610.0)					
Korea-Health Formation					(250.0)	
Infrastructure: Road & Bridge	4,160.0	5,200.0	2,725.0	1,200.0	2,300.0	15,585.0
USAID-Parakou-Malanville	(3,000.0)					
-Dapao Porto-Novo-Pobe	(1,160.0)					
IDA-2nd Road Project		(5,200.0)				
USAID-Laguna Bridge			(2,725.0)			
ADB-Dam				(1,200.0)		
Nigeria-Coastal Road					(2,300.0)	
: Port of Cotonou	180.0	200.0	-	-	395.0	775.0
Studies IDA (PPF) + BADEA					(250.0)	
-OCBN	70.0	200.0	-	-	640.0	910.0
Suppliers credit for equipment					(640.0)	
Other	-	-	85.0	-	-	85.0
Public Utilities	353.0	85.0	2,069.5	482.9	1,697.8	4,688.2
KfW-Water Supply Abomey-Bohicon			(885.3)			
CCCE-Housing			(244.2)			
-VRD Cotonou			(480.0)			
OPT: CCCE					(400.0)	
: Suppliers Credit					(342.5)	
Bank Credit					(385.3)	
ADB-Extension Electrical	1st Tranche		(460.0)		(570.0)	
Network Abomey-Calavi	2nd Tranche					
Unallocated						
- Russia					1,319.0	1,319.0
- China	12,750.0					12,750.0
- Others	4,164.5	460.8	3,403.0	580.5	279.0	8,887.8
TOTAL	15,937.1[3]	10,740.0	10,360.8	9,425.9	12,552.5	59,016.4[3]
People's Republic of China	12,750.0					12,750.0
	28,687.1					71,766.4

1/ Oueme.

2/ Bohicon.

3/ Excluding China.

Table 4.6. Comparison of Three-Year Development Plan and Mission Investment Estimates, 1977/78-1979/80
(CFAF Million)

	Foreign Financing				Mission Estimates of Foreign Financing
	Assured	In View	To be Sought	Total	Assured and in View
Rural Development	2,000.0	2,429.0	21,572.4	26,001.2	8,970.0
Foodcrops	-	-	8,759.6	8,759.6)	
Fruits and vegetables	900.0	-	1,117.6	2,017.6)	1,830.0
Oil palm	400.0	300.0	825.0	1,525.0)	
State farms and CARDERs	200.0	1,929.0	1,037.8	3,166.8	3,320.0
Forestry	-	-	327.3	327.3	-
Livestock	500.0	-	6,347.5	6,847.3	2,110.0
Fisheries	-	200.0	2,718.9	2,918.9	860.0
Irrigation	-	-	438.7	438.7	850.0
Industry	13,860.0	31,875.0	65,783.0	111,518.0	65,825.0
Consumption goods	10,005.0	30,890.0	1,230.0	42,125.0	39,845.0
Agro-business (incl. Save sugar)	(9,505.0)	(25,000.0)	(710.0)	(35,215.0)	(39,845.0)
Beverages	(500.0)	(640.0)	(265.0)	(1,405.0)	-
Textiles	-	(5,050.0)	(120.0)	(5,170.0)	-
Other	-	(200.0)	(135.0)	(335.0)	-
Intermediate goods	1,355.0	985.0	45,730.0	48,070.0	1,480.0
Refinery	-	-	(45,000.0)	(45,000.0)	-
Mineral exploration	(1,355.0)	(725.0)		(2,080.0)	(1,000.0)
Other	-	(260.0)	(730.0)	(990.0)	(480.0)
Capital goods	2,500.0	-	18,823.0	21,323.0	24,500.0
Building material (incl. Onigbolo cement)	(2,400.0)	-	(15,000.0)	(17,400.0)	(24,400.0))
Electrical	-	-	(3,473.0)	(3,473.0)	-
Mechanical (COBEMAG)	(100.0)	-	(350.0)	(450.0)	(100.0)
Equipment	10,110.5	14,520.3	20,245.1	44,876.0	23,470.0
Roads and Bridges	5,595.0	9,600.0	7,258.0	22,453.0	11,620.0
Urbanism - Housing	200.5	496.0	3,416.0	4,112.5	-
Telecom	3,030.0	-	2,809.0	5,839.0	-
Water and electricity	1,285.0	2,330.0	2,590.0	6,205.0	11,850.0
Admin and social buildings	-	1,864.3	4,129.6	5,994.0	-
Mapping	-	230.0	42.5	272.5	-
Transport	585.0	19,902.5	11,633.0	32,120.5	16,200.0
Maritime (incl. Cotonou port)	150.0	18,240.0	1,180.0	19,570.0	10,800.0
Railways	-	1,650.0	5,928.0	7,578.0	5,400.0
Air	-	12.5	3,175.0	3,187.5	-
Road transport	435.0	-	1,350.0	1,785.0	-
Tourism	730.0	280.0	2,180.0	3,190.0	-
Commerce	800.0		2,665.0	3,465.0	-
Health	1,465.0	1,590.0	3,708.6	6,763.6	2,420.0
Education	1,220.5	1,340.0	13,408.2	15,968.7	5,190.0
Vocational	150.0	750.0	7,275.0	8,175.0)	
Highest level	365.5	525.0	1,563.0	2,453.5)	4,860.0
Middle level	-	-	1,267.5	1,267.5)	
Primary	-	-	1,635.6	1,635.6	-
Non-formal	705.0	65.0	1,350.0	2,120.0	330.0
Other	-	-	317.1	317.1	-
Unallocated	-	-	-	-	3,300.0
Total	30,711.0	71,936.8	141,195.0	243,903.0	125,375.0

