

# Benin

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RISK & COMPLIANCE REPORT

DATE: March 2018

<b>Executive Summary - Benin</b>	
<b>Sanctions:</b>	None
<b>FATF list of AML Deficient Countries</b>	No
<b>Higher Risk Areas:</b>	US Dept of State Money Laundering assessment Non - Compliance with FATF 40 + 9 Recommendations Not on EU White list equivalent jurisdictions Corruption Index (Transparency International & W.G.I.) Failed States Index (Political Issues)(Average Score)
<b>Medium Risk Areas:</b>	Weakness in Government Legislation to combat Money Laundering World Governance Indicators (Average Score)
<p><b>Major Investment Areas:</b></p> <p><b>Agriculture - products:</b> cotton, corn, cassava (manioc), yams, beans, palm oil, peanuts, cashews; livestock</p> <p><b>Industries:</b> textiles, food processing, construction materials, cement</p> <p><b>Exports - commodities:</b> cotton, cashews, shea butter, textiles, palm products, seafood</p> <p><b>Exports - partners:</b> China 25.4%, India 24.6%, Lebanon 15.6%, Niger 4.8%, Nigeria 4.2% (2012)</p> <p><b>Imports - commodities:</b> foodstuffs, capital goods, petroleum products</p> <p><b>Imports - partners:</b> China 37.2%, US 8.9%, India 6.7%, France 5.6%, Malaysia 5.3% (2012)</p>	
<b>Investment Restrictions:</b>	

The Government of Benin (GOB) encourages foreign investment.

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## Section 1 - Background

Present day Benin was the site of Dahomey, a West African kingdom that rose to prominence in about 1600 and over the next two and half centuries became a regional power, largely based on its slave trade. Coastal areas of Dahomey began to be controlled by the French in the second half of the 19th century; the entire kingdom was conquered by 1894. French Dahomey achieved independence in 1960; it changed its name to the Republic of Benin in 1975. A succession of military governments ended in 1972 with the rise to power of Mathieu KEREKOU and the establishment of a government based on Marxist-Leninist principles. A move to representative government began in 1989. Two years later, free elections ushered in former Prime Minister Nicephore SOGLO as president, marking the first successful transfer of power in Africa from a dictatorship to a democracy. KEREKOU was returned to power by elections held in 1996 and 2001, though some irregularities were alleged. KEREKOU stepped down at the end of his second term in 2006 and was succeeded by Thomas YAYI Boni, a political outsider and independent. YAYI, who won a second five-year term in March 2011, has attempted to stem corruption and has strongly promoted accelerating Benin's economic growth.



## Section 2 - Anti – Money Laundering / Terrorist Financing

### FATF status

Benin is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

### Compliance with FATF Recommendations

The initial Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Benin was undertaken by the Financial Action Task Force (FATF) in 2010. According to that Evaluation, Benin was deemed Compliant for 0 and Largely Compliant for 7 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for all 6 of the Core Recommendations.

#### Third follow-up report of Benin

The third follow-up report of Benin discussed at the May 2013 Plenary showed that the country has made significant progress in addressing some of the deficiencies identified in its AML/CFT system since the submission of its second follow-up report in May 2012. Specifically, progress made included the enactment of the CFT law and the adoption of Banking Regulation No. 2012-24 of 24 July 2012. Also, Benin established an Inter- Ministerial Committee responsible for coordinating AML/CFT efforts in the country. Other progress made by Benin relates to the installation of analytical software in the FIU provided by GIABA, replacement of four staff of the FIU who have been redeployed, organization of capacity development programs with the support of the World Bank and the Internal Security Department of the French Embassy in Benin, exchange of information with TRACFIN and CTIF-CFI of Belgium in relation to analysis of STRs and the establishment of an Inter-Ministerial Committee. The remaining deficiencies in Benin's AML/CFT system include lack of obligation to take enhanced CDD measures for high- risk categories, and inadequate criminalization of terrorist financing by not specifying covering financing a 'terrorist individual' and 'terrorist organization' as required by Special Recommendation II.

The Plenary encouraged Benin to intensify efforts to address the remaining deficiencies in its AML/CFT regime. The country was maintained on Expedited Regular Follow-up and directed to submit its fourth follow-up report to the Plenary in May 2014.

## Prevalence of Predicate Crimes

The most prevalent predicate crimes for ML/TF in Benin are drug trafficking, corruption, tax crimes, bank fraud and forgery. Benin serves as proxy for many Nigerian criminal groups who use the country to perpetrate crimes such as drug trafficking, human trafficking, smuggling (especially of used vehicles into Nigeria and stolen vehicles and petroleum products from Nigeria), cyber crime, credit card fraud and different types of tax crimes. The increased use of Benin by Nigerian criminal groups as a departure point for re-exporting cocaine from Brazil to Europe has raised the country's profile as a transit point for drug couriers. Benin has also become one of the sources for methamphetamine originating from the region and trafficked to Asia. Although the amount of large drug seizures appears to have gone down since 2011, domestic production of methamphetamine has made Benin a major source of the drug. Furthermore, Benin has been noted to be a centre for human trafficking activities, especially in terms of origin, transit and destination for women and children subjected to forced labour and sex trafficking.

Considering its location, sea piracy is increasingly becoming a major threat to Benin. As piracy declines in Somalia, attention has turned to the Gulf of Guinea where sea pirates have stepped up attacks in recent times. Indeed, the Gulf of Guinea witnessed more than 40 piracy-related attacks in the first quarter of 2013, with 132 crew members taken hostage and seven vessels hijacked. Although Benin has not been directly affected by piracy in the Gulf of Guinea, the country is located between Nigeria and Togo, which makes it highly vulnerable. Considering that Benin has a very small military, with the Navy being the smallest of its forces, fighting piracy is an enormous task that will require external support.

Piracy generates substantial funds, thus providing the incentive for criminals to hijack ships regardless of the turbulent sea environment. One Earth Future Foundation, an independent non-profit organization (NPO), through its Oceans Beyond Piracy project, estimates ransom payments made to Somali sea pirates operating in the Indian Ocean at \$31.75 million in 2012. This is a significant decline from the 2011 finances of \$159.62 million.

Benin has recently started collaborating with Nigeria to mount coordinated joint patrols, which have reduced attacks in parts of the Gulf of Guinea. This collaboration reflects Benin's own appreciation of the enormity of the threat.

## AML/CFT Situation

With the support of GIABA, Benin has developed a relatively strong AML/CFT regime and has undergone the first round of the GIABA mutual evaluation process. The country has taken considerable steps to address the deficiencies identified in its AML/CFT system since the conclusion of its mutual evaluation in 2010.

According to Benin's 3rd follow-up report, measures taken to correct deficiencies identified in its AML/CFT system include the adoption of Banking Regulation No. 2012-24 of 24 July 2012, installation of analytical software in the FIU by GIABA, replacement of four redeployed staff of

the FIU, organization of capacity development programs with the support of the World Bank and Internal Security Department of the French Embassy in Benin, exchange of information with TRACFIN and CTIF-CFI of Belgium in relation to analysis of STRs, and the establishment of an AML/CFT Inter-Ministerial Committee. In addition to these measures, there has been progress towards the enactment of CFT law.

