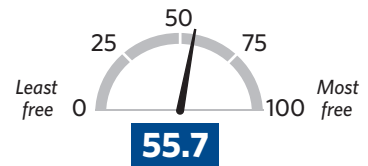


BENIN

Economic Freedom Score



World Rank: **118** Regional Rank: **21**

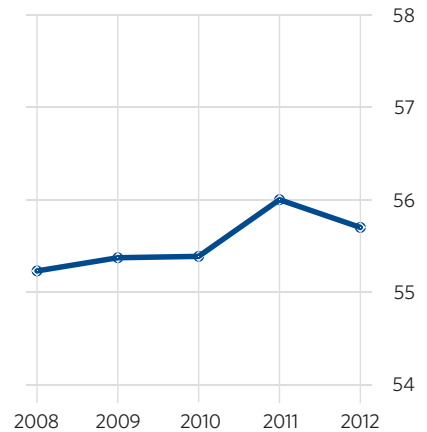
Benin's economic freedom score is 55.7, making its economy the 118th freest in the 2012 *Index*. Its overall score is 0.3 point worse than last year due to score declines in freedom from corruption, government spending, and business freedom. Benin is ranked 21st out of 46 countries in the Sub-Saharan Africa region, and its overall score is slightly higher than the regional average.

Benin has been able to maintain a relatively stable political and macroeconomic situation. Continuing its efforts to promote economic diversification and modernization, the government has introduced structural reforms to revitalize the economy. Nonetheless, the lack of political momentum to implement necessary reforms continues to be a serious obstacle to advancing economic freedom.

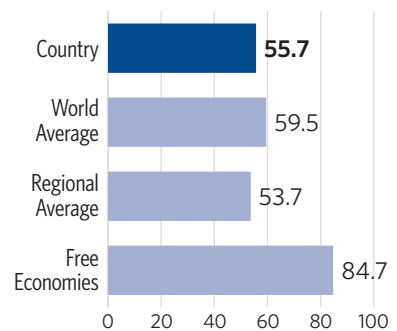
The most visible constraints on private-sector development are related to fiscal pressure, administrative complexities, and the lack of respect for contracts. Bureaucratic inefficiency and corruption affect much of the economy, severely undermining the foundations of economic freedom in the country. Court enforcement of property rights remains vulnerable to political interference.

BACKGROUND: President Mathieu Kérékou, who ruled Benin for almost 20 years following a military coup, stepped down following a democratic transition in the early 1990s and later served two five-year elected terms. Current President Boni Yayi, former head of the West African Development Bank, was elected in a runoff election in 2006 that was generally regarded as free and fair. In 2011, he was re-elected for another five-year term. Benin remains underdeveloped and dependent on subsistence agriculture. Cotton, the main commercial crop, accounts for over 40 percent of foreign exchange earnings, 17 percent of exports, and about 7 percent of GDP. Benin is attempting to attract foreign investment in tourism, food processing, and agriculture.

Freedom Trend



Country Comparisons



Quick Facts

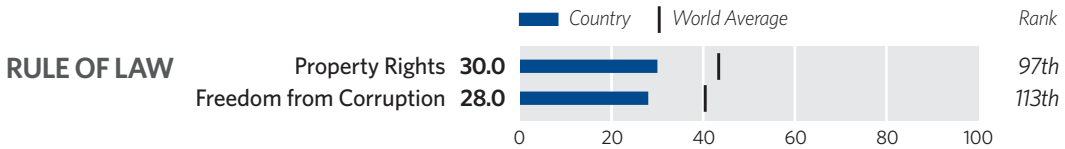
- Population:** 9.6 million
- GDP (PPP):** \$14 billion
- 2.5% growth in 2010
- 5-year compound annual growth 3.7%
- \$1,451 per capita
- Unemployment:** n/a
- Inflation (CPI):** 2.1%
- FDI Inflow:** \$110.9 million
- Public Debt:** 31.1% of GDP

How Do We Measure Economic Freedom?

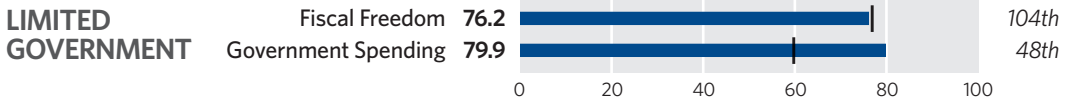
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2010 data unless otherwise noted.
Data compiled as of September 2011.

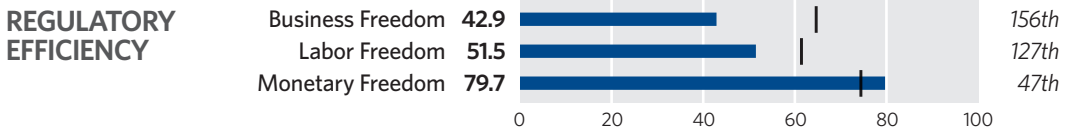
THE TEN ECONOMIC FREEDOMS



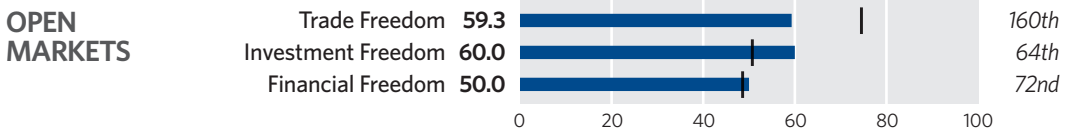
Benin’s legal system is weak and subject to corruption. Businesses and other litigants routinely complain that corruption is particularly widespread at the trial court level and in administrative hearings. There are no separate commercial courts, and backlogs of civil cases cause long delays. Despite several high-profile prosecutions, government corruption continues to impede development and deter investment.



The top income tax rate is 35 percent, and the top corporate tax rate is 30 percent, with oil companies subject to a 45 percent rate. Other taxes include a value-added tax (VAT) and a property tax, with the overall tax burden amounting to 16.1 percent of total domestic income. The overall fiscal situation remains difficult, with government expenditures increasing to 25.9 percent of total domestic output. Public debt is equivalent to around 30 percent of GDP.



The overall entrepreneurial environment remains burdensome. Bureaucratic procedures are not streamlined and lack transparency. Obtaining necessary business licenses is time-consuming and costly, despite some progress. The agriculture sector accounts for nearly 70 percent of the workforce. Outmoded employment regulations hinder overall job creation and productivity growth. Inflation has been modest, with government price controls continuing.



High tariffs and numerous non-tariff restrictions prevent dynamic growth in trade. Foreign investment is officially encouraged, but financial transfers or outward remittances can be restricted. The banking sector is predominantly private, and foreign ownership is allowed, but despite the noticeable development of microfinance institutions, overall access to credit remains low.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+0.4	Business Freedom	-0.1	Trade Freedom	+0.5
Freedom from Corruption	-1.0	Government Spending	-4.2	Labor Freedom	+0.8	Investment Freedom	0
				Monetary Freedom	+1.5	Financial Freedom	0