Sources: Plan d'Etat, 1977/78-1979/80 and Mission Estimates.

Table 5.1. Current Budget Expenditure, 1972-77
(In million of CFA francs)

	1972	%	1973	%	1974	1975	1976 1/	%	1977 2/ Jan-July
Functional classification									
General public services	3704.2	32.1	3528.8	29.2	3550.3	3670.4	4500.0	30.4	2497.2
General administration	3127.5		2854.8		2866.9	3058.7			2136.5
Public order and safety	576.7		674.0		683.4	611.7			360.7
Defense	1236.1	10.7	1390.4	11.5	1547.5	1818.9	1850.0	12.5	748.0
Education	3227.5	28.0	3711.0	30.7	4058.5	4318.7	4900.0	33.1	771.7
Health	1227.9	10.6	1384.9	11.5	1421.7	1548.8	1650.0	11.1	681.8
Broadcasting and press	91.3	0.8	143.4	1.2	73.1	78.2	50.0	0.3	11.7
Economic services	919.5	8.0	1304.7	10.8	1231.0	1240.9	1400.0	9.5	432.1
General administration	59.4		69.8		210.1	192.7			64.7
Agriculture, etc.	570.9		718.1		636.2	739.2			271.5
of which: Agriculture	(276.7)		(302.3)		(311.7)	(407.7)			(123.5)
Irrigation	(29.4)		(35.9)		(36.7)	(41.7)			(17.6)
Forestry	(64.3)		(67.9)		(71.6)	(79.5)			(39.6)
Livestock	(105.3)		(132.8)		(96.2)	(107.4)			(42.6)
Fishing	(21.1)		(25.9)		(20.0)	(22.9)			(11.2)
Mining and Industry	23.5		77.6		64.2	32.1			16.8
Water supply	27.5		28.5		21.6	21.4			17.6
Roads	200.9		292.2		192.3	198.7			38.4
Transportation and communications	26.9		19.0		17.8	28.5			10.8
Commerce			77.1		78.3	28.3			12.3
Tourism	10.4		22.4		10.5	—	--		--
Unallocable and other purposes	1127.0	9.8	630.0	5.1	340.8	372.9	450.0	3.1	176.2
Public debt	346.4		293.0		30.1	25.4	80.0		--
Other purposes, n.e.c.	780.6		337.0		310.7	374.5	370.0		176.2
TOTAL	11533.5	100.0	12093.2	100.0	12222.9	13048.8	14800.0	100.0	5318.7

Economic Classification	1972	%	1973	%	1974	1975	1976	%	1977
Expenditure on goods and services	9502.7	82.4	9805.2	81.1	10287.4	11433.1	13120.0	88.6	15460.0
Wages and salaries	7221.8	62.6	7905.6 1/	65.4	8362.7	9349.5	11000.0	74.3	12750.0
Materials and supplies	1543.3	13.4	1474.9	12.2	1358.6	1448.7	1500.0	10.1	1660.0
Other	737.6	6.4	424.7	3.5	566.1	634.9	620.0	4.2	1050.0
Public debt	346.4	3.0	293.0	2.4	30.1	25.4	80.0	0.5	80.0
Subsidies and other current transfers	1684.4	14.6	1995.0	16.5	1905.4	1590.3	1600.0	10.9	1960.0
TOTAL 3/	11533.5		12093.2	100.0	12222.9	13048.8	14800.0		17500.0

Source: Direction Generale du Tresor et de la comptabilite Publique: Bordereau de Developpement des Depenses du Budget National, 1973-77.