Benin reported in its annual Country Report to GIABA that reporting entities filed 185 suspicious transaction reports (STRs), all of which were linked to ML. While this represents a significant progress, only 12 of these STRs were disseminated by the FIU to law enforcement agencies. There is no evidence that the dissemination of information prompted the relevant authorities to investigate possible cases of ML/TF. This shows that Benin needs further technical assistance, especially in capacity-building, in order to enhance its AML/CFT system and, by extension, investigate and prosecute ML/TF cases.

## **Conclusion**

The 3rd follow-up report submitted to the GIABA Plenary shows clearly that Benin has made progress in strengthening its AML/CFT system. Notwithstanding this progress, the prevailing situation indicates that the country cannot afford to be complacent. Specifically, the prevalence of transnational organized crime in Benin, including piracy and narco-trafficking, indicates the seriousness of the ML/TF threat it faces. Also the intensification of cross-border operations by terrorist groups based in neighbouring Nigeria, Niger and Mali is a clear message that Benin cannot be an oasis of peace and security with turbulence in its neighbourhood.

Benin needs support from its international partners to put in place necessary and sufficient measures to protect its economy from ML/TF. In addition, the country needs to strengthen governance and mobilize the relevant segments of its society in the fight against these crimes. Finally, the country's political authorities should fully appreciate the seriousness of the threats and deploy the will to fight them effectively, especially with regard to piracy.

## **US Department of State Money Laundering assessment (INCSR)**

**Benin is categorised by the US State Department as a Country/Jurisdictions of Primary Concern in respect of Money Laundering and Financial Crimes.**

### **OVERVIEW**

Benin is a transit point for a significant volume of drugs and precursors moving from Latin America, Pakistan, and Nigeria into Europe, Southeast Asia, and South Africa. It is difficult to estimate the extent of drug-related money laundering in Benin, believed to be done through the purchase of real estate and building construction for rent or re-sale, bulk cash smuggling, and payments to officials.

The port of Cotonou is a transportation hub for the sub-region, which serves Nigeria and land-locked countries in the Sahel. Criminal networks exploit the volume of goods and people moving through Benin.

Benin is continuing efforts to strengthen its specialized financial crime judicial police and the FIU, the National Financial Intelligence Processing Unit (CENTIF), and ensure laws are fully implemented across all relevant sectors.

#### VULNERABILITIES AND EXPECTED TYPOLOGIES

Open borders, the prevalence of cash transactions, and the informal economy facilitate money laundering in Benin.

Benin is vulnerable to drug-related money laundering. Benin was implicated in large international schemes involving autos purchased in the United States then shipped to Benin. Lebanese Hezbollah-linked financial institutions would launder the proceeds of the sales of such cars, moving the proceeds through West Africa and into Lebanon. Profits from these sales also were combined with drug proceeds from Europe and subsequently sent to Lebanon via bulk cash smuggling and deposited into the Lebanese financial system. This or similar practices are likely continuing but no recent information has been reported.

#### KEY AML LAWS AND REGULATIONS

Money laundering has been criminalized since 1997, and Benin's domestic AML regime has advanced over the past two decades.

There is no MLAT between Benin and the United States.

Benin is a member of GIABA, a FATF-style regional body.

#### AML DEFICIENCIES

The Government of Benin received recommendations from the Supreme Court on a draft bill that would enlarge the scope of existing law by requiring attorneys, notaries, and financial brokerage firms to report large cash transactions involving their clients and customers. The draft bill is expected to be introduced to the National Assembly in the near future. Passage of the law would require certain non-governmental and religious organizations to report large cash donations.

Existing legislation makes it unclear who is responsible for asset forfeiture in money laundering cases. Therefore, in 2017, the council of ministers suggested issuing a decree to form a committee to study the feasibility of addressing the freezing of assets by applying Benin's CFT law. To date, however, no such decree has been published.

Additional AML deficiencies include the Minister of Finance failing to sign the draft ministerial decree specifying the powers, organization, and function of the Advisory Committee on the Freezing of Assets, and not transposing directive 02/2015/CM/UEMOA on AML/CFT in West African Economic and Monetary Union-member States into the domestic legal framework.

Benin is proceeding through the application process to become an Egmont Group member, with the objective of joining in July 2018. CENTIF is currently looking for assistance in redesigning its information and security systems.

#### ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Beninese officials have limited capacity to effectively track financial flows, inhibiting their ability to investigate and prosecute individuals or groups under the country's legal system.

Benin has laws in place requiring banks to report large cash transactions and prohibiting citizens from carrying large quantities of cash, but penalties are not enforced. Despite a cross-border currency declaration requirement, Benin customs authorities do not evaluate declarations for money laundering purposes. Customs agents reportedly have been lax in checking departing passengers for large amounts of cash. The chief of the Customs airport unit was arrested and subsequently relieved of his position in January 2017 for allowing a passenger to board a flight for Dubai carrying 400,000 euros (approximately \$464,200) in cash in his carry-on luggage.

CENTIF is under-resourced, and its agents and other law enforcement officers are reassigned to new jurisdictions and new disciplines after training investments. Insufficient funding for day-to-day operations hinders investigations. On the judicial side, investigating judges lack specialized training in complex financial crimes and cases sit unattended. Approximately two-thirds of the STRs recorded between 2010 and 2017 were related to Western Union and MoneyGram transfers. The intent was to assign these STRs to the National Police for investigation, but no new cases have been submitted to the Prosecutor's office in 2017. The status of the single pending case at the end of 2016 is unknown. To date, it appears Benin has had no successful money laundering prosecutions.

Benin has taken steps to improve data sharing and cooperation among departments involved in financial crimes enforcement. CENTIF convenes quarterly meetings to improve coordination among law enforcement offices and help follow cases after referral to see how they are progressing through the justice system.

### **Current Weaknesses in Government Legislation (INCRS Comparative Tables):**

According to the US State Department, Benin does not conform with regard to the following government legislation: -

**Record Large Transactions** - By law or regulation, banks are required to maintain records of large transactions in currency or other monetary instruments.

**Arrangements for Asset Sharing** - By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.

**Criminalised Financing of Terrorism** - The jurisdiction has criminalized the provision of material support to terrorists and/or terrorist organizations.

### **EU White list of Equivalent Jurisdictions**

Benin is not currently on the EU White list of Equivalent Jurisdictions

### **World Governance indicators**

[To view historic Governance Indicators Ctrl + Click here and then select country](#)

### **Failed States Index**

[To view Failed States Index Ctrl + Click here](#)

### **Offshore Financial Centre**

Benin is not considered to be an Offshore Financial Centre

### US State Dept Narcotics Report 2017:

Benin is a transit country for cocaine, heroin, methamphetamine, and chemical precursors. Cocaine from South America and heroin from Southwest Asia via East Africa transit Benin for major markets in Western Europe, as well as a small but growing domestic market in Benin. Locally cultivated cannabis remains the most accessible illegal drug for consumption in Benin. Methamphetamine produced in Nigeria transits Benin for markets in Europe, Southeast Asia, and South Africa. Benin is the fifth-largest recipient of registered commercial freight shipments from India of the prescription opioid tramadol, destined for the Sahel, with high levels of local consumption and abuse. Beninese authorities intercept and destroy tramadol imported without a license.

