

Support to analysis of implementation of the EU External Investment Plan and the development of a sustainable strategy for the EU Chamber of Commerce in Benin

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Background and justification

Benin's economy as a whole is performing well, but its growth is not helping combat high levels of poverty in the country. The fruits of Benin's recent growth are not being distributed equitably, and are biased heavily against women and the rural population. To support a more balanced growth, the Government of Benin is proposing to use the Government Action Plan (GAP) to boost a number of strategic sectors (agriculture, livestock breeding and fishing; tourism and culture; digital economy; manufacturing industry, craftsmanship and commerce). The GAP also aims to exploit Benin's strategic position geographically and thereby strengthen transport, energy production and distribution infrastructure.

The private sector in Benin is mostly informal and driven by young businesses, which suffer from a lack of management skills, poor quality of products and services offered, meaning that they fail to meet standards, which in turn limits their access to sub-regional, regional and international markets. These businesses also lack skilled labour and are weak at identifying their own needs and those of service providers and customers. In addition, SMEs in Benin do not have a strong enough representation when it comes to making their weight felt in public-private dialogue or accessing support services. Access to finance remains the major constraint as far as businesses in Benin are concerned.

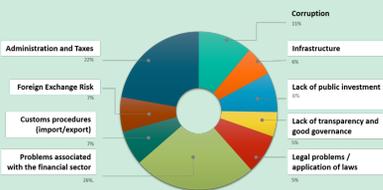
In the World Bank's "Doing Business" survey 2018, Benin has improved from 155 to 151 out of 190 countries but has under-performed on access to electricity, tax system, honouring contracts and access to finance.

Objectives

The main objective of the assignment was to support the implementation of the External Investment Plan in Benin through an analysis of investment opportunities and challenges.

The second objective was to advise on a sustainable strategy for the EU Chamber of Commerce, to ensure its sustainability, to share and integrate best practices from other EU Chambers of Commerce to integrate the SB4A approach into the Chamber's daily work, and to study the role of the EU Chamber of Commerce within the framework of implementation of the EIP.

Constraints weighing on Benin companies



Findings

The Energy investment window

The assignment examined the ENERDAS project (capital value EUR 8 million). This project aims to improve access to electricity in the countryside through use of renewable energies, and will have a major impact on society: permanent jobs creation, improved national coverage of access to electricity and socio-economic prosperity of rural populations, promoting gender equality, reduced social inequality.

The EFSD guarantee could be used on this project via an export credit guarantee with an Italian financial intermediary which has already been identified.

The Agriculture investment window

The Tolaro Global project involves increasing the company's primary processing activities in the cashew business. Tolaro Global's strategy is to become the first BRC- and USDA-certified processor in West Africa in 2018 and the only cashew nut processor in Africa to be fully capable of exporting retail packaged nuts to the European and North American markets.

It is proposed that the EIP will put an additional EUR 2 m into the ARIZ guarantee (EUR 2 m) to enable BIO-Invest to fund the project.

The Sustainable Cities investment window

The EFSD guarantee could be an interesting instrument to cover the Benin Government's EUR 50 million loan from KfW IPEX Bank to fund its shoreline protection project. This programme is expected to protect people living in coastal areas against flooding from the sea, stopping coastal erosion, developing seaside tourism and promoting the Benin coastline.

The EFSD guarantee will enable IPEX to finance the project to design and build the priority coastal section at Ouidah.

The MSME investment window

The report recommends setting up lines of credit and guarantee with local commercial banks in the medium term, particularly Orabank which has opened a loans department for SMEs. While developing innovative financial instruments such as leasing and factoring are other interesting solutions which the EU Delegation in Benin could support via the EIP's second pillar (technical assistance).

Recommendations

The report includes a strategy for the European Chamber of Commerce (EUCC) in Benin, evaluating the capital budget and how it would operate, bearing in mind that an EUCC needs to be sustainable and incorporate best practices of similar organisations under the Sustainable Business for Africa (SB4A) approach. The EUCC's overall aims will be to improve the business climate in Benin and exchange information on the business environment in Berlin, networking and advocacy/lobbying.

The report recommends that the EUCC hold regular joint Technical Committee meetings with the EU Delegation and Member States Embassies on priority areas. The EUCC could produce an annual EU Business Position Paper covering its members' concerns and recommendations on key issues to be presented at a high-level official event such as the Benin-European Union Economic Forum. These EU Business Position Papers could be a major lever enabling the EUCC, with the European Union's political support, to press the Government of Benin to adopt reforms improving the business climate in the country.

The European Union's support seems essential to developing the EUCC's activities in the start-up phase, as the quality of the services it offers, its weight in lobbying and its financial resources do not appear to be sufficient to ensure that it will survive financially and show how it can add value.

Developing the EUCC seems extremely vulnerable, and by providing support at the appropriate time, the EU Delegation could try not just to make the Chamber a useful platform for European businesses involved in Benin, but also an effective instrument as part of the SB4A platform.