1/ Provisional.
2/ Estimates based on actuals for the first seven months and past trends.
3/ This total has been adjusted by adding road fund outlays, pension fund (net), other expenditures, CAA operating costs, and subtracting housing allowances to arrive at the mission estimate of current expenditures shown in Text Tables 8 and 9.

Table 5.2. Current Budget Revenue, 1972-77
(In million of CFA francs)

	1972	%	1973	%	1974	1975	1976 1/	%	1977 2/	%
Taxes on net income and profits	1678.7	15.8	1924.0	17.2	2361.1	2019.5	3930.3	21.0	4800.0	20.8
Tax on commercial, industrial, artisanal and agricultural profits (BIC) 4/	586.4		696.3		667.8	769.7	1571.0		2400.0	
Tax on professional income (BNC)	11.3		15.0		13.8	7.8	10.3		10.0	
General income tax 5/	818.8		894.3		1035.7	779.3	829.4		1200.0	
Tax on real property income 4/	44.3		56.4		42.8	37.5	63.4		130.0	
Tax on income from securities 4/	99.7		124.2		106.5	73.9	196.8		260.0	
Arrears	118.2		137.8		494.5	351.3	1259.4		800.0	
Payroll taxes	220.0	2.1	245.9	2.2	344.2	348.2	405.4	2.2	400.0	1.7
Payroll tax	206.8		226.4		317.9	317.3	353.9		400.0	
Apprenticeship tax	13.2		19.5		26.3	30.9	52.0		-	
Taxes on property	15.1	0.1	177.2	1.6	131.4	95.4	66.6	0.4	100.0	0.4
Mortmain tax	12.5		10.7		5.0	6.3	7.8		..	
Property transfer duties	2.6		166.5		126.4	89.1	58.8		..	
Taxes on goods and services	1588.8	15.0	1858.4	16.6	1982.8	2085.3	3103.0	16.6	4300.0	18.7
Internal turnover tax	434.7		471.4		687.6	753.1	1121.6		1600.0	
Selective excises on goods	956.8		1204.4		1045.7	915.8	1475.8		2100.0	
Petroleum products	(627.4)		(563.6)		(580.1)	(487.2)	(779.5)		(..)	
Beverages	(329.4)		(329.6)		(334.2)	(281.9)	(448.6)		(..)	
Cement	(--)		(311.2)		(126.2)	(120.9)	(97.4)		(..)	
Wheat flour	(--)		(--)		(5.2)	(25.8)	(11.8)		(..)	
Textile	(--)		(--)		(--)	(--)	(138.5)		(..)	
Insurance tax	58.0		31.8		76.0	42.7	47.8		50.0	
Motor vehicle tax	129.3		149.6		157.5	184.2	213.3		250.0	
Arrears	10.0		1.2		16.0	189.5	244.5		300.0	
Taxes on international trade and transactions	5847.6	55.10	5883.6	52.4	6140.5	7722.1	10005.9	53.4	12300.0	53.5
Import duties	5201.7	49.07	5214.6	46.5	5365.0	6445.3	8400.8	44.9	10400.0	45.2
Customs duties and taxes	(4825.3)		(4641.0)		(4863.9)	(5539.8)	(7479.4)		(..)	
Import tax on alcoholic beverages	(136.8)		(449.6)		(184.9)	(579.2)	(684.7)		(..)	
Arrears	(239.3)		(124.0)		(316.2)	(326.3)	(236.7)		(..)	
Export duties	348.8		382.8		398.2	752.9	998.9		1200.0	
Fiscal duties	(339.5)		(376.1)		(367.9)	(738.6)	(977.9)		(..)	
Arrears	(9.3)		(6.7)		(30.3)	(14.3)	(21.0)		(..)	
Other duties on imports and exports	297.1		286.2		377.3	523.9	606.2		700.0	
Circulation tax	(10.2)		(13.7)		(9.4)	(7.8)	(12.3)		(..)	
Accessory taxes	(24.3)		(17.4)		(68.6)	(106.8)	(105.0)		(..)	
Customs stamp duty	(224.1)		(213.2)		(227.5)	(285.6)	(378.2)		(..)	
Customs fines and confiscations	(37.8)		(41.3)		(58.2)	(110.1)	(91.8)		(..)	
Arrears	(0.7)		(0.6)		(13.6)	(13.6)	(18.9)		(..)	
Other taxes	267.7	2.5	284.6	2.5	316.6	328.2	336.9	1.8	400.0	1.8
Civic tax surcharge	168.3		179.8		183.8	187.1	201.3		..	
Stamp duty	99.4		104.8		132.8	141.1	135.6		..	
Total Tax Revenues 3/	9617.9		10373.7		11276.6	12598.7	17847.1		22300.0	
Non Tax Revenues 712.2 +	231.1	8.9	825.2	7.5	1312.2	476.6	854.6	4.6	680.0	3.0
Capital Revenues	48.0	0.5	13.7	0.0	19.0	15.1	14.8	0.0	20.0	0.1
GRAND TOTAL 6/	10609.2	100.0	11212.6	100.0	12607.8	13090.4	18716.5	100.0	23000.0	100.0