The Central Office for Repression of Illicit Trafficking of Drugs and Precursors (OCERTID) was created in 1999 under the national police to coordinate drug enforcement operations. Information sharing and cooperation between the police, the gendarmerie, and other drug law enforcement units is not systematic. Drug traffickers reportedly launder drug proceeds through the purchase and import of used vehicles, and the Government of Benin continues to try to build competence in investigating illicit financial flows.

Benin is reliant on support from the United States and France for drug enforcement activities. Although Benin has improved drug control cooperation with neighbors through activities under the U.S. government's West Africa Cooperative Security Initiative, additional efforts remain needed to build trust and improve information-sharing between Benin and international counterparts. Interagency coordination within Benin must also improve in order to achieve long-term success with complex case investigations. With technical assistance from the United States, Benin developed a significant written protocol in 2016 for the handling of narcotics prosecutions, drafted by a team of senior prosecutors and investigators. Benin does not have a bilateral extradition treaty or a mutual legal assistance treaty with the United States, though it is party to multilateral conventions that enable cooperation.

Benin's Law on Control of Drugs and Precursors provides penalties of up to 20 years in prison for trafficking drugs. The government's coordinating body for national drug issues is the Inter-ministerial Committee for the Control of Drugs and Psychotropic Substances, which has the potential to serve an important role in the coordination, analysis, and dissemination of aggregated data for categories of drugs seized by the country's various enforcement authorities. In 2016, the United States provided training to the Benin Navy on maritime vessel maintenance to support its drug interdiction efforts.

Benin's national anti-drug policy addresses drug abuse through education programs. The United States supports a substance use treatment program jointly administered by the UN Office on Drugs and Crime and the World Health Organization that focuses on integrating drug treatment into the public health system.

### US State Dept Trafficking in Persons Report 2016 (introduction):

Benin is classified a Tier 2 Watch List country - a country whose government does not fully comply with the Trafficking Victims Protection Act's minimum standards, but is making significant efforts to bring themselves into compliance with those standards.

Benin is a source, transit, and destination country for women, children, and men subjected to forced labor and sex trafficking. Most identified victims are Beninese girls subjected to domestic servitude or sex trafficking in Cotonou. The practice of *vidomegon*, which traditionally provided educational or vocational opportunities to children by placing them in the homes of wealthier families, is sometimes used to exploit children in domestic servitude. Children from Benin and neighboring countries are forced to labor on farms, in commercial agriculture (particularly in the cotton sector) in artisanal mines, at construction sites, or as street or market vendors. A 2013 study cited more than 7,800 children subjected to labor exploitation in the markets of Cotonou, Porto-Novo, and Parakou. Togolese girls are exploited in prostitution in Benin. Cases of child sex tourism involving both boys and girls in Mono and on the shores of the Bight of Benin have been reported in previous years. In northern Benin and Nigeria, marabouts, Koranic teachers, exploit Beninese children in forced begging in Koranic schools. Most Beninese child trafficking victims are from the northern regions, and many are recruited and transported to neighboring countries where they are forced to labor in homes, mines, quarries, restaurants, markets, and on cocoa farms. The department of Oueme in southeast Benin was reportedly a primary area of recruitment for child trafficking victims. Most child victims intercepted in Benin, either from Benin or other West African countries, are exploited or intended for exploitation within the country. Benin is the largest source country for trafficking victims in the Republic of the Congo; Beninese victims are also subjected to trafficking in Nigeria, Gabon, and Lebanon. West African women are exploited in domestic servitude and forced prostitution in Benin. At least one Moldovan trafficking victim was identified in Benin during the reporting period.

The Government of Benin does not fully meet the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. Despite these measures, the government did not demonstrate overall increasing anti-trafficking efforts compared to the previous reporting period; therefore, Benin is placed on Tier 2 Watch List. The government decreased prosecution, protection, and prevention efforts. During the reporting period, the government identified 131 potential child trafficking victims and convicted four traffickers for the illegal movement of these children. However, authorities continued to focus on intercepting traffickers and victims in transit rather than rescuing victims from exploitation in the country. The government did not systematically investigate instances of trafficking of adults or provide protective services to adult victims. Anti-trafficking legislation—including prohibitions and penalties for the trafficking of adults—remained pending review by the Ministry of Justice (MOJ) for the fourth consecutive year. Inadequate funding and staffing for the Office for the Protection of Minors (OCPM), the Ministry of Family (MOF), and the Ministry of Labor (MOL) continued to hinder anti-trafficking progress. The government did not make efforts to investigate alleged government complicity.

## International Sanctions

None applicable

## Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	39
World Governance Indicator – Control of Corruption	37

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. Public funds are often diverted, harming the implementation of affected projects and effectively deterring foreign investment. A law against corruption (in French) criminalizes active and passive bribery in the public and private sectors, but its provisions are poorly enforced. Even though undue advantages are illegal, bribery, facilitation payments and gifts are commonplace. **Information provided by GAN Integrity.**

### US State Department

Bribery is illegal and subject to up to ten years imprisonment. The Government has identified the fight against corruption as a national priority. Efforts reflecting Government focus on fighting corruption include the 2013 creation of the new National Anti-Corruption Authority (ANLC) in charge of referring corruption cases to court. By law, the ANLC has the ability to combat money laundering, electoral fraud, economic fraud, and corruption in the public and private sectors. Benin's State Audit Office is also responsible for identifying and acting against corruption in the public sector.

The Government has demonstrated strong political will to reduce corruption and has imposed administrative sanctions and removals from office against high-profile, allegedly corrupt officials. None, however, have faced prosecution in Beninese courts. Corruption remains a problem in areas including customs administration, government procurement, and the judicial system. Benin is a signatory to the UN Anticorruption Convention.

## Corruption and Government Transparency - Report by Global Security

### Political Climate

Benin is a constitutional multi-party democracy and continues to receive substantial donor assistance in relation to its Poverty Reduction Strategy Papers and associated anti-corruption programmes. Elections have been considered free and fair since the first were held in 1991, and political violence is rare, which is indicative of Benin's relatively stable political climate. Both the previous and the current President have continuously emphasised the need to

render the country's political-administrative structures more transparent. However, according to observers, such as the Bertelsmann Foundation 2010, corruption remains a prominent characteristic of the Benin's political system and of the distribution of public funds. According to the World Bank & African Development Bank 2007 (in French), 81% of households and 87% of companies consider political parties to be the most corrupt public institutions.

According to Afrobarometer 2007, everyday corruption is rampant in Benin and is most pervasive in daily interactions between citizens and public officials, taking several forms: commissions paid for illicit services; fees for public services (e.g. at health clinics); gratuities given to public officials to perform their duties; 'string-pulling' or using connections to access administrative services; levies at customs or police outposts; abuse of office; and misappropriation. Benin's former President, Mathieu Kérékou, initiated the fight against corruption and promoted several anti-corruption initiatives, while making the 'moralisation of public life' a key element in his political programme. However, the outcome of these initiatives was limited. Although there have been trials of judges and police officials involved in corruption, there have been few high-level officials prosecuted. In fact, reports indicate that no action has been taken in connection with several prominent corruption cases, and critics complain that corruption charges are sometimes applied to silence political opponents.

