



BENIN INSTITUTIONAL DIAGNOSTIC

WP19/BID04

# INTRODUCTION TO THE THEMATIC STUDIES

**François Bourguignon**, Editor  
Paris School of Economics

August 2019



The first part of this volume provided a thorough description of where Benin stands in terms of economic, social, political, and institutional development. A first chapter briefly reviewed the country's deep historical legacies and reviewed its recent political history, insisting on the implications of the tipping over from the Marxist-Leninist period to the present liberal political and economic regime. A second chapter summarised Benin's main economic development challenges, especially the limitations of the two present major activities, cotton exports and cross-border trade with Nigeria, as potential development engines, the lack of dynamism of the rest of the economy, and the heavy dependency on foreign financing. Benin has underperformed as against other sub-Saharan countries, in terms of growth and poverty reduction, over the last 20 years. Given the growth of the population, the prospects for improving Benin's standard of living and providing decent jobs for the newcomers in the labour force in the next 20 years looks dim. The third chapter focused on the quality of institutions, implicitly seen as an important determinant of the development potential of a country. It reviewed the perceptions held by different types of experts regarding the way institutions work in Benin, pointing to several major weaknesses, most notably a high level of corruption, a dysfunctional public management system, and an excessive degree of informality.

The main points made in those three chapters are closely related. The binding constraints identified in Chapter 2 and in other growth diagnostic exercises have clear roots in existing institutional weaknesses, and the state of institutions is strongly dependent on the political economy of policymaking and institutional reform. The three chapters in the first part of this study provided a thorough description of those three aspects of development in Benin, without, except occasionally, really getting into the mechanics that closely link them together. It is now time to do this, in order to establish later on a diagnostic of how the way institutions work in Benin hinders development, and to explore possible directions for reform.

Such an analysis of the complex three-way relationship between political economy, institutions, and economic development cannot be conducted at the aggregate economic level – it would be extremely artificial. Institutions affect economic development through their role in the functioning of sectors or activities, public or private that are key for economic development. In turn, it is the revenue from these activities, and the way it is distributed among actors, whether individual or collective, as well as the relative political power of these actors that leads to institutions being maintained as they are, or to attempts to reform them. The aim of this second part of the institutional diagnostic aims precisely to understand better this relationship and the central role of institutions in it, through deep-dive analyses of specific economic sectors and political economy practices.

Five thematic studies were undertaken with this objective in mind. The selection of themes was very much guided by the descriptive analysis in the preceding chapters and the major development challenges that it uncovered. Quite naturally, these themes include the functioning of the two major sectors of activity in Benin: cotton production and exports, and the illegal cross-border trade with Nigeria. As far as public management or state capacity is concerned, the choice has been to focus on the tax administration, singled out in many studies as particularly inefficient despite its key role in generating revenues for public investment. The reform of land laws launched in 2013 provides an opportunity for studying an attempt at modifying a key traditional institution in a country with an agricultural comparative advantage and a strong urbanisation drive. Finally, the political economy aspect of economic management, whose crucial importance has been stressed on various occasions in the previous chapters, is approached through a rather original study of the

financing of electoral campaigns by the business sector and the rewards offered by politicians to their private sponsors.

The thematic studies are authored by Beninese or foreign scholars with a deep knowledge of Benin. Each study is complemented by a discussion by another scholar, with the aim of broadening the reflection and often bringing to it some knowledge and experience that goes beyond Benin.