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31st August 2019

Understanding institutional barriers to economic growth in Benin

New diagnostic exercise provides first steps to building a comprehensive analytical framework that identifies institutional constraints to growth.

We're pleased to announce the publication of a major new EDI report that will provide policymakers in Benin with a comprehensive analysis aimed at identifying and alleviating institutional obstacles to faster sustainable and inclusive development. The report also provides new insights and material for the development of a country institutional diagnostic framework of more general application.

EDI is pioneering a new framework that will help policymakers identify weak institutional areas that constrain development and inform appropriate directions for change. No such instrument is presently available in the literature. EDI is developing this through a series of in-depth country studies with the objective to later draw from them a common approach to diagnosing institutional weaknesses and elaborating reforms. The first of these comprehensive country studies (released in September 2018) focused on [Tanzania](#), a low-income East African country and a former English protectorate. EDI researchers have now completed the second of these studies. It bears on [Benin](#), a low-income West-African country and a former French colony.

The Benin Institutional Diagnostic is a new publication based on a systematic and holistic study of the Beninese economic and institutional environment and how it operates. Co-edited by four EDI researchers, its chapters are authored and commented by Beninese academics and foreign scholars with deep knowledge of the country or the areas analysed.

Overall, the research reveals a "chain of causality" between four basic areas of institutional weakness in Benin, namely corruption, weak public management, opacity of public-decision making and excessive informality, and their proximate causes such as political instability, the elite capture of key state functions, the weakness of the state or state capacity and the availability of quick, easy but illegal rents. In turn, these causes are related to deep underlying factors, including the nature of the political game, essentially neo-patrimonialism with multiple economic or political "Big Men", but also geographical or ethnic factors.

François Bourguignon, who leads the overall EDI institutional diagnostic research area, summarizes the institutional diagnostic of Benin as follows: *"We know about the natural resource curse and its strong institutional roots. Benin has no significant mineral or non-mineral resources. Yet, it faces a double handicap. It is a mono-exporter of an agricultural commodity with uncertain future – cotton – and it is a small country lying next to a badly cursed giant oil producing country, Nigeria, that offers huge, quick and easy rents through smuggling. Behind an apparently quiet democratic façade, both*

factors had devastating effects on institutions and the economy. Other paths are possible, however, provided courageous institutional reforms are undertaken."

The Benin institutional diagnostic elaborates on these ideas, showing the channels through which the two key factors mentioned above, together with fierce political struggle, curb development through confusing and changing laws and policies, a lack of attention to general public goods, poor investment climate, an excessive vulnerability to external shocks and chronic aid dependence.

The report then reflects on ways to remedy such challenges while recognizing the heavy constraint and uncertainty arising from the political economy context, including the evolving structure of political power.

It is this positive note that Romain Houssa, a Beninese economist who teaches at the University of Namur in Belgium and a co-editor of the Benin institutional diagnostic, emphasizes:

"Benin has major cards in its hands: entrepreneurial people, well-experienced traders and merchants, and a comparative advantage not only in traditional products such as cotton, but also in new agricultural products that can be processed locally to be sold at a profitable price in domestic, regional and global markets. In short, Benin has great potential for development that could be unleashed with a better institutional and policy environment."

NOTES FOR EDITORS:

Economic Development & Institutions (EDI) is a collaborative research programme launched in 2015 that will run until 2021 and is funded with UK aid from the UK government. The EDI programme directorate is based in Oxford, UK. www.edi.opml.co.uk | edi@opml.co.uk

The completed institutional diagnostic studies are available for download at:

- Benin institutional diagnostic (launched August 2019):
<https://edi.opml.co.uk/research/benin-institutional-diagnostic/>
- Tanzania institutional diagnostic (launched September 2018):
<https://edi.opml.co.uk/research/tanzania-institutional-diagnostic/>