Former head of the West African Development Bank, Thomas Yayi Boni, succeeded Kérékou as President in April 2006. He also got a second term in office after winning the March 2011 elections. The fight against corruption in the management of public affairs was the main theme of both his first and second electoral campaigns, and his election reflected public dissatisfaction with the fight against corruption up to that point. After taking office, President Yayi Boni signed an official code of conduct for governmental officials into law. The President and other high-ranking government officials publicly disclosed their assets, and an official financial audit was commissioned of all ministries and the main parastatals. A 2009 newsflash published by Ministry of Foreign Affairs of the Netherlands points to Benin as a relative success story in terms of anti-corruption strategy, and is an example for other African countries. The Dutch development minister also praised the Benin government's effort in fighting corruption. In order to enliven the main themes of his first term, president Yayi Boni decided to dedicate his second mandate to combating corruption. According to a July 2011 article by Le Post, Yayi Boni installed a toll free number linked directly to the presidency. Any citizen can make use of the number to report corruption cases free of charge. The article further notes that approximately 20 to 25 calls are submitted each day giving the fight against corruption in Benin a new twist.

However, in 2008, Benin's anti-corruption agency, Observatory for the Fight Against Corruption (OLC), assessed that corruption has increased since 2006. Corruption remains widespread within all key administrative and basic services, such as the judiciary, police, political parties, educational system. This is illustrated by financial scandals within both the police and the judiciary, political-administrative structures which should be combating corruption. In June 2009, the government published a report by the General Inspection of the Government (IGE), which pointed to alleged corrupt practices in the awarding of public contracts and mismanagement of public funds. According to the households' survey conducted by Afrobarometer 2008, between 64% and 72% of the surveyed households believe that some or most judges, the police and government officials are involved in corruption. According to an August 2010 article by Reuters, a group of lawmakers in Benin

advocates that the President Boni Yayi be impeached due to his alleged involvement in a Ponzi scheme that has defrauded thousands of Benin investors of their savings. Suspicion of him being complicit in the ICC's corruption scandal led at least 50 out of 83 members of parliament to sign a letter requesting the President to face legal trial. The government denies any wrongdoing on the part of the president; however, the article explains that the latter has hosted officials of the company in the presidential palace and allowed the company known as ICC to operate illegally in Benin. According to Freedom house 2011, the parliament was unable to secure the necessary two-thirds majority to bring about the president's impeachment, however, the scandal has brought major damages to the president's reputation.

### **Business and Corruption**

Benin has undergone vast political and economic transformations over the past several years. Yet, economic reforms have proven more uneven than political transformation. Although the basic institutional framework for a market economy has been increasingly strengthened, the economy remains dominated by the informal sector. There is a lack of consensus as to the exact percentage of the workforce that is employed in this sector: estimates vary between 80% and 95%. In any case, sources agree that the informal sector continues to play an important role in Benin's economy with both the productivity and trade of SMEs and individual labourers operating in the informal sector accounting for upwards of 50% of the country's annual GDP.

There are several obstacles to attracting foreign investors in Benin. The most important obstacle, according to many observers, is widespread petty (facilitation payments and small bribes) and grand (government, contracts) corruption in the country. According to the World Bank & African Development Bank 2007 (in French), 58% of the households and companies surveyed in Benin rank corruption in the public sector as the most important concern in their daily activities. Furthermore, 20% of household and company respondents report that they spend a minimum of 1% of their annual income on unofficial payments to public officials. According to the World Economic Forum Global Competitiveness Report 2011-2012, companies identify corruption as the most problematic factor for doing business in Benin. Furthermore, according to an official estimate, corruption costs companies 8.4% of their annual turnover. Another obstacle for doing business in Benin is complicated bureaucratic procedures. Companies should therefore expect to encounter corruption in many areas of business activities: in relation to public utilities, licences and permits, in contracting with state institutions, and in dealings with government bureaucracy and customs authorities, particularly at the Port of Cotonou.

According to US Department of State 2009, foreign investment in Benin has, for the most part, entailed the purchase of interests in privatised companies by investors from Lebanon, India, Germany, France and other countries. According to the South African Credit Guarantee Benin Country Profile 2008, foreign investment is subject to government approval and regulations that require the hiring of native Beninese, just as part-Beninese ownership of privatised companies is required. Corruption in the political system is endemic and the diversion of funds and allocation of state resources through patron-client networks is widespread. The distribution of funds through these informal networks creates a non-transparent investment climate that discourages foreign investment. On the basis of the

above, companies are urged to develop, implement and strengthen integrity systems and to conduct thorough due diligence before investing in or when already doing business in Benin.

## **Regulatory Environment**

The government's commitment to combat corruption and to attract investment has resulted in a number of laws, regulations and measures to improve the business climate. According to the US Department of State 2009, in order to further improve the investment climate in Benin, the government revised the Investment Code (in French) in July 2008. Part of the code deals with empowering the Investment Control Commission at the Ministry of Industry and Commerce. The Chamber of Commerce and Industry has a one-stop shop in order to simplify procedures for the start up of companies, registration, tax declaration and import licensing, thereby aggregating all the formalities facing a new investor in one place, the so-called Guichet Unique within the Centres des Formalités (CFE). However, according to the World Bank & IFC Doing Business 2011, the effects of this one-stop shop have been mixed and Benin performs relatively worse in relation to starting up a company than reported in 2009. Furthermore, the Africa-Asia Business Forum also states that the ineffective and corrupt bureaucracy is making the investment code difficult to implement in practice.

According to the US Department of State 2009, Benin is member of the Organisation for Harmonisation in Africa of Business Law (OHADA). OHADA aims to ensure a secure legal environment through modernisation and unification of business laws for OHADA's 16 countries by the adoption of Uniform Acts. OHADA also established a common court of justice and encourages the use of arbitration for the settlement of contractual disputes. The adoption of OHADA's Uniform Acts has solved a number of problems that foreign investors previously faced when entering Benin, such as uncertainty and outdated legislation. Benin is also a member of the International Centre for the Settlement of Investment Disputes (ICSID) and of the New York Convention 1958. Despite of these initiatives, companies should be aware of that there is no commercial court system in Benin, so the settlements of business and commercial disputes are referred to the civil courts. The US Department of State 2009 also reports that Benin recognises property rights and both acquisition of and disposing of property are facilitated and protected in the law. The Bertelsmann Foundation 2010 supports this view, but differs slightly by concluding that property rights, although adequately defined, are not safeguarded in practice, due to corruption. Although there have been some rulings by judges which were not in favour of government interests, companies should note that the judicial system remains permeated by corruption, especially at the trial court level as well as at administrative hearings. Access the Lexadin World Law Guide for a collection of legislation in Benin (in French).