Source: Direction Generale du Tresor et de la Comptabilite Publique: Bordereau de Developpement des Recettes Budgetaires, 1973-77, Direction des Impots, and Direction des Douanes.

1/ Provisional.
2/ Estimates based on actuals of the first seven months and past trends.
3/ For references to budget chapters, see SM/75/262, Appendix Table X.
4/ Imposed both on companies and individuals.
5/ Including tax on wages and salaries.
6/ This total has been adjusted by adding road fund taxes, other funds, CAA revenue, and subtracting advances to Treasury and housing allowances to arrive at the mission estimate of current revenue shown in Text Tables 8 & 9.

Table 6.1 Summary Accounts of the Banking System, 1973-77

(in billions of CFA francs)

	1973 Dec.	1974 Dec.	1975 Dec.	1976 a/ June	1976 a/ Dec.	1977 a/ June
Central Bank						
Foreign assets (net)	7.57	7.63	3.16	1.76	4.41	2.84
Claims on Government (net)	-0.87	-2.02	-1.10	-1.36	-0.62	0.04
Claims on deposit money banks	1.06	2.33	7.87	9.73	7.69	9.93
Reserve money	6.52	6.69	8.73	8.94	10.27	11.62
Other items (net)	1.24	1.25	1.20	1.19	1.21	1.19
Deposit money banks						
Reserves	0.30	0.60	0.40	2.18	0.50	0.60
Foreign assets (net)	-3.11	-0.58	2.34	5.94	2.06	2.40
Claims on Government (net)	-1.22	-1.38	-3.02	-6.72	-3.25	-6.95
Claims on private sector	12.73	16.45	32.45	30.51	32.10	37.10
Unclassified assets	4.30	5.00	6.08	5.75	5.50	5.80
Demand deposits	5.38	8.68	17.26	13.60	)19.70	)22.40
Time deposits	2.46	2.72	4.99	4.74	)	)
Post office checking deposits	0.93	0.98	1.17	1.39	1.57	1.58
Long-term foreign liabilities	0.67	0.79	0.68	0.73	0.96	0.90
Credit from central bank	1.06	2.33	7.87	9.73	7.69	9.93
Other items (net)	2.50	4.59	6.28	7.47	6.99	4.14
Monetary survey						
Foreign assets (net)	4.46	7.05	5.50	7.70	6.47	5.24
Domestic credit	11.57	14.03	29.50	23.82	29.80	31.77
Claims on Government (net)	-1.16	-2.42	-2.95	-6.69	-2.30	-5.33
Claims on private sector	12.73	16.45	32.45	30.51	32.10	37.10
Money and quasi-money	14.79	18.45	31.87	27.95	30.63	34.73
Other items (net)	1.24	2.63	3.13	3.57	5.64	2.28

Source: IMF

a/ Provisional.

Table 6.2: Summary Accounts of the Central Bank, 1973-77

(In billions of CFA francs)

