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Benin Compact: Laying the Groundwork for Increased Investment and Private Sector Activity

Benin identified constraints to its economic growth. Nearly 75 percent of Benin’s 9 million people live on less than \$2 a day. After becoming eligible to develop a compact in May 2004, the Government of Benin worked with MCC to identify constraints to economic growth in order to prioritize MCC investments. Private sector activity and broad-based financial investment in Benin that could lead to sustainable economic growth and poverty reduction were hindered by land insecurity, lack of access to capital, an inefficient judicial system, and inefficiency and security risks at the Port of Cotonou.

MCC’s targeted investments were designed to promote economic growth and reduce poverty. In February 2006, after consultations with the government, civic society, and other stakeholders, the Millennium Challenge Corporation signed a five-year, \$307 million compact with Benin aimed at increasing investments and private sector activity through the implementation of four projects. These projects were designed to improve access to markets by eliminating physical and procedural constraints hindering the flow of goods through the Port of Cotonou; expand access to financial services through grants for micro-, small- and medium-sized enterprises and through other activities to strengthen the microfinance sector; improve the legal and administrative instruments of land tenure to increase security and allow more citizens to have access to land; and provide access to the justice system by strengthening and streamlining the existing judicial system through training and procedural improvements.

Key achievements to date. The compact produced tangible results that are already having an impact on the lives of the Beninese.

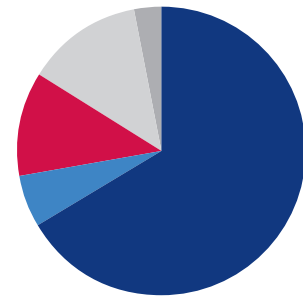
Benin Compact at a Glance

Signed February 22, 2006

Entry into Force..... Oct. 6, 2006

Compact End DateOct. 6, 2011

Compact Total\$307,200,000



-  Monitoring & Evaluation
-  Program Administration and Control
-  Access to Land Project
-  Access to Financial Services Project
-  Access to Markets Project

Access to Markets Project

The \$188.5 million Access to Markets Project improved the Port of Cotonou’s security, expanded its capacity, enhanced intraport traffic flow, and invested in cost-reduction measures—all of which helped create a more modern facility prepared for increased movement of goods. The volume of merchandise flowing through the port increased from 4 million metric tons in 2004 to 7 million metric tons in 2010, exceeding the port’s previous capacity.

Construction of a New Wharf	Extension of a Sand-stopping Jetty	Improvement of Intraport Transport and Security	Modernization of the Port
Allow the port to accommodate more and larger container ships. Transparent and competitive bid for a private operator to bring additional investment into the port.	Ensure sand does not enter the port entrance channel.	Allow safe and efficient movement of trucks, goods and ships within the port.	Support modernization of customs operations by investing in improved systems.
7 million metric tons of merchandise traffic flowed through the port in 2010, up from 4 million in 2004.	300 meters added to jetty. \$2.1 million saved annually in dredging and maintenance costs.	1 tugboat purchased by MCA-Benin allows ships to move more easily and safely within the port. New roads, rails, fire protection, security systems, and gates better control port circulation and security.	Port received International Ship and Port Facility Security Code certification. Average customs clearance time was 2 days in 2010, down from 4 days in 2006. Installation of new hardware, software and communications technology to support improved management information systems and automated customs system for real-time monitoring.

The extension of a sand-stopping jetty by 300 meters will reduce port dredging costs.

An industrial tugboat will allow safe movement of more than one ship at a time into and within the port.



Before



After



Access to Financial Services Project

The \$17.3 million Access to Financial Services Project was designed to improve the ability of micro-, small- and medium-sized enterprises (MSMEs) to respond to economic opportunities and improve MSMEs' access to financial services. It also strengthened the government's supervision of microfinance institutions (MFIs) and established the grantmaking "Challenge Facility" to improve the efficiency and institutional capacity of MSMEs and MFIs—steps that have helped the microfinance sector and MSMEs improve financial stability and increase operational self-sufficiency.

