BENIN

Benin’s economic freedom score is 61.0, making its economy the 81st freest in the 2022 Index. Benin is ranked 6th among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional and world averages.

Over the past five years, Benin has maintained positive economic growth with a compound annual growth rate of almost 5 percent. Economic freedom had been declining but has rebounded sharply during the past two years. Benin has recorded a 1.8-point overall gain of economic freedom since 2017 and has risen into the “Moderately Free” category for the first time in more than a decade. Scores for government spending and monetary freedom are excellent, but business freedom, investment freedom, and financial freedom lag.

IMPACT OF COVID-19: As of December 1, 2021, 161 deaths had been attributed to the pandemic in Benin, and the government’s response to the crisis ranked 43rd among the countries included in this Index in terms of its stringency. The economy grew by just 2.0 percent in 2020.

BACKGROUND: One of Africa’s largest producers of cotton, the former French colony of Benin nevertheless remains underdeveloped and dependent on subsistence agriculture and regional trade. Wealthy businessman Patrice Talon was elected to a five-year presidential term in 2016 on a clean-government platform, but critics have accused him of various power grabs since taking office. Talon was reelected in 2021 after the government barred most opposition candidates from running, which led to violent opposition protests. Government efforts to increase power generation capacity should stimulate economic growth. Expansion of the privately managed port of Cotonou, which accounts for approximately 60 percent of GDP, will further encourage growth by increasing port services to regional neighbors.
Secured interests in real and personal property are recognized and enforced. However, property registration remains difficult, and enforcement of contracts is uneven. The judicial process is inefficient and suffers from corruption. Corruption is a very high risk across most sectors in Benin. Petty bribery and systems of patronage are common obstacles, especially when interacting with the judiciary, law enforcement, and customs authorities.

The top individual income tax rate is 45 percent, and the top corporate tax rate is 30 percent (45 percent for oil companies). Other taxes include a value-added tax. The overall tax burden equals 15.4 percent of total domestic income. Government spending has amounted to 16.7 percent of total output (GDP) over the past three years, and budget deficits have averaged 2.8 percent of GDP. Public debt is equivalent to 45.4 percent of GDP.

The 2016 Government Action Plan included 45 major projects, 95 sector-based projects, and 19 institutional reforms to create 500,000 jobs and to be 61 percent funded by public-private partnerships, but there has been little real improvement in the business environment. Worker strikes are often declared illegal. The government has increased subsidies to Benin’s six major commodity export crops: cotton, maize, rice, pineapple, manioc, and cashew nuts.

Benin has three preferential trade agreements in force. The trade-weighted average tariff rate is 11.8 percent, and one nontariff measure is in effect. The underdeveloped investment framework and restrictions on foreign ownership continue to limit opportunities to attract foreign investment. Access to credit remains difficult despite some progress, and the equity market is underdeveloped.