	1973 Dec.	1974 Dec.	1975 March	1975 June	1975 Sept.	1975 Dec.	1976 1/ March	1976 1/ June	1976 1/ Sept.	1976 1/ Dec.	1977 1/ March	1977 1/ June
Foreign assets	7.62	7.69	6.34	4.85	4.73	3.37	1.83	1.86	4.13	4.78	2.85	3.10
Operations account	(5.76)	(5.87)	(4.52)	(3.16)	(2.97)	(1.59)	(-0.60)	(-0.03)	(2.23)	(2.80)	(0.79)	(1.09)
Correspondents	(0.03)	(0.03)	(0.09)	(0.05)	(0.03)	(0.05)	(0.06)	(0.07)	(0.03)	(0.09)	(0.17)	(0.13)
SDR holdings	(1.24)	(1.21)	(1.17)	(1.11)	(1.17)	(1.17)	(1.20)	(1.21)	(1.27)	(1.28)	(1.28)	(1.27)
Reserve position in the Fund	(0.59)	(0.58)	(0.56)	(0.53)	(0.56)	(0.56)	(0.57)	(0.58)	(0.60)	(0.61)	(0.61)	(0.61)
Domestic credit	2.39	3.60	5.41	5.53	6.39	8.71	11.69	10.19	9.45	8.12	11.54	11.67
Claims on Government	1.33	1.27	0.98	0.92	0.70	0.84	1.41	0.46	(--)	0.43	1.73	1.74
Claims on deposit money banks	1.06	2.33	4.43	4.61	5.69	7.87	10.28	9.73	9.45	7.69	9.81	9.93
Long-term	(0.77)	(1.15)	(2.81)	(3.45)	(3.92)	(--)	(--)	(--)	(--)	(--)	(--)	(--)
Medium-term	(--)	(--)	(--)	(--)	(0.50)	(7.87)	(10.28)	(9.73)	(9.45)	(7.69)	(9.81)	(9.93)
Short-term	(0.29)	(1.18)	(1.62)	(1.16)	(1.27)	(--)	(--)	(--)	(--)	(--)	(--)	(--)
Other items	--	0.03	0.09	0.05	-0.04	-0.04	-0.09	-0.03	-0.11	-0.13	-0.13	0.01
Assets = Liabilities	10.01	11.32	11.84	10.43	11.08	12.04	13.43	12.02	13.47	12.77	14.26	14.78
Reserve money	6.52	6.69	8.18	7.52	7.53	8.73	9.98	8.94	9.26	10.27	11.20	11.62
of which: Currency outside banks	(6.02)	(6.07)	(6.99)	(6.72)	(7.09)	(8.45)	(8.86)	(8.22)	(8.74)	(9.36)	(10.66)	(10.75)
Money in circulation	(6.47)	(6.58)	(7.89)	(7.43)	(7.77)	(8.86)	(10.34)	(9.51)	(9.74)	(10.08)	(11.41)	(11.45)
Cash in Treasury	(-0.18)	(-0.25)	(-0.42)	(-0.37)	(-0.34)	(-0.29)	(-0.46)	(-0.65)	(-0.50)	(-0.51)	(-0.54)	(-0.50)
Money in bank vaults	(-0.27)	(-0.26)	(-0.48)	(-0.34)	(-0.34)	(-0.12)	(-1.02)	(-0.64)	(-0.50)	(-0.21)	(-0.21)	(-0.20)
Foreign liabilities	0.05	0.06	0.03	0.06	0.01	0.21	0.63	0.10	0.40	0.37	0.36	0.26
Government deposits	2.20	3.29	2.39	1.71	2.40	1.94	1.67	1.82	2.71	1.05	1.62	1.70
SDR allocation counterpart	1.24	1.24	1.24	1.14	1.14	1.14	1.14	1.19	1.19	1.19	1.19	1.28
Other items	--	0.04	--	--	--	0.02	0.01	-0.03	-0.09	-0.11	-0.11	-0.08
Memorandum items												
Net foreign assets	7.57	7.63	6.31	4.79	4.72	3.16	1.20	1.76	3.73	4.41	2.49	2.84
Claims on Government (net)	-0.87	-2.02	-1.41	-0.79	-1.70	-1.10	-0.26	-1.36	-2.71	-0.62	0.11	0.04

Source: Data provided by the BCEAO.

1/ Provisional.

Table 6.3: Summary Accounts of the Deposit Money Banks,[1/] 1973-77

(In billions of CFA francs)