Grant Program of Capacity-Building and Innovation for Mfis and Msmes	Microfinance Supervision Unit Support	Creation of a Credit Bureau	Stakeholder Forums on Expanding Financial Services
<p>Provide funds for technology, innovation and capacity-building projects to microfinance institutions.</p> <p>Improve production capacity, profitability and access to financial services for micro-entrepreneurs.</p>	<p>Train, equip and support officials in the Ministry of Finance's Microfinance Supervision Unit.</p>	<p>Establish a new credit bureau, providing MFIs with current information on potential borrowers' credit history and helping borrowers avoid over-indebtedness.</p>	<p>Train government and bank officials to consider how land titles could be used as collateral.</p>
<p>65 MSMEs, MFIs and consortiums received "Challenge Facility" grants ranging from \$25,000 to \$500,000.</p> <p>95 percent of participating MFIs achieved operational self-sufficiency.</p>	<p>270 MFI inspections completed.</p> <p>Average time for processing an MFI license application reduced to 27 days, down from 90 in 2006.</p>	<p>Credit bureau established in September 2011.</p> <p>Software for the system designed and the database of information transferred to the Alafia Microfinance Association for management.</p>	<p>350 loans guaranteed using land titles as collateral in 2010, compared to 218 in 2007.</p>

A consortium of rabbit farmers won a grant to expand their facilities



Access to Land Project

The \$33.7 million Access to Land Project was designed to expand the use of more secure land tenure instruments and assist in building effective and transparent land governance institutions. Only 1 percent of urban households hold a proprietorship title to land; most rural landholders hold unwritten customary rights in land, and disputes are widespread.

Decentralization of Land Registry Services	Establishment of Rural Landholding Plans	Urban Land Titles	Technological Improvements in Land Management Systems
Provide more convenient and faster services for obtaining legally sufficient proof of landholding rights and for carrying out transactions.	Provide maps of landholdings and lists of landholders for intravillage transactions and mediation of disputes. Allow landholders to receive certificates of proof of rights for extra-village actions in courts and administration and in property and credit transactions.	Replace obsolete, slow and expensive administrative procedures to obtain urban land title.	Adopt modern technologies and improved procedures for land management agencies and regulations to better guard against corrupt practices.
<p>Three regional offices of the state land registry opened.</p> <ul style="list-style-type: none"> 40 municipal land administration offices are strengthening services for land registrations and transactions and involving rural lands in the customary regime. 	294 rural communities established rural landholding plans that provide legal, written records of land rights for approximately 68,700 landholders.	<p>31,100 land parcels surveyed.</p> <p>15,226 landholders submitted documents of proof to claim proprietorship titles.</p>	<p>Satellite surveys and mapping introduced.</p> <p>Global Positioning System used in field surveys.</p> <p>Computer technology used for registry operations.</p>

MCC-funded advanced technology to promote transparency, including the Continuously Operating Reference Stations on the right.



Access to Justice Project

The \$21.5 million Access to Justice Project aimed to reform Benin’s legal and judicial environment, which prior to the MCC compact suffered from insufficiently qualified personnel, untimely court decisions, corruption, difficulties enforcing decisions, and outdated laws and codes regulating economic and social life. The alternative dispute resolution intended to complement the traditional court system was not being utilized, and the time and procedures required to register a business were lengthy and complicated.

Improvement of Alternative Business Dispute Resolution	Business Registration Improvement	Judicial Branch Capacity Building	Legal Aid Training	Establishment of the Legal Information Center	Courtroom Construction
Expand the Arbitration, Mediation and Conciliation Center of the Chamber of Commerce and Industry. Provide outreach training to increase awareness of alternative methods of business dispute resolution.	Streamline and shorten the process to register a business.	Train judges and law clerks in banking law, securities, credit litigation, maritime litigation, economic crime, and financial crime.	Provide training on legal information to Beninese citizens to increase their understanding of the legal system and their rights.	Provide a training and dissemination center for court decisions, laws and other legal resources, as well as a space to share best practices and to document judicial decisions.	Provide streamlined procedures to save time and money and promote the development of modern business activity and investments.
51 information sessions held. 77 cases resolved.	Average days to register a business is 5 days, down from 10 in 2006. 18,738 new enterprises registered during compact implementation.	100 judges and 98 clerks trained. Surveys show 70 percent confidence in the justice system, up from 35 percent in 2006.	1,000 Beninese received training, including operators of micro, small and medium enterprises; farmers' associations; and elected local officials. 25 percent of participants were women.	Center established, constructed and furnished.	4 courts of first instance built in Savalou, Allada, Abomey-Calavi, and Pobè. 1 appellate court built in Abomey-Calavi.

The four new courts are located in the towns of Savalou, Allada, Abomey-Calavi, and Pobè.



Principles into Practice: Policy Reforms

MCC's investments seek to address fundamental barriers to growth and poverty reduction and to generate significant new income for beneficiaries long after MCC compact programs end. To make the most impact today and for years to come, MCC's investments cannot happen in isolation. That is why MCC and partner countries look closely at surrounding conditions in which an investment will be made and plan reforms in those areas that would limit a compact's impact and sustainability. These can be changes to national policies, laws, regulations, or ways of doing business. Below are some examples of reforms that have accompanied MCC investments in Benin. These reforms help unlock the full potential of MCC programs and improve the broader conditions for continued growth and investment in Benin.