The official procedures in Benin remain bureaucratic and inefficient. Some observers note that instead of addressing complicated problems, the government only addresses those that are relatively easy to manage. According to the World Economic Forum Global Competitiveness Report 2011-2012, companies identify inefficient government bureaucracy as a relatively serious problem for doing business in Benin. According to the same report, companies identify tax rates and tax regulations as the fourth and sixth most problematic factors for doing business respectively. These problems are further illustrated in the World Bank & IFC Enterprise Surveys 2009, where senior managers report to spend nearly 21% of their time dealing with requirements of the government regulation, nearly 21% of companies identify business licensing and permits as major constrain and nearly 68% of companies

identify corruption as a major constrain in doing business in Benin. In customs, for instance, the slow and inefficient procedures mean that importers have to pay so-called 'normal extras' (charges for storage in customs, penalty fees for delays, etc.). As a result, importers frequently choose to bribe their way through the system. Regulations are reportedly not always enforced evenly or consistently. Foreign companies complain that they are held to higher regulatory standards than Beninese companies and, according to the US Department of State 2009, this is especially true for labour regulations. The US Department of State 2009 advises companies to hire a notary public who understands the country's business laws in order to ease start-up facilities.

## Section 3 - Economy

The free market economy of Benin remains underdeveloped and dependent on subsistence agriculture, cotton production, and regional trade. Cotton is a key export commodity; high prices supported export earnings. Growth in real output has averaged 6.5% since 2014. Inflation has subsided and remained 1% over the past several years.

An insufficient electrical supply continues to hamper Benin's economic growth though the government recently has taken steps to increase domestic power production. Private foreign direct investment is small, and foreign aid accounts for the majority of investment in infrastructure projects.

Benin's 2001 privatization policy continues in telecommunications, water, electricity, and agriculture. Benin has appealed for international assistance to mitigate piracy against commercial shipping in its territory. Though security remains a problem, the Port of Cotonou has made progress towards implementing the International Ship and Port Facility Security (ISPS) Code in an effort to remain competitive. Projects included in Benin's \$307 million Millennium Challenge Corporation (MCC) compact (2006-2011) were designed to increase investment and private sector activity by improving key institutional and physical infrastructure. The four projects focused on access to land, access to financial services, access to justice, and access to markets (including modernization of the port). The Port of Cotonou is the largest component of Benin's economy with revenues projected to account for more than 40% of Benin's national budget. Realizing its economic potential requires further efforts to infrastructure upgrades, stemming corruption, and expanding access to foreign markets in Nigeria and neighboring landlocked countries. In September 2015, Benin signed a MCC second Compact for \$375 million that is designed to strengthen the national utility service provider, attract private sector investment, fund infrastructure investments in electricity generation and distribution, and develop off-grid electrification for poor and unserved households. In order to raise growth, Benin plans to attract more foreign investment, place more emphasis on tourism, facilitate the development of new food processing systems and agricultural products, encourage new information and communication technology, and establish Independent Power Producers (IPP).

### **Agriculture - products:**

cotton, corn, cassava (manioc, tapioca), yams, beans, palm oil, peanuts, cashews; livestock

### **Industries:**

textiles, food processing, construction materials, cement

### **Exports - commodities:**

cotton, cashews, shea butter, textiles, palm products, seafood

### **Exports - partners:**

India 24.2%, Gabon 14.6%, China 7.2%, Niger 6%, Bangladesh 5%, Nigeria 4.9%, Vietnam 4.2% (2015)

### **Imports - commodities:**

foodstuffs, capital goods, petroleum products

**Imports - partners:**

China 42.1%, US 8.9%, India 5.7%, Malaysia 4.8%, Thailand 4.3%, France 4% (2015)

**Banking**

Benin has eleven private commercial banks belonging to groups of banks. They all have branches in most WAEMU member states and some of the ECOWAS countries

**Stock Exchange**

Founded in 1998, the Bourse Régionale des Valeurs Mobilières SA ("West African Regional Stock Exchange") or BRVM, is a regional stock exchange headquartered in Abidjan, Cote D'Ivoire, serving the following west African countries: Benin, Burkina Faso, Guinea Bissau, Côte d'Ivoire, Mali, Niger, Senegal and Togo.

### Executive Summary

Benin held peaceful, democratic presidential elections in March 2016 and transitioned to a new government in April 2016. The government's newly-defined priorities, on the economic front, include investment in the agriculture sector to improve production capacity, job creation linked to tourism, and ensuring access to water and electricity as means for economic development.

Benin continues its efforts to attract private investment in support of economic growth - a link the Government of Benin (GOB) emphasizes is central to boosting Benin's development prospects. It has set up an Investment and Exports Promotion Agency (APIEX) that comprises one-stop- business startup, investment promotion center and foreign trade promotion. Benin's overall macroeconomic conditions were positive in 2015. According to revised estimates by Benin's National Institute of Economic Analysis and Statistics (INSAE), Benin GDP was up 6.5 percent in 2014, largely driven by the cotton industry, improvements at the Port of Cotonou, and developments in telecommunications. The country's GDP is roughly 71 percent services, 21 percent agriculture, and 8 percent manufacturing. Cotton production increased to 359,000 metric tons in 2014/2015.

In September 2015, the United States Government and the Government of Benin signed a \$375 million Millennium Challenge Corporation (MCC) compact focused on electricity. It is Benin's second MCC compact and will advance policy reforms to bolster financing for the energy sector, attract private capital into power generation, and strengthen regulation and utility management. Infrastructure to be funded by the compact includes 78 megawatts of power generation capacity and modernization of the distribution grid. The compact also includes a significant off-grid electrification project.

Benin's 2006-2011 MCC compact modernized the country's port and improved land administration, the justice sector, and access to credit. The Port of Cotonou is the largest component of Benin's economy with revenues projected to account for more than 40% of Benin's annual budget. Significant MCC investment in the port helped attract private sector investment; encouraged security and management enhancing reforms; and contributed to increased customs receipts and cargo processing capacity. The GOB is considering granting a concession of the North quay of the Port for its reconstruction, modernization, and its management. If successful, this concession will increase foreign direct investment in Benin. Realizing the port's full economic potential requires concerted efforts to modernize, stem corruption, and expand access to foreign markets, particularly in Nigeria and landlocked neighboring countries.

Benin's National Infrastructure Program is the country's largest planned infrastructure venture in recent history. Envisioned as a series of Public Private Partnerships suitable for foreign investment, the proposed projects include construction of international airports, a new deep water seaport, inland ports, rail networks, and roads supporting major transport routes. At an estimated \$2 billion, the Benin-Niger railway is the centerpiece project that calls for the rehabilitation and extension of 1000 km of railway infrastructure from Cotonou to Niamey. These projects have the potential to greatly increase regional trade and significantly boost

container traffic at the Port. The tourism sector is growing with the construction of 4 new hotels in Cotonou

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	80 of 175	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2015	158 of 189	doingbusiness.org/rankings
Global Innovation Index	2015	n/a of 143	globalinnovationindex.org/content/page/data-analysis
U.S. FDI in partner country (\$M USD, stock positions)	2015	USD Amount	BEA/Host government - n/a
World Bank GNI per capita	2014	USD 890	data.worldbank.org/indicator/NY.GNP.PCAP.CD

#### Millennium Challenge Corporation Country Scorecard

The Millennium Challenge Corporation, a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a per capita gross national income (GNI) of \$4,125 or less. A list of countries/economies with MCC scorecards and links to those scorecards is available here: <http://www.mcc.gov/pages/selection/scorecards>. Details on each of the MCC's indicators and a guide to reading the scorecards are available here: <http://www.mcc.gov/pages/docs/doc/report-guide-to-the-indicators-and-the-selection-process-fy-2015>.