	1973	1974	1975				1976[2/]				1977[3/]	
	Dec.	Dec.	March	June	Sept.	Dec.	March	June	Sept.	Dec.	March	June
Foreign assets	1.17	3.03	5.96	5.46	5.89	13.17	17.87	16.95	23.59	23.26	24.20	...[3/]
Reserves	0.30	0.60	1.11	0.73	0.92	0.40	2.12	2.18	0.68	0.50	0.55	0.60
Currency	(0.27)	(0.26)	(0.48)	(0.34)	(0.34)	(0.12)	(1.02)	(0.64)	(0.50)	(0.40)	(0.40)	(0.20)
Reserves at central bank	(0.03)	(0.34)	(0.63)	(0.39)	(0.58)	(0.28)	(1.10)	(1.54)	(0.18)	(0.10)	(0.15)	(0.40)
Domestic credit	17.06	21.50	24.31	24.46	32.35	38.56	43.29	42.77	49.09	45.24	52.87	54.18
Claims on Government	(0.03)	(0.05)	(0.04)	(0.03)	(0.05)	(0.03)	(0.01)	(0.03)	(0.17)	(0.05)	(0.05)	(0.05)
Claims on the private sector	(12.73)	(16.45)	(18.84)	(20.12)	(24.19)	(32.45)	(33.07)	(30.51)	(32.97)	(32.10)	(36.00)	(37.10)
Unclassified assets	(4.30)	(5.00)	(5.43)	(7.31)	(8.11)	(6.08)	(10.21)	(12.23)	(15.95)	(13.09)	(16.82)	(17.03)
Assets = Liabilities	18.53	25.13	31.38	30.65	39.16	52.13	63.28	61.90	73.36	69.00	77.62	...
Foreign liabilities	4.28	3.61	5.15	3.24	4.70	10.83	14.25	11.01	12.40	21.20	22.20	...[3/]
Long-term foreign liabilities	0.67	0.79	0.79	0.77	0.77	0.68	0.73	0.73	0.69	0.96	0.90	0.90
Government deposits	1.25	1.43	2.24	2.89	2.78	3.05	5.86	6.75	8.74	3.30	6.50	7.00
Liabilities to the private sector	8.77	12.38	14.17	15.63	18.22	23.42	21.18	19.73	19.25	21.27	22.67	23.98
Demand deposits	(5.38)	(8.68)	(10.23)	(10.64)	(13.27)	(17.26)	(14.71)	(13.60)	(13.50))	)	)	
Time deposits	(2.46)	(2.72)	(2.83)	(3.86)	(4.04)	(4.99)	(4.99)	(4.74)	(4.37))	(19.70))	(21.00))	(22.40)
Post office checking deposits	(0.93)	(0.98)	(1.11)	(1.13)	(0.91)	(1.17)	(1.48)	(1.39)	(1.38)	(1.57)	(1.67)	(1.58)
Credit from the central bank	1.06	2.33	4.43	4.61	5.69	7.87	10.28	9.73	9.45	7.69	9.81	9.93
Unclassified liabilities	2.50	4.59	4.60	3.51	7.00	6.28	10.98	13.95	22.83	14.58	15.54	...
Memorandum items												
Net foreign assets	-3.11	-0.58	0.81	2.22	1.19	2.34	3.62	5.94	11.19	2.06	2.00	2.40
Claims on Government (net)	-1.22	-1.38	-2.20	-2.86	-2.73	-3.02	-5.85	-6.72	-8.57	-3.25	-6.45	-6.95

Sources: BCEAO, Indicateurs Economiques and Statistiques Monetaires.

1/ The State had a participation of 30.6 percent in the capital of Societe Dahomeenne de Banque (SDB) until December 3, 1974, when SDB was nationalized. On June 27, 1975 the State also nationalized the two other banks operating in the country, the Banque Internationale du Credit a l'Industrie du Dahomey (BICID) (previously owned by the Banque Nationale de Paris) and the Banque Internationale pour l'Afrique Occidentale (BIAO) (previously owned by BIAO of Paris and First National City Bank of New York). All commercial banks have now been merged into the government-owned Banque Commerciale du Benin (BCB).

2/ Provisional.

3/ Figures for foreign assets and foreign liabilities are unknown; only net figures were given.

Table 6.4. Interest Rates Applied by the Central Bank, as from July 1, 1975

(in percent per annum)

Rediscount 1/ of short- and medium-term 2/ credit		
Basic discount rate	8.00	
Preferential discount rate 3/	5.50	
Overdraft by the Treasury	5.50	
Advances against government paper	8.00	
Discount 1/ of customs duty bills	8.00	
Advances against private paper	8.00	
Other advances against securities accepted as collateral	9.50	
Call money market	Deposits	Advances
From: July 1, 1975	7.00	7.125
February 1, 1976	6.50	6.75
March 1, 1976	7.25	7.50
May 1, 1976	6.75	7.00
September 13, 1976	7.25	7.50
August 8, 1977	7.00	7.25
February 20, 1978	7.50	7.75
April 10, 1978	7.25	7.50

Source: BCEAO, 1978.

1/ Includes *prise en pension*, a rediscount operation with promise to transfer the credit title back to the original lender.

2/ Duration of medium-term credit was seven years; it has been extended to ten years. Rediscount of long-term credit having not more than ten years left is accepted.

3/ Applies mainly to crop credit, to credit to the Government and local authorities, to small national enterprises, with total credit outstanding not exceeding CFAF 20 million, and to nationals for the construction of the borrower's first primary residence (maximum CFAF 10 million on loans under ten years).