Access to Markets Project

- ★ The Government of Benin adopted the Program for the Verification of Imports, a significant improvement to the customs process. Implemented in August 2011, this new control has dramatically increased government revenues and reduced corruption.
- ★ The Government of Benin is reforming the customs code and expects to introduce a draft in early 2012.
- ★ Benin invested in improved port security. When the U.S. Coast Guard inspected the Port of Cotonou in October 2011, it declared the port compliant with the International Ship and Port Facility Security Code, the international framework for evaluating ship and port facilities' safety and security risks.
- ★ The Port of Cotonou significantly reformed its financial management based on annual audit recommendations and placed new controls on automated systems with less opportunity for fraud and corruption.

Access to Financial Services Project

- ★ Benin's regulatory function for microfinance institutions was expanded and strengthened. Strict standards are now applied to assist institutions in providing a more reliable facility for deposits and more effective lending to credit-worthy microentrepreneurs.
- ★ Benin's National Microfinance Policy, adopted in November 2007, formalizes the government's commitment to supporting access to financial services by enhancing the professional status of the MFI sector and improving its integration into the national financial sector. The policy establishes a National Microfinance Committee to set national microfinance policy and supports the unit responsible for conducting MFI inspections and sanctions.

Access to Land Project

- ★ The Government of Benin adopted the Declaration of National Policy on Landholding and the Domain, which consolidated the elements of the nation's rural and urban land reform, including those assisted by the compact. The declaration directs all government agencies to pursue the same policies and reform approaches in their programming and budgeting, ensuring consistency and predictability.

- ★ The Code of Landholding and the Domain, presented to the National Assembly in 2011, seeks to consolidate all land reforms and introduce fundamental new rights of landholding in Benin. In particular, the civil law concept of prescriptive acquisition will allow those who have occupied land openly and peacefully over time to gain proprietorship rights and receive protection from false claims, harassment and abuses of the state's domain powers. The law is undergoing the Beninese parliamentary passage and judicial review process. The new code also will incorporate rural land rights legislation passed in 2007, which served as the basis for the development of 294 rural land plans.

Access to Justice Project

- ★ The promulgation of the Code of Administrative, Civil, Commercial, and Social Procedure in 2011 modernized the procedural rules of courts. The code is designed to speed case processing and enhance efficiency in the justice sector.
- ★ New rules and procedures for judicial case management were developed. Computerized case management systems were implemented in existing courts and will be installed in new courts.
- ★ Benin passed a new Anti-Corruption Code in August 2011, an essential step in facilitating the prosecution of fraudulent acts.
- ★ The creation of a new “one-stop shop” for business registration streamlined the process. This contributes to the project's objective by reducing the amount of time necessary to register a business.

MCC's Core Principles

MCC's mandate is to reduce poverty through economic growth by partnering with countries committed to good governance, economic freedom and investments in their citizens. MCC is a prime example of smart U.S. Government assistance in action, benefiting both developing countries and U.S. taxpayers through competitive selection, country-led solutions, country-led implementation, and rigorous accountability for results.

Insight into Implementation

Over the course of the compact, the MCC core principles of country ownership, transparency, good governance, and accountability for results have been at work.

Country Ownership. The Government of Benin, including at the highest levels of government, fully supported compact implementation. It passed difficult policy reforms that countered ingrained interests but were necessary to achieve compact objectives. It also provided \$10 million in counterpart funding as originally promised in the compact, added \$5 million in additional funds and established a \$6.6 million reserve fund to permit additional investments at the Port of Cotonou.

Transparency. MCA-Benin was consistent in pursuing the objectives agreed upon in the compact and was a responsive and transparent partner with MCC. MCA-Benin consistently performed in a manner that complies with MCC policies and standards. Multiple audits during compact implementation reported no adverse findings.

Good Governance. Despite its poverty, Benin is a stable democracy in West Africa. Two political transitions—the presidential election in March 2011 and the municipal elections in April 2011—were conducted in a peaceful and fair manner during the compact period.

Accountability. The construction of new courthouses—one appellate court and eight courts of first instance—initially was planned as the capstone of the Access to Justice Project. The compact condition precedent required the passage and implementation of the civil procedure code and the implementation of information-based case management systems in existing tribunals prior to the start of construction. When these conditions were not fully met, MCC informed the Government of Benin in April 2010 that MCC would finance only the appellate court and the four courts of first instance with the estimated highest volume of cases. The Government of Benin then funded two additional courts of first instance and passed the civil procedures code. The Government of Benin is working with the European Union to continue implementation of information-based case management systems across all new courthouses.