### 1. Openness To, and Restrictions Upon, Foreign Investment

#### Attitude toward Foreign Direct Investment

The Government of Benin (GOB) encourages foreign investment. The creation of APIEX in 2015 resulted in a dialogue between the Government and investors to implement reforms and improve Benin's business environment. The APIEX works to reduce, and where possible, eliminate administrative barriers to doing business and attract additional foreign direct investment. The agency has successfully reduced processing times for construction permits and registration of new companies from 90 to 30 and from 15 to 1 day, respectively. The GOB has also created a newly organized commercial section at the Court of First Instance in Cotonou responsible for expedited settlement of business related disputes. The GOB plans to expand the commercial section into a separate commercial court in Cotonou. The full-service office that expedites customs clearances, reduces the cost of clearances, and

minimizes processing barriers to clearing cargo at the Port of Cotonou makes it possible to obtain cargo clearance within 48 hours of the date of its off-loading at the Port of Cotonou.

Beninese law guarantees the right to own and transfer private property. The court system enforces contracts, but the judicial process is routinely slow and enforcement of rulings is problematic. Most firms entering the market work with an established local partner and retain a competent Beninese attorney. A list of English-speaking lawyers and legal counselors is available from the Embassy's commercial section and on the Embassy's website <http://www.cotonou.usembassy.gov>.

#### Other Investment Policy Reviews

In 2015 the GOB conducted an investment policy review through the Organization for Economic Cooperation and Development (OECD), the World Trade Organization (WTO), the United Nations Conference on Trade and Development (UNCTAD). The GOB cooperates with World Bank Group for the annual World Bank Group Doing Business Review (<http://www.doingbusiness.org/data/exploreeconomies/benin>). The 2016 Benin rank is 185th, <http://www.doingbusiness.org/data/exploreeconomies/benin> .

#### Laws/Regulations on Foreign Direct Investment

In April 2016, the Government of Benin announced plans to promote judicial sector reforms which would limit executive influence. Benin's 2008 Investment Code creates Free Trade Zones and establishes incentives such as tax reductions for investors. Depending on the size of the investment, investors may benefit from reduced tax liability on profits, exported finished products, or imported industrial equipment for up to one year from the date of business registration. Investors must meet several criteria including employing a minimum number of Beninese nationals, safeguarding the environment, and meeting nationally accepted accounting standards. The Investment Control Commission monitors companies that receive these incentives to ensure compliance. The GOB has also enacted a framework law to promote Public Private Partnership.

#### Reference:

- <http://www.spcpibenin.com/> (FDI investment reforms)
- <http://benin.eregulations.org/procedure/3/51?l=fr> (E-registration)
- <http://www.gouv.bj/investir-au-benin> (GoB website)
- <http://www.finances.bj/> (Ministry of Economy and Finance Website)

#### Business Registration

The Benin eRegulation website addresses business registration procedures and contains required documents for the creation of business. It normally takes 24 hours to register a business and does not require a notary's assistance. APIEX serves as the single investment promotion center between the foreign investor and the administration.

#### Benin defines:

- Micro-enterprises as having less than 5 employees;

- Small and medium size enterprise (SMEs) as having between 5 and 99 employees. SMEs may be a subsidiary of an international firm;

- <http://benin.eregulations.org/procedure/3/51?l=fr>

- [http://www.gouv.bj/sites/default/files/Charte\\_nationale\\_PME\\_et\\_PMI.pdf](http://www.gouv.bj/sites/default/files/Charte_nationale_PME_et_PMI.pdf)

## Industrial Promotion

The GOB aims to attract investment in the following sectors:

**Agribusiness:** Benin produces over 400,000 metric tons of pineapples that meet international standards. Pineapple processing offers a variety of products such as juice, jam, and dried pineapples that are exportable to sub-regional countries and other markets. Other tropical fruits are also available for processing. Creation of fruit processing units offers new business opportunities in the country. Benin is ranked 5th in cashew production and exports only 3% of this product to the international market.

**Energy and Mining:** Resources such as iron, phosphate, diamond, kaolin, marble, and gravels offer mining and export opportunities. Recent GOB-funded studies promote exploration opportunities in untapped oil fields, which are additional opportunities for business investment. Benin is also in need of stable electricity supplies to sustain growth. The GOB encourages private investment in this sector.

Other sectors for investments include agricultural, construction, building, automotive and ground transportation, food processing and packaging, information and communications, finance, and travel.

Additional information can be found at <http://www.gouv.bj/investir-au-benin>

## Limits on Foreign Control and Right to Private Ownership and Establishment

Benin does not limit foreign ownership or control. The GOB encourages and seeks to incentive joint venture partnerships.

Beninese law and authorities respect the right to private ownership and investment. Beninese law guarantees freedom of commerce; choice of customers and suppliers; free movement throughout the country; the right of foreign employees and their family members to leave the country; and freedom from government interference in the management of private enterprises.

## Privatization Program

The GOB has elected to support targeted divestiture programs over total privatization of State-Owned Enterprises. GOB divestitures of the cotton and wood sectors faced management challenges. State-owned Telecommunications Company, Benin Telecom SA and its affiliate cell phone provider – Libercom – are targeted for divestiture.

Foreign investors may participate in privatization programs. In March 2015, the governments of Benin and Niger jointly signed a document that would repeal the legal existence of the Benin-Niger Railway Organization (OCBN) parastatal and assign its concession to foreign private investors.

The government procurement process is specified in accordance with the Beninese procurement code (Code des Marchés Publiques: <http://www.finances.bj/spip.php?article804>). Tenders from the central government are announced in major publications, newspapers, and posted on the website of the Ministry of Finance and Economy at [www.finances.bj](http://www.finances.bj). Published tenders often include local investor participation requirements.

Beninese procurement law allows for open and closed bid processes. Contracts are often awarded based on government solicitations to short-listed companies with industry-specific expertise often identified during commercial activities conducted in overseas markets. The public procurement process is not always deemed non-discriminatory. Foreign companies have expressed concerns about unfair treatment, biased consideration, and improper practices specific to the process of selecting companies.

#### Screening of FDI

The GOB does not screen FDI.

#### Competition Law

The Public Procurement Monitoring Authority (Autorité de Régulation des Marchés Publics) reviews transactions for competition-related concerns. The website is <http://www.arpmp.bj/>.

## **2. Conversion and Transfer Policies**

#### Foreign Exchange

Benin is a member of the West African Economic and Monetary Union (WAEMU). Benin's currency is the CFA Franc, issued by the Central Bank of West African States (BCEAO). The CFA Franc is fixed to the Euro at CFA 655.957/Euro. The currency exchange rate as of March 31 is approximately CFA Franc 580/USD.

#### Remittance Policies

Foreign exchange is readily available. There are no restrictions on the remittance of profits by companies that invest in Benin. Remittance of profits by individual resident investors is not restricted.

Benin is a member of the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: [www.giaba.org/reports/mutual-evaluation/Benin.html](http://www.giaba.org/reports/mutual-evaluation/Benin.html). Additional information is available at <http://www.state.gov/j/inl/rls/nrcrpt/2014/database/index.htm>.