Table 6.5. Interest Rates Applicable to Credits by Deposit Money Banks, as from July 1, 1975

(in percent per annum)

Crop marketing credit (government agencies) and stock financing 1/	6.50 - 7.50
Export credit for agricultural commodities 1/	6.50 - 7.50
Credit 1/2/ to small- and medium-sized enterprises owned by nationals 3/	
Short-term	6.50 - 8.50
Medium- and long-term 4/	6.50 - 8.50
Loans 1/ to nationals 3/ for building construction, 5/ short- and medium-term 6/	6.50 - 8.50
Other credit	
Short-term	13.00 *
Medium-term	13.00 *

Source: BCEAO, 1978.

1/ If rediscountable at the central bank at the preferential rate.
2/ Not exceeding CFAF 20 million.
3/ Of any member state of the Monetary Union.
4/ Less than ten years.
5/ Of borrower's first primary residence.
6/ Maximum CFAF 10 million on loans with term less than ten years.

* Maximum.

Table 6.6. Interest Rates on Selected Deposits With Deposit Money Banks, as from July 1, 1975

(In percent per annum)

	Up to CFAF 200,000	CFAF 200,001- CFAF 500,000	CFAF 500,001 CFAF 2 million	Above CFAF 2 million
Public deposits 1/		Determined by agreement		
Other (private) deposits				
Sight deposits	--	2.50	3.00	3.00*
Time deposits				
Less than 6 months	3.25	3.75	4.25	4.25*
6 months - less than 1 year	4.25	4.75	5.50	5.50*
1 year and more	5.25*	6.00*	6.50*	6.50*
Certificate of deposit				
6 months - less than 1 year	4.25	4.75	5.50	5.50*
More than 2 years	5.25*	6.00*	6.50*	6.50*
Savings deposits	5.50	5.50	5.50	5.50

Source: BCEAO, 1978.

1/ Includes the deposits of the Treasury, Post Office, Savings Bank, and other government agencies, public and mixed enterprises, and special private sector deposits resulting from legal requirements, such as reserves of insurance companies.

* Minimum rate.

Table 6.7: Distribution of Credit to the Private Sector, 1973-76[1/]

(In millions of CFA francs)

	1973	1974	1975				1976			
	Dec.	Dec.	March	June	Sept.	Dec.	March	June	Sept.	Dec.
Short-term	10,884	12,232	12,802	11,234	12,762	12,740	16,275	15,815	16,106	17,095
Commerce	4,918	4,597	5,783	6,141	6,765	6,394	8,364	7,559	7,074	8,849
Industry	992	1,963	1,651	1,742	2,319	2,820	2,678	3,061	3,575	3,465
Transportation	578	445	351	610	559	701	868	824	770	762
Services	707	783	754	518	588	482	654	538	627	471
Construction	582	1,030	1,248	1.402	1,757	1,625	2,120	1,817	1,722	1,412
Agriculture	658	898	1,238	672	681	659	1,568	2,011	2,333	2,131
Other	2,449	2,516	1,777	149	93	59	23	5	5	5
Medium-term	650	1,924	2,462	1,571	2,092	2,186	2,326	2,288	3,024	3,657
Commerce	30	18	6	6	31	11	159	169	175	345
Industry	162	933	1,269	1,329	1,418	1,433	1,460	1,312	1,458	1,473
Transportation	30	28	23	23	388	376	366	425	715	777
Services	102	143	149	143	187	253	227	288	312	469
Construction	3	31	30	30	27	24	43	24	69	68
Agriculture	11	41	41	40	41	89	71	70	295	525
Other	312	730	944	--	--	--	--	--	--	--
Long-term	783	919	920	933	933	800	765	762	930	719
Commerce	179	--	--	--	--	--	--	--	--	--
Industry	240	252	208	208	208	179	144	144	344	133
Transportation	173	313	329	374	374	307	307	307	293	293
Services	49	49	49	67	67	50	50	50	41	41
Construction	--	--	--	--	--	--	--	--	--	--
Agriculture	142	299	284	284	284	264	264	261	252	252
Other	--	6	50	--	--	--	--	--	--	--
Total	12,317	15,075	16,184	13,738	15,787	15,726	19,366	18,865	20,060	21,471

Source: Data provided by the Beninese authorities.

1/ Only credit insured by the Centrale des Risques.