Sustainability of Impacts

Coordination and Sustainability in the Development Community

The U.S. partnership with Benin addressed obstacles to investment and economic growth by promoting land security, increasing access to capital for MSMEs, creating a more efficient judicial system, and modernizing and expanding the Port of Cotonou. Over the next 20 years, MCC's investments in Benin are expected to benefit the entire population of the country, reduce poverty and increase income for beneficiaries. MCC coordinates with other donors to continue successful projects, gain synergy from other donor investments and ensure the partner country's long-term success.

- ★ **U.S. Government Interagency Collaboration:** MCA-Benin and the Peace Corps formalized an existing partnership agreement for Peace Corps volunteers to work with beneficiaries of the Access to Financial Services Project. Volunteers are engaging with small business entrepreneurs to improve basic management skills, computer skills and marketing strategies. Volunteer training took place in April 2011 and will continue in the future.
- ★ **Donor Coordination and Sustainability:**
 - ★ MCC and the European Union worked on and jointly planned judicial reform projects from the start of the compact, successfully avoiding duplication, maximizing value for investment and supporting Government of Benin policy reforms. MCC and the EU collaborated in the development of computerized case management systems for six of Benin's eight courts of first instance.
 - ★ The Government of Canada launched a program supporting the microfinance sector, including a component designed to follow and continue MCC's support to the Ministry of Finance's Microfinance Supervision Unit.
 - ★ Other European development partners have expressed interest in pursuing extensions to the rural land registration activities under the Access to Land project. They continue to work with Benin to develop the details of the additional program investments.

Focus on Results: Post-Compact Monitoring and Evaluation

Results are a core focus of MCC's development model. Monitoring and evaluation (M&E) starts at compact development, with creation of a formal M&E plan and an indicator-tracking table on program data. Data collection continues during compact implementation, and post-compact impact evaluations are carried out to measure long-term effects of MCC investments.

In parallel to MCC-driven M&E activities, MCA-Benin proposed the creation of a Millennium Development Agency to support reforms launched and implemented under the compact and to continue monitoring and evaluating compact results. The Government of Benin plans to establish and fully fund this new organization.

MCC Post-Compact M&E Plans

More results to come

MCC funds independent impact evaluations to answer the fundamental question of whether an investment achieved its intended impact—to raise incomes for program beneficiaries in a cost-effective manner. These evaluations are only conducted upon program completion and generally take at least one year to execute. While M&E plans help identify results during implementation and signal whether programs are on track to meet their goals, it is important to wait for impact evaluations to confirm income gains attributable to MCC investments.

In addition, MCC is partnering with the Government of Benin in the collection of evaluation data:

- ★ The Department for Land Registry is expected to continue collecting information on the costs to transform urban living permits to land titles.
- ★ The Financial Structures Supervisory Unit will collect information on the value and number of loans provided by MFIs nationally.
- ★ The Ministry of Justice will collect information on the percentage of cases resolved in courts each year.
- ★ The Port Authority of Cotonou will collect data on the volume of traffic through the port.
- ★ MCC will likely contribute to the National Statistics Institute's national household survey in 2013 to collect follow-up data on indicators, including household incomes, investment in land and confidence in the judicial sector.

Planned Impact Evaluations

Project and Activity	Expected Timing of Final Evaluation Results
Access to Land Project: Rural land plans	2014
Access to Land Project: Conversion of urban living permits to land titles	2014
Access to Financial Services Project: Capacity Building Activity (Challenge Facility)	2014
Access to Financial Services Project: Financial Enabling Environment Activity	2014/2015
Access to Justice Project: Court Construction Activity	2014
Access to Justice Project: Arbitration center	2014
Access to Justice Project: Business registration	2014
Access to Markets Project: All activities	2014/2015

The partnership between the United States and Benin is providing access to capital, enhancing land security, creating a more efficient judicial system, and improving and expanding the Port of Cotonou. These investments are reducing poverty, creating economic growth and contributing to greater hope and opportunity for the people of Benin. Over the next 20 years, MCC's investments in Benin are expected to benefit the entire population of the country.

Success Story

Like most rural landholders in Benin, Nestor Hassou had no formal property title. Situations like his can lead to major land disputes, which comprise 70 percent of all of Benin's court cases. MCC worked with Nestor and people in 294 communities to establish rural landholding plans that provide legal, written records of rights. These plans will strengthen property rights for more than 637,000 people. Improvements in land security will encourage landholders like Nestor to invest in their land and use it as collateral to access credit.



Nestor Hassou