## **3. Expropriation and Compensation**

Based on a 1992 privatization law, the Government is forbidden from nationalizing private enterprises operating in Benin.

In conformity with World Bank structural reform commitments, the Government opened the cotton sector and its related components (namely ginning and inputs) to the private sector in the 1990s and in 2008 partially divested the ginning industry parastatal SONAPRA (Société Nationale pour la Promotion Agricole) while maintaining regulatory control over the sector. In

October 2012, prompted by concerns over performance and mismanagement the Government assumed control of cotton production and ginning holdings.

In 2006, the Government took over the management of previously privatized oil company SONACOP on the grounds that the company was in financial disarray, lacked funds for its operations, and was unable to supply gas stations throughout the country.

#### **4. Dispute Settlement**

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Benin is a member of the Organization for the Harmonization of African Business Law, known by its French acronym OHADA, and has adopted OHADA's Universal Commercial Code (codified law) to manage commercial disputes and bankruptcies. Benin is also a member of OHADA's Common Court of Justice and Arbitration and the International Center for the Settlement of Investment Disputes (ICSID).

A newly-organized commercial section at the Court of First Instance in Cotonou responsible for expedited settlement of business-related disputes has been created to address a backlog of civil cases.

Benin's courts enforce foreign court judgments.

Bankruptcy

OHADA provisions govern bankruptcy. Debtors may file for reorganization only and the creditor may file for liquidation only.

Benin's score of 115 on the 2015 World Bank Group Doing Business report's 'Resolving Insolvency' category is a downgrade from the 2014 score of 112.

Investment Disputes

Post has no reports of GOB interference in judicial handling of investment disputes. Of three known investment disputes between US investors and the GOB, two were resolved in favor of the U.S. investors and one is still pending. In 2015, Benin's civil society challenged a contract awarded in the communication sector and the award decision was reversed.

International Arbitration

Benin is a signatory to investment agreements subject to binding international arbitration of investment disputes. Local courts enforce international arbitration. The OHADA arbitration court based in Abidjan, Cote d'Ivoire serves as the domestic arbitration body.

ICSID Convention and New York Convention

Benin is a member of the International Center for the Settlement of Investment Disputes (ICSID).

Duration of Dispute Resolution – Local Courts

The judicial process and dispute resolution is routinely protracted and slow.

## **5. Performance Requirements and Investment Incentives**

### WTO/TRIMS

Benin has not notified the WTO of any measures that are not consistent with its Trade Related Investment Measures (TRIMS) commitments.

### Investment Incentives

Benin's 2008 Investment Code creates Free Trade Zones and establishes incentives such as tax reductions for investors. Depending on the size of the investment, investors may benefit from reduced tax liability on profits, exported finished products, or imported industrial equipment for up to one year from the date of business registration. Investors must meet several criteria including employing a minimum number of Beninese nationals, safeguarding the environment, and meeting nationally accepted accounting standards. The Investment Control Commission monitors companies that receive these incentives to ensure compliance.

### Research and Development

There are no restrictions regarding the participation of U.S. and foreign firms in GOB research and development programs.

### Performance Requirements

According to Benin's 2008 Investment Code, investors must meet criteria including employment of a minimum number of Beninese national in order to qualify for tax reductions and other incentives.

### Data Storage

The Benin Post and Communications Regulatory Authority, ARCEP, ensures the confidentiality of the content of all communications by the service provider or operator, whether information or data the service provider can obtain thanks to the services offered. No information be disclosed without the written consent of ARCEP or signed order of the competent judicial authority.

Additional information may be found on [www.arcep.bj](http://www.arcep.bj).

## **6. Protection of Property Rights**

### Real Property

The Benin Land Property Act enacted on August 24, 2013 codifies real property rights. The Land Act is designed to ensure fair access to land for purchasers; protect ownership rights; establish a transparent legal procedure for obtaining ownership; reduce property speculation in urban and rural areas; and encourage land development.

Secured interests in real and personal property are recognized and enforced. Benin's legal system protects and facilitates acquisition and disposition of property, land and buildings and mortgages. Secured interests in property are registered with the Land Office of the Ministry of Finance.

## Intellectual Property Rights

Benin is a signatory to both World Intellectual Property Organization Internet treaties. Enforcement of intellectual property rights continues to be constrained by Benin's limited capacity.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en>.

## Resources for Rights Holders

Political-Economic Officer

229 21 300 650

BeninCommercial@state.gov

A list of lawyers is available at: <http://cotonou.usembassy.gov/service.html>

## 7. Transparency of the Regulatory System

Benin is a member of UNCTAD's international network of transparent investment procedures <http://benin.eregulations.org/>. Foreign and national investors can find detailed information on administrative procedures applicable to investment and income generating operations including the number of steps, name and contact details of the entities and persons in charge of procedures, required documents and conditions, costs, processing time and legal bases justifying the procedures. There is no rule to prevent a monopoly over a particular business sector.

## 8. Efficient Capital Markets and Portfolio Investment

Government policy supports free financial markets, subject to oversight by the Ministry of Finance and Economy and the Central Bank of West African States (BCEAO). A minimum of ten commercial banks operate in Benin. Foreign investors may seek credit from Benin's private financial institutions and the WAEMU stock exchange.

There are not any restrictions for foreign investors to establish a bank account in Benin. However, proof of residency or evidence of company registration is required to open a business bank account.

## Money and Banking System, Hostile Takeovers

Benin has a reliable banking sector. Eleven private commercial banks operate in Benin in addition the country's regional central bank - BCEAO.

## 9. Competition from State-Owned Enterprises

With the exception of public utilities (including electricity and water) and land-line telephone service for which the public telephone company retains a monopoly, many private enterprises compete with public enterprises on equal terms and conditions.

SOE senior management may report directly to a government ministry or board of directors, whose seats are allocated to senior government officials and political leaders, as well as

representatives of civil society and other parastatal constituencies. SOEs are required by law to publish annual reports and hold regular meetings of their boards of directors. Financial statements of SOEs are reviewed by certified accountants and private auditors.

The Government of Benin has established a website detailing plans to promote good governance and transparency particularly among SOEs. (<http://www.gouvernancebenin.org/>).

SOEs are subject to the same tax policies as the private sector.

#### OECD Guidelines on Corporate Governance of SOEs

Benin does not adhere to the OECD Guidelines on Corporate Governance for SOEs. Rather, SOEs are established pursuant to presidential decrees which define SOE attributions. The GOB appoints senior management and members of the Board of Directors. However, the courts independently process disputes between SOEs and private companies or organizations without the GOB interference.

#### Sovereign Wealth Funds

N/A

### **10. Responsible Business Conduct**

In general government policies and public tenders are made public online and the newspapers. Anti-corruption, human rights, environmental protection and consumers NGOs and activists are active in Benin and report misconduct and violations of good governance practices. There are also government-funded agencies in charge monitoring business conduct. They include the Post and Communication Regulation Agency, Anti-Money Laundering Agency, the National Commission on Systems and Freedom, and the National Anti-Corruption Authority (ANLC).

### **11. Political Violence**

There has been no political violence affecting private investment in Benin since the end of the country's socialist period in 1990. The country held a peaceful political transition on April 2016.