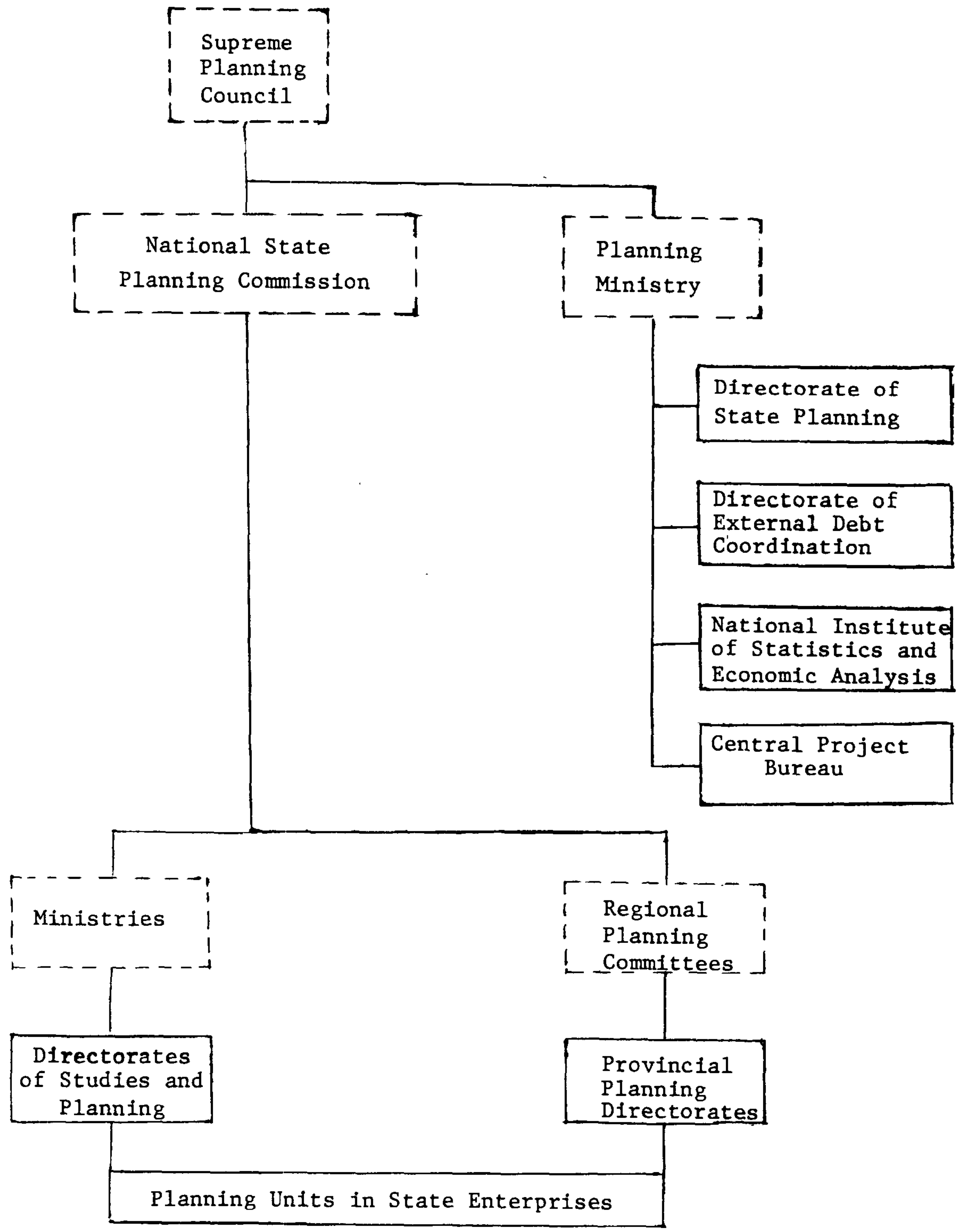
Table 7.1. Consumer Price Index for Urban High-Income Families in Benin, 1970-77

Year	Index a/ June	Index a/ December	% Increase Over Year
1970	n.a.	n.a.	1.3
1971	n.a.	n.a.	4.4
1972	n.a.	117.3	n.a.
1973	118.2	118.9	1.4
1974	128.0	141.8	19.3
1975	150.5	155.3	9.5
1976	163.3	167.8	8.0
1977	182.1	n.a.	15.2 b/

a/ Index = 100 in November 1969.
b/ First six months of 1977, on an adjusted annual basis.

Source: Fonds d'Aide et de Coopération, Cotonou; IMF, Dahomey: Recent Economic Developments, 1975; IBRD, Economic Situation and Prospects of Dahomey, 1973.

Figure 1. Organization Chart of the National Planning System.



Source: Plan d'Etat de Développement Economique et Social 1977/78-1979/80, Rapport de Synthèse, Dec. 1976.