### **12. Corruption**

The Government has demonstrated political will to reduce corruption and has imposed administrative sanctions and removals from office against high-profile, allegedly corrupt officials. None, however, have faced prosecution in Beninese courts. Corruption remains a problem in areas including public administration, government procurement, and judiciary.

Bribery is illegal and subject to up to ten years imprisonment. Private companies establish their own code of conduct to avoid conflict of interest in line with the country laws. The Government has identified the fight against corruption as a national priority. Efforts reflecting Government focus on fighting corruption include the 2013 creation of the new National Anti-Corruption Authority (ANLC) in charge of referring corruption cases to court. By law, the ANLC has the ability to combat money laundering, electoral fraud, economic fraud, and

corruption in the public and private sectors. Benin's State Audit Office is also responsible for identifying and acting against corruption in the public sector.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Benin is signatory of UN Anticorruption Convention and OECD Convention on Combatting Bribery of Foreign Public Officials in International Business Transactions.

ANLC Contact:

Guy Ogoubiyi

President of ANLC

Tel. +229 21 308 686

Fax: +229 21 301 010

Email [anlc.benin@yahoo.fr](mailto:anlc.benin@yahoo.fr)

NGO contact:

Gustave Assah

Country Resident

Social Watch

BP 02 BP 937

Phone :229 21042012

Mobile : 229 95961644

E-mail: [swbenin@socialwatch-benin.org](mailto:swbenin@socialwatch-benin.org); [assahgustave@yahoo.fr](mailto:assahgustave@yahoo.fr)

Site web: [www.socialwatch-benin.org](http://www.socialwatch-benin.org)

### **13. Bilateral Investment Agreements**

Bilateral Taxation Treaties

Benin has bilateral investment agreements with the United States, France, Germany, the United Kingdom, Switzerland, Portugal, Canada, Guinea-Conakry, Ghana, Mauritius, Chad, Mali, Burkina Faso, the Netherlands, and China.

Benin does not have a bilateral taxation treaty with the United States.

Benin is listed as a member country to International Investment Agreements with ECOWAS, the African Union, and the West African Economic and Monetary Union. See UNCTAD's database for this information at [http://www.unctadxi.org/templates/docsearch\\_\\_\\_\\_779.aspx](http://www.unctadxi.org/templates/docsearch____779.aspx).

### **14. Foreign Trade Zones/Free Ports/Trade Facilitation**

There is a Foreign Trade Zone near the Benin-Nigeria border. Foreign-owned firms have the same investment opportunities as host country entities. Companies must export at least 65 percent of their annual production to qualify for tax-free status and benefit from duty-free importation of equipment and other production inputs.

### 15. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
	Year	Amount	Year	Amount	
Economic Data					
Host Country Gross Domestic Product (GDP) (\$M USD)	2014	\$8,747	2014	\$9,575	<a href="http://www.worldbank.org/en/country">www.worldbank.org/en/country</a>
Foreign Direct Investment	Host Country Statistical source		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (\$M USD, stock positions)	2013	\$320	N/A	N/A	<a href="http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm">http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm</a>
Host country's FDI in the United States (\$M USD, stock positions)	N/A	N/A	N/A	N/A	<a href="http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm">http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm</a>
Total inbound stock of FDI as % host GDP	N/A	N/A	N/A	N/A	.N/A

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	374	100%	Total Outward	16	100%
France	171	45%	Kenya	8	50%
Nigeria	65	17%	Senegal	5	31%
Brazil	60	16%	Republic of Congo	2	13%
Ivory Coast	39	10%	France	0	0%
Senegal	15	4%	United States	0	0%

"0" reflects amounts rounded to +/- USD 500,000.

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
All Countries	N/A	100%	All Countries	161	100%	All Countries	213	100%
Country not listed on CPIS site	N/A	N/A	France	115	72%	Nigeria	80	38%
Figures from CDIS securities site	N/A	N/A	Mauritius	3	2%	Brazil	60	14%
N/A	N/A	N/A	Virgin Islands, British	12	7%	France	56	26%
N/A	N/A	N/A	Ivory Coast	39	24%	Senegal	6	3%
N/A	N/A	N/A	Netherlands	4	2%	Lebanon	2	1%

## Section 5 - Government

### Chiefs of State and Cabinet Members:

For the current list of Chiefs of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments](#)

### Legal system:

Civil law system modeled largely on the French system and some customary law

### International organization participation:

ACP, AfDB, AU, CD, ECOWAS, Entente, FAO, FZ, G-77, IAEA, IBRD, ICAO, ICRM, IDA, IDB, IFAD, IFC, IFRC, ILO, IMF, IMO, Interpol, IOC, IOM, IPU, ISO (correspondent), ITSO, ITU, ITUC (NGOs), MIGA, MONUSCO, NAM, OAS (observer), OIC, OIF, OPCW, PCA, UN, UNCTAD, UNESCO, UNHCR, UNIDO, UNISFA, UNMIL, UNMISS, UNOCI, UNWTO, UPU, WAEMU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO

## Section 6 - Tax

### Exchange control

The CFA Franc is linked to the Euro at a fixed exchange rate and unlimited convertibility to the Euro is guaranteed. The CFA members (Benin, Burkina Faso, Cote d'Ivoire, Guinea - Bissau, Mali, Niger, Senegal and Togo) have agreed to apply exchange control regulations modeled on those of France. Transfers within the CFA zone are not restricted. For further information - <http://www.gouv.bj/>

### Treaty and non-treaty withholding tax rates

For further information - <http://www.gouv.bj/>

## Methodology and Sources

### Section 1 - General Background Report and Map

(Source: [CIA World Factbook](#))

### Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
<a href="#">FATF List of Countries identified with strategic AML deficiencies</a>	Not Listed	AML Deficient but Committed	High Risk
<a href="#">Compliance with FATF 40 + 9 recommendations</a>	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
<a href="#">US Dept of State Money Laundering assessment (INCSR)</a>	Monitored	Concern	Primary Concern
<a href="#">INCSR - Weakness in Government Legislation</a>	<2	2-4	5-20
<a href="#">US Sec of State supporter of / Safe Haven for International Terrorism</a>	No	Safe Haven for Terrorism	State Supporter of Terrorism
<a href="#">EU White list equivalent jurisdictions</a>	Yes		No
<a href="#">International Sanctions UN Sanctions / US Sanctions / EU Sanctions</a>	None	Arab League / Other	UN , EU or US
<a href="#">Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network</a>	>69%	35 – 69%	<35%
<a href="#">World government Indicators (Average)</a>	>69%	35 – 69%	<35%
<a href="#">Failed States Index (Average)</a>	>69%	35 – 69%	<35%
<a href="#">Offshore Finance Centre</a>	No		Yes

### **Section 3 - Economy**

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: [CIA World Factbook](#))

### **Section 4 - Foreign Investment**

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: [US State Department](#))

### **Section 5 - Government**

Names of Government Ministers and general information on political matters.

(Source: [CIA World Factbook](#) / <https://www.cia.gov/library/publications/world-leaders-1/index.html>)

### **Section 6 - Tax**

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: [OECD](#) [PKF International](#))

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